

## **Sensitivity Analysis**

1. This sensitivity analysis assesses how changes in external and internal factors could affect Kent County Council's 2026–27 revenue budget. It sets out a clear view of current performance, key "what-if" scenarios, and the potential consequences for financial planning and risk management. External factors include interest rates, inflation, demographic demand and market sustainability. Internal factors include forecast accuracy, delivery of savings and service policy choices.

### **Baseline and current performance**

2. The Council is forecasting a substantial overspend against its revenue budget for 2025-26, which poses a serious risk to financial resilience. Any residual overspend after corrective action will need to be funded from reserves, reducing the Council's ability to respond to future challenges.

3. The most significant pressure is within adult social care, driven by rising demand, increasing complexity of needs, higher cost of placements for new clients and inflationary costs in provider contracts. Residential and community-based services for older people are particularly affected, alongside pressures in learning disability and physical disability services. Where these clients are placed and the cost of these placements is critical to maintaining financial control of social care budgets. Ensuring new clients are placed within framework contracts wherever possible is essential to managing these pressures effectively. These challenges reflect national trends but remain acute for Kent, and continued growth in demand or ability to place new clients within framework contracts could result in further overspends if not managed.

4. Children's services are also under strain, mainly due to the high cost of placements for looked after children, although this is partly offset by savings in areas such as home-to-school transport. Growth, Environment and Transport faces pressures from increased passenger journeys on concessionary travel schemes and unplanned highways works, adding to the overall financial challenge.

5. While some underspends in corporate budgets provide limited mitigation, the scale of the overspend means urgent action is being taken. Measures include a Council-wide restriction on non-essential spending, tighter recruitment controls and targeted interventions in adult social care to manage demand and renegotiate provider contracts. Despite these efforts, the position remains highly sensitive to future demand and cost trends.

## Spending Estimates

6. Total spending growth for 2026–27 is £178.0 million, an increase of £28.8 million (18%) compared to 2025–26. This also represents a significant increase compared to the £113.0m forecast for 2026-27 in the original 2025-28 MTFP. Table 1 shows a comparison of spending growth in the 2025-26 & 2026-27 in the original MTFP with the updated draft plan for 2026-27

**Table 1 spending growth in the 2025-27 MTFP vs updated draft plan for 2026-27**

|                                      | Original MTFP  |                | Updated Draft  |
|--------------------------------------|----------------|----------------|----------------|
|                                      | 2025-26        | 2026-27        | 2026-27        |
| Cost Driver (forecast)               | £48.2m         | £46.6m         | £27.4m         |
| Demand Driver (forecast)             | £23.0m         | £23.0m         | £30.3m         |
| Prices (contractual)                 | £41.4m         | £31.4m         | £28.2m         |
| Base budget Changes (FYE of current) | £10.3m         | -£0.1m         | £40.6m         |
| Other                                | £28.3m         | £12.1m         | £51.5m         |
| <b>Total</b>                         | <b>£151.2m</b> | <b>£113.0m</b> | <b>£178.0m</b> |

7. While the overall scale of growth has risen, the drivers have shifted. Table 2, 3 and 4 below show comparisons between demand (Table 2) cost drivers (Table 3) and Prices (Table 4) in 2025-28 and 2026-29 MTFP by main service/directorates.

