

Appendix 5 – Response to Welsh Government on the Provisional Settlement

Re: Local Government Provisional Settlement 2026/27

Thank you for the opportunity to comment on the Provisional Settlement announced on 24th November 2025.

It is welcomed that the Welsh Government were able to propose a 2.7% average increase in the local government provisional settlement for 2026/27, with a funding floor that looked to ensure that no local authority had an increase of 2.3%.

Furthermore, the resultant budget agreement between Welsh Government and Plaid Cymru confirmed by Welsh Government on the 9th December, that will see local authorities now receiving an average 4.5% increase and no local authority receiving an increase of less than 4.0%, was again well received. Understanding that this will now feature as part Welsh Government's final budget and the final local government settlement.

Taken together this funding to local government assists further to allow the Council to address the burden of pressures and demands on frontline services whilst ensuring that a focus is maintained on prevention and in delivering the Council's core priorities.

Your letter of 24th November acknowledges the challenges local authorities have been facing and continue to face. Difficult local choices still remain in setting the budget for 2026/27, with the Council having to accommodate £17.5m of pressures in its draft budget proposals. Despite this our draft budget proposals continue to focus on tackling inequalities and protecting the most vulnerable in our society, seeing increases in funding with Social care & health increasing by 5.6% and for Education by 4.7%.

We welcome the ongoing and constructive discussions with you and your officials. The improved settlement and the wider flexibilities being considered assist in mitigating any further impact on services as the Council looks to address a remaining budget gap of £1m.

The Council is also having to consider raising council tax to avoid any adverse impacts on social care, schools and frontline services.

On 21st January 2026, Cabinet will publish its draft budget proposals for public feedback and review for a four-week period. At the meeting, Cabinet will note this response to the provisional settlement and that reflects the opinions of members.

The Council will now seek to involve stakeholders and the public in various budget consultation events through its website and social media.

In response to the consultation on the provisional settlement we would make the following points:

Core funding considerations

- a) Monmouthshire relies on council tax to fund its services more than any other council in Wales. Council tax will have to go up again in 2026/27 because of the financial challenges facing the council. Striking the right balance between council tax increases and the reduction of services that support the most vulnerable in our community is not easy and involves inherent choice.

The Council therefore welcomes the Welsh Government's continued funding for the Council Tax Reduction scheme that helps low-income and vulnerable households pay their council tax.

- b) The overall Welsh Government Settlement for 2026-27 was more than was expected when set against the UK Government's spending review and Autumn Budget.

We are grateful to Welsh Government in their support to prioritise public services in recent years and for 2026/27. Whilst we continue to carry the same optimism about the future there remains a clear risk about the possibility of further real term reductions in public funding beyond 2026-27 as the concerns around economic growth and stability globally and in the UK continue.

Multi-year settlements for resource and capital being provided remain essential to support medium-term financial planning by the Council and public services at large in Wales.

We look forward to any future Welsh Government in turn being able to provide a multi-year indicative local government settlement budget as part of its next budget.

In the meantime, we urge Welsh Government to make the strongest case possible to UK Government for a fair distribution of funding and further and ongoing support for local authorities and public services in Wales.

- c) As a rural authority Monmouthshire is confronted by particular challenges in offering services like social care, waste collection, transport and highways across a wide area. Indeed, the council looks to recognise these difficulties by sustaining locally accessible services to combat rural isolation.

Monmouthshire calls on the Welsh Government to base funding on a fairer system, acknowledging the particular challenges counties with both significant rural and elderly communities face when providing services across a diverse geography, and where life circumstances lead to disproportionate impacts of demand upon services.

We would also highlight that some councils have very high levels of reserves, while Monmouthshire, in common with others, has very low levels of reserves. We suggest that this should also be taken into account in the distribution or allocation of specific grants.

