

**DETAILS OF THE WELSH GOVERNMENTS PROVISIONAL FUNDING SETTLEMENT FOR LOCAL GOVERNMENT 2025/26**

1. The Provisional Settlement for 2025/26 was received by the Council on 11th December 2024. The Council's provisional AEF (Aggregate External Finance, which consists of the Revenue Support Grant [RSG], and our share of the non-domestic rates pool [NDR]) from WG for 2025/26 equates to £215.222m.
2. WG have produced tables so that funding levels in 2024/25 and 2025/26 can be compared on a like for like basis across all Welsh councils. The restated 2024/25 figure has been slightly amended by WG since its initial publication. The council's 2025/26 funding compares with a restated 2024/25 AEF of £205.729m. A headline increase of £9.493m or 4.6%.

It is important to understand the detail behind the restated 2024/25 AEF, as it has an impact on 2025/26. Following the UK Gov budget in October 2024, Welsh Government allocated additional in year funding to Local Government, which is summarised in the table below. This has been amalgamated into the base budget, but as this is a recent movement it has had the effect of increasing the funding in 2025/26 over and above the 4.6% quoted. The true impact of the provisional settlement is an increase of £14.427m or 7% (the council's 2025/26 funding compared with the original 2024/25 AEF of £200.795m).

<b>2024/25 Adjustments to AEF</b>	<b>£m</b>
Teachers Pay	0.619
Teachers Pensions	2.069
Non-teaching Pay	1.799
<b>Total</b>	<b>4.487</b>

3. Denbighshire's increase compares favourably to the Welsh average of 4.3% and follows increases in pupil numbers and free school meals data being used in the formula to distribute funding. We must recognise though that there is also a corresponding increase in demand for services as a result.
4. Within the announced figure WG have advised the following:
  - All pay increases for both teaching and non-teaching posts are included within the settlement.
  - The costs of enabling authorities to continue to meet the additional costs of introducing the Real Living Wage (RLW) for care workers are included in the settlement.
5. The UK government's Autumn Statement referred to changes in rates and threshold for employers' National Insurance Contributions from 1st April 2025. The increase in contributions will impact on the costs of employees the council directly employs and will also impact indirectly through increased supplier costs and, the cost of commissioned care from care providers in particular. The increase in the direct costs of employers' contributions is certain and will be included in the council's cost pressures for 2025/26 (see appendix 3). Some uncertainty remains around funding for this cost pressure from both UK and Welsh Governments; WG expect funding to be provided by UK government during the first half of 2025/26 financial year following assessment of costs of public sector workers in Wales. This means we will not know the position with regards to funding for the increase in employers National Insurance until after our budget for 2025/26 has been set.
6. The Final Settlement is expected towards the end of February. Given the range of increases (across different Council's) WG state that they are open to considering providing additional floor funding at final budget and this would protect council's that have received a lower percentage increase in funding. WG cannot guarantee that there will be no other changes between the provisional and final settlements, but do not intend to make changes to methods or data underpinning the distribution of the settlement.

7. Part of WG Programme of Government commits to ensuring local authorities are not hampered by unnecessary bureaucracy. A programme of work to reduce the number of separate grants paid to local authorities continues to move grants into the settlement. As a result, there have been 'transfers in' and 'transfers out' included in the draft settlement. Grant funding ceases to be ringfenced for a specific purpose or initiative, with any grant 'transferring into' the settlement alongside the ongoing responsibility to deliver that initiative. Homelessness grants have 'transferred in' which relates to the 'No-one left out' (NOLO) approach and the discretionary homelessness prevention grant.
8. In summary, whilst the increase in the settlement is above the planning assumption used in the Medium-Term Financial Plan (MTFP) is positive and welcomed it does not resolve the financial challenges the council faces in setting a balanced budget in 2025/26, which will still require a combination of savings and increases in Council Tax.