**Table 2 Demand Drivers**

|                            | 2026-29 Draft MTFP £m |             |             | 2025-28 Final MTFP £m |             |             |
|----------------------------|-----------------------|-------------|-------------|-----------------------|-------------|-------------|
|                            | 26-27                 | 27-28       | 28-29       | 25-26                 | 26-27       | 27-28       |
| Adults & Older Persons     | 25.3                  | 25.3        | 25.3        | 11.3                  | 11.3        | 11.3        |
| Children's Social Care     | 0.5                   | 1.1         | 1.1         | 6.0                   | 5.2         | 5.2         |
| Home to School Transport   | 3.3                   | 2.4         | 1.5         | 4.7                   | 5.5         | 5.5         |
| Waste Disposal & Recycling | 1.0                   | 1.1         | 1.1         | 1.1                   | 1.1         | 1.0         |
| Other                      | 0.2                   | 0.2         | 0.2         | -0.0                  | 0.0         | 0.0         |
| <b>Total</b>               | <b>30.3</b>           | <b>30.1</b> | <b>29.2</b> | <b>23.0</b>           | <b>23.0</b> | <b>23.0</b> |
| % of Core Funded Growth    | 17.0%                 | 28.4%       | 26.3%       | 15.2%                 | 20.4%       | 19.9%       |

**Table 3 Cost Drivers**

|                          | 2026-29 Draft MTFP £m |             |             | 2025-28 Final MTFP £m |             |             |
|--------------------------|-----------------------|-------------|-------------|-----------------------|-------------|-------------|
|                          | 26-27                 | 27-28       | 28-29       | 25-26                 | 26-27       | 27-28       |
| Adults & Older Persons   | 15.8                  | 15.8        | 15.8        | 33.4                  | 33.4        | 33.4        |
| Children's Social Care   | 13.9                  | 12.2        | 11.3        | 4.4                   | 5.1         | 5.1         |
| Home to School Transport | -2.2                  | 3.6         | -1.8        | 10.5                  | 8.2         | 8.2         |
| <b>Total</b>             | <b>27.4</b>           | <b>31.6</b> | <b>25.2</b> | <b>48.2</b>           | <b>46.6</b> | <b>46.6</b> |
| % of Core Funded Growth  | 15.4%                 | 29.8%       | 22.7%       | 31.9%                 | 41.3%       | 40.4%       |

**Table 4 Prices**

|                            | 2026-29 Draft MTFP £m |             |             | 2025-28 Final MTFP £m |             |             |
|----------------------------|-----------------------|-------------|-------------|-----------------------|-------------|-------------|
|                            | 26-27                 | 27-28       | 28-29       | 25-26                 | 26-27       | 27-28       |
| Adults & Older Persons     | 9.9                   | 17.5        | 17.1        | 28.4                  | 18.3        | 15.8        |
| Children's Social Care     | 7.2                   | 4.9         | 4.6         | 3.0                   | 3.0         | 2.4         |
| Home to School Transport   | 3.5                   | 2.4         | 2.2         | 3.9                   | 2.6         | 2.1         |
| Waste Disposal & Recycling | 3.0                   | 2.6         | 2.7         | 2.9                   | 2.7         | 2.7         |
| Other                      | 4.7                   | 4.5         | 4.0         | 3.3                   | 4.7         | 4.6         |
| <b>Total</b>               | <b>28.2</b>           | <b>32.0</b> | <b>30.6</b> | <b>41.4</b>           | <b>31.4</b> | <b>27.6</b> |
| % of Core Funded Growth    | 15.9%                 | 30.2%       | 27.6%       | 27.4%                 | 27.7%       | 23.9%       |

8. Demand-related growth pressures, which dominated in 2025–26, have eased but remain significant at £30.3 million (17.0% of core funded growth) in 2026–27, compared to £23.0 million (15.2%) last year. Adults and Older Persons represent the largest contributor at £25.3 million, reflecting demographic trends and the need to manage new demand effectively. Children's Social Care adds £0.5 million, a reduction from £6.0 million in 2025–26, while Home to School Transport contributes £3.3 million, down from £4.7 million last year, primarily due to fewer school days in 2026-27 compared to 2025-26. Waste Disposal and Recycling remains broadly stable at around £1.0 million. Demand forecasts for later years currently mirror the current year as they are based on recent performance and activity data; as forecasts are refined, alternative variables will be introduced to model different scenarios.