Service issues and risks

- d) The Council faces ongoing challenges in meeting the needs of the most vulnerable people within Monmouthshire, as it experiences challenging levels and complexity of demand, coupled with significant workforce pressures. The Council continues to work closely with the Health Board to ensure more people safely return home from hospital and to ease winter pressures on our health and social care system.

The Council will continue to work with the Health Board to identify and progress system changes that allow for improved pathways of care. Notwithstanding this the level of continued and increasing pressure on social care resulting from the health board being supported to enable safe discharge from hospital should be recognized and the strain that it is putting on social care and the Council's finances more widely.

The Council urges Welsh Government to come up with a fully funded plan for social care in Wales, and to work with UK Government to ensure the necessary funding is provided. The Council also calls for more recognition of the role and importance of social care, and more and ongoing collaboration and prevention work with the NHS.

- e) The Connecting Care Social Care Programme looks to deliver our shared ambition for a modern, integrated care system that improves outcomes for citizens and maximises value for public services across Wales.

I am aware that Cllr Andrew Morgan wrote to you and other relevant Cabinet Secretaries on behalf of the WLGA and local authorities on 8th December to express our increasing concern regarding the absence of confirmation of grant funding for the programme beyond March 2026.

The programme reflects an unprecedented level of partnership across local government, ADSS Cymru, Social Care Wales, and the WLGA. With robust and effective governance in place nationally, regionally and at a local level. All of this to ensure a system solution is implemented and that delivers the immediate and ongoing strategic needs of social care in Wales.

We ask that Welsh Government respond with clarification on the funding and financial contribution to support local authorities through implementation.

- f) We fully support the Eliminate agenda as a policy direction that aims to remove profit from the children in care market and improve their outcomes. The transition from a formula to bid based methodology for specific revenue grant funding resulted in a notable year-on-year grant reduction for which the Council has then had to include as part of its budget proposals for 2026/27. Such as to ensure that progress and transition continue to be made.

Any lack of certainty around future funding creates operational and financial uncertainty for local authorities. The operational pressures and ripple effects of this policy continue well beyond that with local authorities having to compete with other strategic priorities for capital monies from the Gwent Regional Programme Board.

We welcome the ongoing engagement by Welsh Government with local authorities and ask that Welsh Government continues to fully recognize the ongoing revenue and capital support needed for local authorities to enable the transition required.

- g) Schools and ALN remains an area of significant pressure and concern. The Council is, as part of its draft budget, investing £1m over and above all pay and pension increases into schools. Regardless of the investment the Council is making school budgets remain under significant strain with schools still having to find wider efficiency savings to respond to pressures.

School balances have been in significant decline both across Wales and in Monmouthshire. A number of schools in deficit are having to instigate budget recovery plans. These challenges are at a time when schools will face significant challenges in delivering the new Curriculum for Wales and the ALN and Tribunal Act, as well as improving standards and supporting vulnerable learners.

It is important that Welsh Government continues to support schools in meeting these ongoing pressures through future core settlement funding and specific grants.

- h) We welcome the fact that Welsh Government is embedding climate change and the nature emergency into everything it does. Our own commitments and ambitions are fully aligned with this intent. Whilst we see a pipeline of specific grant funding streams (e.g. low carbon heat grant) next year, we continue to seek clarification and understanding of the significant level of funding needed to support and stimulate the transition to net zero. We ask that Welsh Government continue to press UK Government for the funding needed and to allow the public sector to make the necessary and significant transition, as well in supporting and enabling communities and businesses to do the same.

More widely it is welcomed that local government has benefitted from Welsh Government seeing an increase in capital funding for 2026/27, leading to an increase in General Capital Funding (of £50,000 or 0.9%) and the further benefit of revenue base funding introduced into the settlement for 2025/26 to support highway maintenance expenditure.

We do however raise ongoing concern about the capital funding constraints on the Council's infrastructure assets and the ability to address significant and increasing unfunded capital pressures and to allow us to invest in priority areas. We, along with other councils are continuing to have to react to the potential failure of key highways structures and networks, rather than proactively investing to maintain assets to the required standard.

