

Provisional Local Government Finance Settlement

The provisional local government finance settlement, herein referred to as the settlement, was published on 17th December 2025. The settlement is the first multi-year announcement since 2016. The settlement includes reforms to the methodology for, and updating of the data used to redistribute retained business rates and allocate additional central government grants according to relative needs and resources. The settlement includes transitional floor protection for authorities losing funding within the settlement and from assumed council tax increases compared to legacy settlement and council tax. The settlement includes some changes to the distribution of resources since the Fair Funding 2.0 consultation in the summer. These changes are aimed at targeting additional resources to the more deprived areas and tackling inequalities in council tax household charges. The settlement is subject to a four-week consultation which closed on 14th January 2026.

The settlement includes the first major reset to the business rate retention arrangements since these were introduced in 2013-14. This reset includes redistribution of 50% of the estimated business rates for 2026-27 including previously locally retained growth, compensations for caps on the multiplier, and business rate pooling. The redistribution continues to be based on tariffs and top-ups to the local share compared to business rate funding baseline using the new spending needs formula. The reset takes full effect from 2026-27 with authorities able to retain future local growth (subject to revised safety net and levy arrangements) and inflationary uplifts to the multiplier.

The core settlement is now called the Fair Funding allocation (FFA) and includes revised business rate baseline and Revenue Support Grant (RSG). Local authorities can decide how the FFA is to be spent according to local priorities. The RSG includes the consolidation of 18 separate grant streams including some that were previously included within the core settlement and some that were paid as separate departmental grants. The majority of these are allocated according to the new relative needs and resources formula with changes phased in over the three-year multi year period. Details of the grants consolidated into RSG are set out in table 1 below. The Local Authority Better Care Grant (LABCG) is included as part of FFA but will continue to be paid as a standalone ring-fenced Section 31 grant recognising the role played by the grant in NHS pooling. The LABCg allocations for 2027-28 and 2028-29 have not yet been announced although the total funding available for social care authorities will not be impacted (with the minimum levels already assumed within the 2027-28 and 2028-29 FFA).

The settlement includes 4 new consolidated grants (see table 2 below), some of which are included within the core spending power calculation along with the FFA and assumed council tax levels. The settlement includes three-year allocations for these consolidated grants and draft conditions. The newly consolidated grants are (with the details of the previous grants set out below):

- The Children, Families and Youth Grant
- The Crisis and Resilience Fund
- The Homelessness, Rough Sleeping and Domestic Abuse Grant
- The Public Health Grant

SEND Deficit

The government has recognised that local authorities continue to face significant pressure from Dedicated Schools Grant (DSG) deficits. There is currently a statutory override in place until March 2028 that prevents DSG deficits being funded from the general fund. The government has announced that a Schools White Paper will be published in the new year setting out substantial plans to reform special educational needs provision to deliver a system which supports children and families and is financially sustainable.

In the Autumn Budget it was announced that when the override ends funding for SEND will be managed within the overall government departmental spending envelope. Limited information has been published on how this will work. The provisional local government finance settlement indicates local authorities should not expect to have to top-up future SEN costs from their general fund as long as they can demonstrate they are taking steps to manage the system effectively (presumably within reformed grant funding). The settlement also acknowledged that some of the deficits accruing while the override is in place may not be manageable within local resources alone and assistance arrangements during this period will be included within the White Paper reforms. Local authorities have been advised that they do not need to plan on having to meet deficits in full but future support will not be unlimited. In the meantime, councils have been advised to continue to work to keep deficits as low as possible.

KCC's DSG accumulated deficit at the end of 2025-26 is forecast to be in excess of £130m after including all of the Department for Education (DfE) and local authority contributions. Currently the council is not on target to eliminate the in year deficit by the end of 2027-28 or to have cleared the accumulated deficit from previous years as per the Safety Valve agreement. In accordance with the expectations set out in the provisional settlement the council will continue to identify further measures to reduce the deficit.

Under the planned reforms the government continues to expect local authorities to manage the SEND system effectively ensuring money is spent in line with best practice. The government expects this to be a joint effort between themselves, local authorities, health partners and schools. All partners are expected to work together families, teachers, experts and representative bodies to deliver better experiences and outcomes for children.

Consolidated Grants - Revenue Support Grant (RSG)

Table 1 provides details of the specific grants which have transferred into the RSG in 2026-26 along with the basis of allocation, which is either the new Fair Funding Allocation (FFA) or existing distribution (ED).

Table 1 - Specific Grants transferred into the Revenue Support Grant from 1 April 2026	2025-26 KCC Allocation £000s	2026-27 basis of allocation
Specific Ring Fenced Grants transferred into RSG		
Virtual School Heads for children with a social worker and children in kinship care	197.943	FFA
Biodiversity Net Gain Planning requirement	27.142	FFA
Local Reform and Community Voices: Deprivation of Liberty Safeguards Funding	132.208	FFA
War Pensions Disregard grant	290.840	ED
Social Care in Prisons grant	333.073	ED
Existing Settlement Funding transferred into RSG		
Social Care Grant	137,143.646	FFA
Market Sustainability & Improvement Fund	26,969.400	FFA
Employer National Insurance Contributions	10,072.664	FFA
New Homes Bonus	1,926.665	FFA
Part of Children's and Families Grant transferred into RSG		
Supported Accommodation Reforms new burdens	3,070.614	FFA
Staying Put	913.975	FFA
Leaving Care Allowance uplift	720.224	FFA
Personal Advisors Extended Duty	438.061	FFA
Virtual Schools Heads (VSH) – extension of the VSH role to previously looked after children	120.572	FFA

New Consolidated Grants

Table 2 provides details of the specific grants which have been transferred into one of the new consolidated grants (indicated in bold text within the table).

