



Ministry of Housing,
Communities &
Local Government

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Florence Eshalomi MP

Chair of the HCLG Select Committee

9 February 2026

Dear Florence,

Final Local Government Finance Settlement 2026-27 to 2028-29

I would like to draw the attention of the Committee to the publication of the Local Government Finance Settlement 2026-27 to 2028-29. Today the Secretary of State has laid before Parliament the Local Government Finance Report (England) 2026 to 2027 and the Referendums Relating to Council Tax Increases (Principles) (England) Report 2026 to 2027. Together, the reports form the Local Government Finance Settlement for 2026-27. On Wednesday 11 February, Parliament will have the opportunity to consider these reports.

This Settlement is a landmark in the story of local government and through it, we have delivered a significant programme of reform. We have given councils multi-year funding certainty for the first time in a decade; updated significantly out-of-date data to realign funding with need and deprivation; simplified the fragmented funding system through consolidating nearly £57 billion of grant funding, and reset the business rates retention system. To move the system towards early intervention and prevention, we have also committed to transformational reforms and investment in homelessness and rough sleeping services; social care; and special educational needs and disabilities (SEND). Today's announcement on SEND deficits directly responds to the calls we have heard for a solution.

We are also making progress at pace on our commitment to devolve the right powers to the right levels, and end the two-tier local government system to establish new single-tier unitary councils. We have also published a strategy to overhaul the local audit system, and there are a range of audit measures within the English Devolution and Community Empowerment Bill including the establishment of the Local Audit Office in Autumn.

We are taking action to fix the foundations of local government.

The Final Settlement

This Settlement follows four consultations on these changes as well as extensive engagement with the local government sector. I appreciate the contribution local government and others have made to the development of these

proposals. We received 232 responses to the provisional Settlement consultation, and I met with over 100 MPs during the consultation period. This engagement has shaped the final Settlement I am announcing today.

The government will provide over £5.6 billion of new grant funding towards local government services over the next three years. This includes announcing today an additional £740 million in grant funding as part of the final Settlement for 2026-27. This takes the total new grant funding delivered through the annual Settlements for 2026-27 to 2028-29 to over £4 billion.

With this new funding and other available funding in the Settlement, we are setting out:

- A £440 million additional uplift to the Recovery Grant bringing the total to £2.6 billion through the multi-year Settlement;
- £272 million in additional allocations within the Homelessness, Rough Sleeping and Domestic Abuse Grant, bringing the total through the grant to £2.7 billion;
- An additional £39.6 million for Mayors to build their capacity, bringing the total to £138.6 million through the multi-year Settlement; and
- An additional £15 million over the multi-year Settlement to support standalone Fire and Rescue Authorities.

By the end of the multi-year Settlement, we will have provided a 15.5% increase in Core Spending Power, worth over £11.4 billion, compared to 2025-26. Since coming into power, we will have made available a 24.3% increase in 2028-29 compared to 2024-25, worth £16.6 billion.

We have listened to feedback and, as a result, have made technical changes to ensure that we more accurately reflect councils' current income from local business rates pooling arrangements – a way councils share risk in the business rates system. The Institute for Fiscal Studies noted that the method we used to do this assumed many districts and the City of London started with significantly more funding from pooling than they do in practice. We are committed to changing this, while providing protection for councils for the first year of this change, giving them time to adapt.

To achieve this, the government will provide a one-off Adjustment Support Grant in 2026-27 to authorities who would otherwise see their Core Spending Power reduce in 2026-27, compared to indicative allocations set out at the provisional Settlement. Allocations for this grant are set out within the final Settlement. The pooling assumptions for 2027-28 and 2028-29 will be subject to consultation at the next Settlement, and we will provide an update to councils in due course.

SEND deficits

The government is driving forward SEND reform, with full details to be set out in the upcoming Schools White Paper. In advance of this, the government will resolve 90% of local authorities' Dedicated Schools Grant (DSG) High Needs deficits accrued to the end of 2025-26, projected to be worth over £5 billion. All local authorities with a SEND deficit will be eligible to receive grant funding, subject to submitting and securing the Department for Education's approval of a local SEND reform plan. Resolving deficits accrued to the end of 2025-26 could also cut the cost of financing those existing deficits by an estimated £300 million by 2027-28.

We know that SEND reform will take time to fully embed and local authorities will need further support. For deficits that arise in 2026–27 and 2027–28, local authorities can expect that we will continue to take an appropriate and proportionate approach, though it will not be unlimited.

Exceptional Financial Support

Our local government finance reforms get money to where it is needed, but we recognise that some councils remain in a challenging financial position as they continue to deal with the legacy of the previous system. Some have requested additional flexibility to increase their council tax without holding a referendum next year. We have carefully considered requests from these councils and only agreed to small additional flexibilities in seven councils – less than was requested in all but one area. Decisions on council tax levels are for local authorities. Six police authorities will also receive additional flexibility of £3.50, and one fire authority will receive an additional £5.

Local Outcomes Framework

In parallel, the government has also published the Local Outcomes Framework (LOF) ([Local Outcomes Framework - GOV.UK](#)). The Framework sets out national priority outcomes delivered locally and underscores the role of councils as leaders of place.

Drawing on the Missions and the Plan for Change, the Framework strengthens the basis upon which government supports and holds councils to account for improvements in local outcomes.

The Framework is the product of extensive engagement with the sector since July 2025. The final title — the Local Outcomes Framework — reflects the importance of partnership working in aligning effort, reducing fragmentation, and improving outcomes for citizens. The Framework will support councils in convening local partners, articulating shared priorities, and enhancing transparency.

It will be operational from 2026–27 for the Spending Review period. Local authority Chief Executives and Mayoral Strategic Authorities have been notified of its publication.

Further detail on the final Settlement has been published today here: [Final Local Government Finance Settlement: England, 2026-2027 to 2028-2029 - GOV.UK](#)

I look forward to meeting tomorrow.

Yours sincerely,

Alison McGovern



Minister for Local Government and Homelessness