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To: Policy & Resources Committee - 13 November 2025

Subject: **Budget Planning 2026-27 Update**

Classification: **Unrestricted**

Summary:

This paper sets out:

- The major issues affecting revenue spending and the high level strategy to achieve a balanced budget for 2026-27
- The timetable for preparing the draft budget 2026-27 and medium term financial plan 2026-29
- Main messages from the summer budget consultation
- The next steps

For several years the Council (in common with the majority of other councils) has been facing spending increases in excess of the resources available from central government and local taxation. This has required the budget to be balanced through a combination of savings, generating additional income, and temporary one-off measures including use of reserves and where permitted capital receipts to fund revenue costs. 30 councils (not including KCC) have been approved for additional measures in 2025-26 under the government's Exceptional Financial Support arrangements, with 6 of these also subject to statutory interventions. Due to the significant changes in funding expected following the Fair Funding 2.0 Review it has not been possible to publish a meaningful full draft budget for the November round of cabinet committees. However, key decisions on individual elements within the budget plans for 2026-27 can be considered by cabinet committees, in principle, ahead of final draft budget and approval by County Council in February 2026. Consultation on budget strategy has now closed with nearly double the number of responses compared to last year.

Recommendations:

Policy and Resources Committee is asked to NOTE and COMMENT on 2026-27 Budget planning, timetable and strategy towards setting a balanced budget.

1. Introduction

1.1 The 2025-26 revenue budget, 2025-28 medium term financial plan (MTFP) and 2025-35 capital programme were approved by County Council on 13th February 2025. The one-year local government finance settlement meant that revenue plans for 2026-27 and 2027-28 were indicative. The indicative plan for 2026-27 included the amounts as set out in Table 1 below which left an unresolved gap of £20.1m. The indicative plan was based on a number of assumptions e.g. same council tax referendum limits as 2025-26 (5%), no increase in government settlement other than from indexation for grants linked to business rates, inflation based on November 2024 Office for Budget Responsibility forecasts, demand and cost driver spending growth based on recent trends.

Table 1 – High Level Budget Equation

	Core Funded
Forecast spending growth	£113.0m
Estimated increased funding	£73.9m
Funding Gap	£39.1m
Resolution of Gap	
Reversal of temporary savings	+£10.7m
FYE and new savings and income	-£42.6m
Net Change in Reserves	+£12.9m
Unresolved balance	-£20.1m

1.2 Consultation on the 2026-27 budget strategy was launched on 5th August 2025 and ran for 8 weeks up to 29th September. In the consultation the unresolved balance was estimated to have increased to circa £50m to take into account the need to replenish the General Reserve for the £20m drawdown to balance 2024-25 outturn, and early monitoring forecasts for 2025-26.

1.3 An initial refresh of the previous plans for 2026-27 and 2027-28 has been undertaken based on more recent 2025-26 forecasts and up to date assumptions including the Council's estimated share of additional funding for local government announced in the June 2025 Spending Review, latest inflation forecasts and other latest forecasts for spending growth, and updated profiles for savings delivery. These updates increase the unresolved balance to an estimated circa £60m for 2026-27. However, this is before any assumption on the outcome of Fair Funding 2.0 review or changes to reflect the draft strategic priorities for Reforming Kent presented to County Council on 18th September 2025.

2. Spending Growth and Budget Strategy

2.1 The levels of spending growth continue to pose the biggest financial challenge. This has been acknowledged in the Ministerial Forward to Fair Funding 2.0 "This government is under no illusion about the scale of the issues facing local government. We know that the demand for, and cost of, services has increased significantly – and that this has made the job for local authorities in recent years much harder". This acknowledgement is welcome, as is the Government's intention to re-establish a multi-year local government finance settlement, which should improve medium term financial planning. However, it does not mean that all spending growth will be fully funded and that councils will not continue to have to find innovative new solutions to balance revenue budgets over the coming years.