9. Cost-related growth pressures, which were significant in 2025–26, have reduced markedly in 2026–27 to £27.4 million (15.4% of core funded growth), compared to £48.2 million (31.9%) last year. Adults and Older Persons account for the largest share at £15.8 million and reflect the strategy for 2026-27 to place as many clients as possible into placements within framework. Children's Social Care rises to £13.9 million, driven predominantly by market conditions. Home to School Transport shows a net reduction of £2.2 million driven by other costs outside of market inflation.

10. Price-related pressures account for £28.2 million (15.9% of core funded growth) in 2026–27, down from £41.4 million (27.4%) in 2025–26. Adults and Older Persons again dominate at £9.9 million, although this is a significant reduction from £28.4 million last year, reflecting tighter control over provider contract inflation. Children’s Social Care increases to £7.2 million from £3.0 million, driven by higher placement costs linked to inflation. Home to School Transport adds £3.5 million, slightly down from £3.9 million, while Waste Disposal and Recycling contributes £3.0 million, broadly in line with previous years. Other services account for £4.7 million, up from £3.3 million. Price pressures are expected to rise in later years, with totals increasing to £32.0 million in 2027–28, underlining the importance of continued focus on contract management and cost containment.

11. The significant in-year variances in 2025–26 (quarter 3 forecast overspend of £43.5 million, £49.7m of which is within Adult Social Care) will have a direct impact on the 2026–27 budget. Where spending exceeds the current year’s assumptions, the full-year effect of these pressures must be reflected in the MTFP to avoid structural deficits. This is especially critical in Adult Social Care, where higher placement volumes and costs, combined with undelivered savings, create a baseline that cannot simply be rolled forward without adjustment. The MTFP incorporates these revised baselines to ensure that ongoing commitments are funded, but the strategy depends largely upon actions that contain demand and manage placement costs in Adult Social Care within framework arrangements.

### **Key budget elements for 2026–27 sensitivity**

12. The analysis focuses on the following budget areas:

- Adult social care costs and demand
- Children’s social care demand (and costs where material)
- Waste volumes and contract retender prices
- Home to school transport demand and market capacity
- Investment income (interest rate sensitivity)
- Council tax base growth and collection risks

**Table 5 What-if scenarios (better / baseline / worse)**

| Area                       | Baseline (built into 2026–27 draft)  | Better case (downside risk reduced / upside realised)  | Worse case (adverse variation)  | Explanation   |
|----------------------------|--|--|---|---|
| Adult Social Care – Demand | Assumes demand growth is lower than recent historical trends, reflecting an expectation that demographic pressures will stabilise and that the Council will manage new demand more effectively through preventative measures and timely reviews.   | Demand growth slows further, with fewer older people requiring long-term care and greater success in supporting independence at home.            | Demand rises faster than forecast, driven by higher numbers of older people assessed as needing care and/or increased complexity of needs   | Demand is highly sensitive to demographic trends and health system pressures. A surge in hospital discharges or delayed preventative interventions could increase demand significantly.                           |
| Adult Social Care – Cost.  | Assumes successful retendering of major service contracts, with most new client placements made within framework providers and at costs aligned to the price bands set out in revised tenders. This represents a shift from previous patterns where spot placements were more common and often at higher cost. | All new placements secured within framework providers, with a greater proportion at the lower end of the price range than assumed in the budget. | Provider fees exceed planned uplifts due to wage inflation and workforce shortages. Risk that not all major providers join the framework, forcing spot placements at significantly higher cost. The 2026–27 strategy is built on controlling placement costs through framework compliance rather than relying on additional savings, so any | Placement costs are highly sensitive to market conditions and provider participation in frameworks. Failure to secure framework compliance or manage inflationary pressures could lead to substantial overspends. |