Table 2 - Specific Grants transferred into one of the new consolidated grants	2025-26 Allocation £000s	Within Core Spending Power	2026-27 £000s	2027-28 £000s	2028-29 £000s			
Children, Families and Youth Grant								
Children's Social Care Prevention Grant	6,760	Yes	21,712	21,712	18,545			
Supported Families	6,013							
<i>Sub Total (Families First Partnership)</i>	12,773							
Holiday Activities and Food Programme	5,828	No	6,130	5,874	5,874			
Post 16 Pupil Premium Plus Programme	445	No	445	445	445			
Total Children, Families and Youth Grant	19,046		28,287	28,031	24,863			
Crisis and Resilience Fund								
Household Support Fund	19,502	No	19,172	19,161	22,061			
Homelessness, Rough Sleeping and Domestic Abuse Grant								
Domestic Abuse	4,031	Yes	4,031	4,031	4,031			
Public Health Grant								
Public Health Grant	82,040	No	91,287	92,956	94,637			
Drug and Alcohol Treatment and Recovery Improvement Grant	5,301							
Local Stop Smoking Services and Support Grant	1,892							
Individual Placement and Support Grant	284							
Total Public Health Grant	89,517							

Multi-Year Settlement

The multi-year settlement provides authorities with increased certainty for medium term financial planning. Although the allocations for years 2 and 3 will be subject to annual recalculation, it is assumed that any changes from the amounts included in this settlement will only be increases with the existing allocations representing the minimum levels of funding for subsequent years. The recovery grant introduced in 2025-26 as a transitional arrangement continues to be available to all qualifying authorities over the 3-year period 2026-27 to 2028-29 based on deprivation and low council tax base. The recovery grant allocations have not been updated for the revised Fair Funding methodology or data updates.

The funding floor is determined on four levels:

- Guaranteed growth of 5% (2026-27), 6% (2027-28) and 7% (2027-28) for upper tier and single tier authorities in receipt of recovery grant
- 100% cash protection for authorities whose legacy funding is less than 15% higher than the new settlement and assumed council tax
- 95% protection for authorities whose legacy funding is more than 15% higher than new settlement and assumed council tax
- Real terms protection for standalone Fire and Rescue authorities

The assumed council tax in the floor calculation is based on increases up to the maximum pre-referendum levels and assumed increases in the council tax base. There are special arrangements for the upper tier and single tier authorities subject to 95% protection with a flat £150 increase applied for the floor calculation, these authorities have additional flexibility to increases council tax (these councils have the lowest band D rates in the country).

Table 3 below shows the multi-year settlement for KCC as shown in the core spending power calculation published by Government.

CORE SPENDING POWER

Please select authority

Kent

Illustrative Core Spending Power of Local Government:

	2024-25 £ millions	2025-26 £ millions	2026-27 £ millions	2027-28 £ millions	2028-29 £ millions
Fair Funding Allocation¹	0.0	0.000	569.660	613.134	659.103
of which: Baseline Funding Level	0.0	0.000	294.565	301.322	307.401
of which: Revenue Support Grant ²	0.0	0.000	213.394	311.812	351.702
of which: Local Authority Better Care Grant ³	0.0	0.000	61.701	-	-
Legacy Funding Assessment	483.7	512.889	0.000	0.000	0.000
of which: Legacy Business Rates ⁴	256.1	259.395	0.000	0.000	0.000
of which: Legacy Grant Funding ⁵	177.7	191.793	0.000	0.000	0.000
of which: Local Authority Better Care Grant	50.0	61.701	0.000	0.000	0.000
Council tax requirement^{6,7}	935.7	994.288	1,062.166	1,134.711	1,212.245
Homelessness, Rough Sleeping and Domestic Abuse^{8,9}	3.2	4.031	4.031	4.031	4.031
Families First Partnership¹⁰	6.0	12.773	21.712	21.712	18.545
Total Transitional Protections¹¹	0.0	0.000	0.000	0.000	0.000
of which: 95% income protection	0.0	0.000	0.000	0.000	0.000
of which: 100% income protection	0.0	0.000	0.000	0.000	0.000
of which: Fire and Rescue Real-terms floor	0.0	0.000	0.000	0.000	0.000
Grants rolled in to Revenue Support Grant¹²	6.3	6.248	0.000	0.000	0.000
Recovery Grant	0.0	0.000	0.000	0.000	0.000
Recovery Grant Guarantee¹³	0.0	0.000	0.000	0.000	0.000
Mayoral Capacity Fund	0.0	0.000	0.000	0.000	0.000
Core Spending Power	1,434.9	1,530.228	1,657.570	1,773.589	1,893.923
Core Spending Power year-on-year change (£ millions)		95.3	127.3	116.0	120.3
Core Spending Power year-on-year change (%)		6.6%	8.3%	7.0%	6.8%
Core Spending Power change since 2024 (£ millions)		95.3	222.6	338.7	459.0
Core Spending Power change since 2024 (%)		6.6%	15.5%	23.6%	32.0%
Core Spending Power change since 2025 (%)			8.3%	15.9%	23.8%
		595.404	638.878	681.679	

Further information on the settlement consultation can be found via the following link:

[Provisional local government finance settlement 2026 to 2027 - GOV.UK](https://www.gov.uk/government/consultations/provisional-local-government-finance-settlement-2026-to-2027)