2.2 The spending growth arises from the different factors as set out in Table 2. These reflect a continuing pattern of recent years.

Table 2 – Main drivers of spending growth

Base Budget changes	Full year effect of variances (ups and downs) from current year
Price uplifts	Includes forecast contractual index linked uplifts and negotiated increases. These uplifts impact on totality of current spending covered by contracts e.g. all social care client placements.
Demand drivers	Includes forecast increases in client numbers/activity levels, e.g.

	increases in the number of clients eligible for adult social care
Cost drivers	Non-inflationary cost increases due to market availability e.g. higher cost for new client placements. Also includes forecast increases from retendering contracts due to market forces.
Pay	Second year of transition to new pay scales and progression within pay scales, annual pay award provision, existing policy to match Foundation Living Wage uplift for lowest paid staff
Service strategies	Cost increases associated with individual service plans although this is by far the smallest element of spending growth.

2.3 The proposed strategy to balance the 2026-27 budget needs to include a mix of actions including resisting spending growth where there is an element of local choice, maintaining adult social care net growth (growth less savings/income) within an affordable level without imposing unrealistic savings targets (and ensuring central government requirements on use of adult social care council tax and grants are met), identifying further savings/income in other areas of council activity excluding adult social, reviewing contributions to reserves and the outcome of Fair Funding 2.0 reforms. We are anticipating a policy statement on the government's decisions following consultation on funding reforms towards end of October/early November. Depending on the timing and content of this announcement, it may be possible to provide a verbal update to the committee.

3. Budget Timetable

3.1 The significant uncertainty over the impact of funding reforms has meant it does not make sense to publish a full draft budget for detailed scrutiny in the November round of cabinet committee meetings. It is also important that the new Administration needs time to consider what elements of the existing plan should be retained and what new elements should be added, both to resolve the budget gap and to reflect emerging strategic priorities. A full draft budget will be published for the January round of cabinet committee meetings before being presented to Cabinet on 29th January 2026 for endorsement ahead of full County Council budget meeting on 12th February 2026. The key milestones culminating in final budget decisions are set out in Table 3.

Table 3 – Key Milestones

Dates	Event
11 th June 2025	Outcome of Spending Review published setting out public spending plans up to 2028-29 (day to day spending) and 2029-30 (capital investments)
20 th June to 15 th August	Government Fair Funding 2.0 consultation
5 th August to 29 th September	KCC budget consultation
Late October/Early November	Policy decisions announced following Fair Funding 2.0
13 th November 2025	Policy & Resources Cabinet Committee KCC budget update
26 th November 2025	Chancellor's Autumn Budget statement
Mid December	Anticipated Provisional Local Government Finance settlement
13 th to 21 st January 2026	KCC cabinet committees to consider KCC 2026-27 budget proposals and medium term financial plan (MTFP)
22 nd January 2026	Scrutiny Committee to consider KCC 2026-27 budget and MTFP

29 th January 2026	Cabinet to endorse 2026-27 budget and MTFP
Late January/Early February	Anticipated Final Local Government Settlement
12 th February 2026	County Council Budget meeting
Tbc	Reserve date for County Council
26 th March 2026	Cabinet to receive any late information e.g. local share of business rates

4. Exceptional Financial Support

4.1 The framework to support those councils in the most challenging financial circumstances and unable to set a balanced budget was published in November 2024. We are anticipating similar arrangements will apply for 2026-27. Under the framework councils can make a request for financial assistance towards financial pressures that they consider to be unmanageable and to enable them to set a balanced budget.

4.2 Exceptional Financial Support usually comes via a capitalisation direction that enables a local authority to borrow to fund revenue spending (borrowing to fund revenue is not permitted other than following a capitalisation direction). Borrowing is usually short-term and the costs of financing the debt have to be included within the balanced budget alongside a medium term strategy to manage spending in future years without the need for further capitalisation.