| Area                             | Baseline (built into 2026–27 draft)   | Better case (downside risk reduced / upside realised)  | Worse case (adverse variation)  | Explanation   |
|----------------------------------|---|--|---|---|
|                                  |   |  | failure to achieve this will significantly increase financial risk.   |   |
| Children's social care: demand   | Growth reflects current placement mix and health contributions.               | Demand stabilises; more children placed with in-house foster carers or independent fostering agencies rather than costly residential care.                 | Increased numbers of looked-after children and higher reliance on residential placements with rising fees.  | Placement costs vary significantly: residential care can cost several times more than fostering. Demand is influenced by safeguarding pressures and court decisions.                                |
| Waste: volumes & retender prices | Assumes household waste volumes grow by 1.5% and contract inflation adds £4m. | Lower household waste volume growth and improved recycling reducing overall waste costs. Tender prices come in below forecast.                             | Higher waste volumes (e.g., from population growth) and adverse tender outcomes increase costs.   | Waste costs depend on tonnage and market prices for recycling. Contract retenders can swing costs significantly.  |
| Home to school transport (HTST)  | Assumes most pupils attend local placements and route optimisation continues. | Greater uptake of Personal Transport Budgets (PTBs) and route optimisation reduce costs. Local placements remain available, limiting long-distance travel. | Lack of suitable local education placements for children with Special Educational Needs forces parents to seek schools outside their locality. This results in longer journeys, | Home to school transport costs are highly sensitive to placement patterns. When local provision cannot meet needs, the Council must fund longer-distance transport, increasing costs significantly. |

| Area                              | Baseline (built into 2026–27 draft)   | Better case (downside risk reduced / upside realised)   | Worse case (adverse variation)  | Explanation  |
|-----------------------------------|---|---|---|--|
|                                   |   |   | additional routes, and higher contractor rates.   | This risk can create recurring budget pressures and may require compensating savings or use of reserves.   |
| Debt Management                   | Assumes borrowing costs remain stable with no significant changes to debt profile.  | Interest rates decrease, enabling early repayment or refinancing of debt at lower cost, potentially with discounts or no penalties. | Additional borrowing required to finance capital spend or manage short-term cash flow, increasing overall interest costs. | Debt management risk relates primarily to the cost of borrowing and opportunities for early repayment. Most KCC borrowing is at fixed interest rates, meaning it is largely insulated from short-term rate fluctuations. However, active treasury strategies such as refinancing, re-profiling, or early repayment where permitted, can still reduce exposure and deliver savings. |
| Investment income: interest rates | Assumes investment returns broadly in line with current interest rates and cash balances, with sensitivity of around ±£1.3 m for each ±1% | Interest rates remain higher for longer, boosting returns on cash balances and pooled funds.  | Rates fall faster than expected, reducing investment income.  | Investment income depends on interest rates and cash balances. Higher rates improve returns, while lower   |

| Area                          | Baseline (built into 2026–27 draft)         | Better case (downside risk reduced / upside realised)                               | Worse case (adverse variation)   | Explanation  |
|-------------------------------|---|---|--|--|
|                               | movement in rates (per Q3 Treasury report). |   |  | rates reduce income.   |
| Council tax base & collection | Growth assumed at 0.72% p.a.                | Improved collection rates (towards 100%) and steady taxbase growth increase income. | Lower growth and policy changes (e.g., reinstating discounts) reduce income. | Council tax is a major funding source with each 1% increase equation to an additional £10m of funding for the Council. Risks include economic downturns, policy changes, and collection performance. |

## **Cross-cutting external factors**

13. External economic factors such as interest rates and inflation continue to influence the Council's financial position, but to a much lesser extent on borrowing costs as most debt is held at fixed rates. The main opportunity lies in the ability to renegotiate rates or repay debt early, securing discounts or avoiding penalties. Inflationary pressures remain the more significant risk, feeding directly into provider contract costs across social care, transport, and waste services. Even modest changes in inflation can lead to substantial contractual uplifts, particularly in sectors where workforce costs and market fragility are high. These factors introduce uncertainty into budget planning and require close monitoring to maintain resilience against potential fluctuations.