More recently this extends to the impact of recent flood and storm events that have seen separate representations being made and positive engagement with Welsh Government around additional capital funding being provided not only in respect of the response efforts, but the resultant repair and recovery work needed.

Finally, we would ask Welsh Government to review the threshold under the EFAS (Emergency Financial Assistance Scheme). Currently any local authority must

meet the full cost of the emergency response up to a threshold equating to 0.2% of its budget requirement. Whilst understanding the threshold is cumulative and can apply to multiple events in any one financial year we feel the threshold should be lowered (e.g. to 0.1% of budget requirement) given the scale and frequency of such extreme weather events is increasing as we suffer the adverse effects of climate change.

Other Notable Matters

- i) Monmouthshire agrees with the Welsh Government's aim to reduce unnecessary bureaucracy and move grants into the de-hypothecated settlement. The continued commitment to reduce the administrative burden on local authorities is welcomed.

We very much welcome the ongoing constructive dialogue taking place with WG officials and supported by Cabinet Secretaries to entertain and offer flexibility with grant funding terms and eligibility criteria such as to ensure that policy aims and ambitions of both Welsh Government and local authorities are not hindered and where funding criteria are not always meeting with local circumstances and delivery constraints.

Moreover, early notification of grant awards will go a long way to help with budget planning for next year. Of significance, the Sustainable Waste Management Grant is yet to be confirmed for 2026/27 which alongside allocations of funding to councils from the Extended Producer Responsibility system is creating unhelpful budget risk and uncertainty ahead of the Council's budget being approved for next year.

- j) Whilst the pay award assumptions factored into the budget are set at a level which is seen as prudent uncertainty remains around the pay awards for local government staff and teaching staff. Actual pay awards will not be confirmed nationally by independent pay bodies until later in 2025 and therefore future consideration might need to be given in-year to adjust pay budgets.

We urge Welsh Government to engage with pay review bodies and to disclose the anticipated pay offers to local authorities well in advance of budget setting. The current situation leaves the Council vulnerable to further potential pay pressures next year.

- k) Businesses are facing ongoing challenges with risk around economic growth and stability, and inflation and rising costs. The continued support for businesses is welcomed as outlined by the Cabinet Secretary for Finance and Welsh Language on 3rd December.

Notwithstanding the transitional relief afforded to business resulting from the revaluation exercise undertaken, the reduction and changes to NDR multipliers for 2026-27, and the reliefs and support being maintained, initial analysis we have undertaken illustrates remaining and material impacts on large employers and hospitality businesses.

We ask Welsh Government to analyse the impacts of the changes introduced and give serious and active consideration to any further targeted support or relief needed.

The ongoing support for businesses that represent the lifeblood of the Welsh economy is essential. Given there are no current plans for any wider structural reform of the business rates system in Wales our primary concern is that without the necessary support and targeted reliefs to businesses we are likely to see impacts that will have a lasting damage on the businesses, towns and high streets in Wales.

The Council is extremely grateful to the Cabinet Secretary and her officials for her “listening ear” and their continued engagement and support. Championing local government and ensuring that it receives a fair and equitable share of the funding available. Again we see this reflected in an improved funding settlement for local government.

Notwithstanding the optimism concerns remain that the growing demands and expectations on local council services in Wales will continue to be met. Monmouthshire and all of local government in Wales wants to continue working closely with the Minister to ensure local government finances are put on a sustainable footing and to deliver the services that our communities need.

We share common goals of reducing inequality and poverty, and addressing the climate and nature emergency. With prevention at the heart of what we do. There is a clear and collective acknowledgement of the challenges faced by residents, businesses and public services and we look forward to working with Welsh Government through the social partnership that binds us together as public services.

Yours sincerely,

Councillor Ben Callard – Cabinet Member for Resources