4.3 In 2025-26 exceptional support was approved for 30 authorities. Seven of those councils were also approved for increased council tax referendum thresholds of between 2.5% to 5%. Six of the councils in receipt of exceptional financial support were also subject to statutory interventions. These interventions include strengthening the powers of supporting bodies and ultimately appointment of commissioners to take over some of the council's responsibilities.

4.4 As long as the Local Authority can set a balanced budget that reflects viable savings proposals and the maintenance of appropriate levels of reserves, then there should be no need to apply for Exceptional Financial Support (EFS). However, Members need to be aware that EFS is an option, but that option comes with strings attached.

5. Budget Consultation

5.1 KCC undertook budget consultation for 8 weeks from 5th August 2025 to 29th September 2025. As in recent years the consultation sought views on council tax increases and priorities for spending and savings. The consultation was hosted on KCC website [Let's Talk Kent](#) and was supported by communications campaign. The consultation included a questionnaire and budget quiz to help respondents better understand the council's budget. Workshops and other forms of outreach took place for staff, trade unions, youth county council, and voluntary and business sector representatives. The promotion included a digital campaign (social media and e-mail to subscribers), posters/postcards in public buildings and offices, media releases/interview and promotion by elected members. In total 4,670 responses were received, nearly double the number than previous year.

5.2 The majority of responses supported increases in both the general and adult social care elements of council tax, with higher support for the general element (with over a half of these supporting increases up to the maximum referendum level). Around ¼ of

responses were opposed to council tax increases with slightly higher proportion opposing increases in the adult social care element.

5.3 The areas where respondents were most uncomfortable with spending reductions were highways, children's social care and services for schools. Respondents supported additional spending in social care (children's slightly higher than adults) as highest priority. There was strong support for realising savings from working more effectively with partners, moving services on-line and charging service users for discretionary services.

5.4 A separate fuller report on the consultation has been published and can be found at [Budget Consultation 2026-27 | Let's Talk Kent](#).

6. Next Steps

6.1 Over the coming weeks the Administration will continue to develop plans for 2026-27 revenue budget, 2026-29 MTFP and 2026-36 ten year capital programme. A high priority has been placed on immediate actions that need to be taken to bring the forecast overspend for 2025-26 down as these actions may also impact on 2026-27 budget plans. The work done to date has identified that there are no easy solutions or quick wins and that difficult decisions will need to be taken both in relation to current year spending and plans for subsequent years.

6.2 There is a need to follow due governance process throughout and where there are aspects of the budget that require key decisions these will be subject to due scrutiny. Wherever possible we will seek to obtain decisions affecting 2026-27 budget agreed in principle pending final budget approval by full Council. This will then enable decisions to be implemented to generate maximum value in the financial year. Such is the nature of the financial challenge that we will need to move at pace to find solutions, but this pace should not be at the expense of due diligence. It is anticipated that some of the actions will not require key decisions as they will be operational implementation in line with existing policy.

7. Financial Implications

7.1 Setting the annual revenue budget and ten-year capital programme is one of the most significant decisions the Council takes each year. It sets the County Council's share of council tax and the overall resource framework in which the Council operates. The budget represents the financial expression of the Council's strategic priorities and provides delegated authority to Corporate Directors and Directors to manage the budget within the parameters set out in the constitution and financial regulations. Delivery of budget plans is reported to Cabinet via quarterly budget monitoring reports.

8. Legal Implications

8.1 The Council is required by law under the Local Government Finance Act 1992 to set a balanced budget for 2026-27 before 1st March 2026. There is a separate requirement under Section 25 of the Local Government Finance Act 2003 for the Chief Finance Officer to prepare a statement on the robustness of the budget estimates and the adequacy of reserves.

9. Equalities Implications

9.1 The draft budget 2026-27 and medium term financial plan 2026-29 will include a published Equality Impact Assessment.

10. Data Protection Implications

10.1 None.

11. Contact details

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