## **Savings and Income Estimates**

14. Savings and income delivery plans for 2025–26 continue to be subject to enhanced scrutiny and governance. The most significant savings, which represent a substantial proportion of the total planned savings for the year, are monitored through the Strategic Reset Programme (SRP) with regular updates to the SRP Board. Delivery plans are categorised using the established traffic light system:

- Blue – delivered
- Green – key milestones on track
- Amber – milestones not on track but remedial strategies identified
- Dark Amber – milestones not on track and remedial strategies yet to be confirmed
- Red – savings now considered unachievable in the current year

15. The total savings requirement for the current year is £121.5 million, which includes the roll-forward of undelivered savings from previous years. As at quarter 3, £97.0 million is forecast to be delivered against that requirement in 2025–26 with an additional £2.6m to be delivered against alternative savings. This leaves a net variance of £21.9m of which £18.8m is considered undeliverable. £12.0 million is planned for delivery in future financial years.

16. Adult Social Care and Health present the greatest challenge: of £62.6m planned savings, only £41.7m is forecast to be achieved, leaving £20.9m at risk. Persistent difficulties in controlling costs for residential and home care commissioning, supported living, and review programmes have compounded these risks, alongside rising provider costs. Children's services savings of £22.2m are largely on track, with only £1.0m slipping. Growth, Environment and Transport savings of £17.2m remain broadly on track.

17. Failure to achieve these savings in 2025–26 will have a direct and severe impact on the Council's financial resilience. Any shortfall must be met

through drawdowns from reserves, weakening the Council's ability to manage future risks. Irrecoverable savings creates additional budget pressures in 2026–27, requiring adjustments to remove undelivered targets and increasing the risk of structural gaps in the MTFP.

18. The draft 2026–27 budget reflects the latest monitoring position. While the Strategic Reset Programme (SRP) continues to oversee the most significant savings, the emphasis for 2026–27 shifts towards controlling costs rather than relying on large-scale savings delivery, particularly in Adult Social Care. The strategy assumes that demand growth will be lower than recent trends and that new client placements can be secured within framework providers at costs aligned to revised tender price bands. This represents a fundamental change from previous patterns and is critical to maintaining financial control.

19. Continued focus on remedial strategies and identification of alternative efficiencies remains essential to avoid further erosion of reserves and protect service delivery. Persistent overspends would otherwise require even higher savings targets in subsequent years or unplanned service reductions, undermining the sustainability of the MTFP

### **Key Risks and Mitigations**

20. The Council continues to face significant financial risks in 2025–26 arising from demand pressures, cost increases, market sustainability, and inflation remaining above forecast in the short term. These risks have driven the current overspend position and require immediate mitigation. Strict financial discipline remains essential: all services are operating under a “no non-essential spend” approach, with budget managers held accountable for delivery. Recruitment is restricted to roles critical for statutory compliance, and opportunities to maximise grant funding are being pursued wherever possible.

21. These same risks are also reflected in the 2026–27 budget, where spending growth is forecast to continue at a level well above available funding from central government and local taxation. The draft budget assumes a fundamental shift in strategy, focusing on controlling costs in Adult Social Care rather than relying on large-scale savings delivery. This includes placing new clients within framework providers at agreed price bands and reducing reliance on high-cost spot placements. Sustainable recurring efficiencies and income generation remain critical to closing the structural gap and protecting financial resilience.

22. Directorates are implementing targeted actions to mitigate these risks. In Adult Social Care and Health, the focus is on resetting provider relationships through re-commissioning, strengthening Care Act-compliant

practice, and reducing reliance on short-term beds. The directorate is accelerating the use of technology-enabled care and increasing throughput of first reviews to ensure packages remain proportionate to assessed needs. In Children, Young People and Education, efficiencies in home-to-school transport will continue through route optimisation and greater uptake of personal transport budgets, while work progresses to expand in-house residential capacity and secure appropriate health contributions for high-cost placements. Treasury management remains a key mitigation strategy throughout, with active management of cash balances, internal borrowing options, and careful profiling of debt maturities to balance risk and return in a volatile economic environment.