

Details of Core Grants within the 2025-26 Final Local Government Finance Settlement

The Council is in receipt of a mix of general un-ringfenced grants which can be used in any way the Council decides to discharge its functions (core grants) and specific grants which must be spent according to government priorities. Given the uncertainty of future settlements beyond 2025-26, assumptions around the amount of grant funding will have to be included in the Medium Term Financial Plan for future years. There are risks associated with this approach as the government has confirmed its commitment to Funding Reforms from 2026-27 to fundamentally improve local authority funding based on a new assessment of need and resources. These reforms will build on the framework set out in the previous Government's abandoned review of relative needs and resources (originally, the Fair Funding review). The settlement also confirms the business rates retention system will be reset and as part of the funding reforms will consider how the business rates retention system could better and more consistently support strategic authorities to drive business growth. The risks from these reforms are that we see a material change in the distribution of funding which results in an overall lower amount of grant funding for Kent.

A) Revenue Support Grant

Revenue Support Grant (RSG) is a central government grant given to local authorities from the centrally retained share of business rates which can be used to finance revenue expenditure on any service. The amount of Revenue Support Grant to be provided to authorities is established through the Local Government Finance Settlement using the relevant funding formulae; the revision of these formulae (along with the redistribution of the locally retained share of business rates) is the focus of the (deferred) Fair Funding review process.

The Council's RSG has decreased from circa £161m in 2015-16 to circa £9.6m in 2020-21 with only small inflationary uplifts since then. The inflationary uplift for 2025-26 is based on September 2024 CPI (+1.7%). For planning purposes we have assumed that a similar CPI inflationary uplift will be applied in subsequent years (based on OBR forecast) although there has been no confirmation of this beyond 2025-26. In addition, as part of the government's objective to simplify local government funding, several former specific grants have now been rolled into the Revenue Support Grant for 2025-26, as listed below:

- Extended Rights to Home to School Transport (KCC share in RSG £3.665m)
- Transparency Code Grant (KCC share in RSG £0.013m)
- Electoral Integrity Grant (only allocated to single/lower tier authorities)
- Tenant Satisfaction Measures Grant (only allocated to selected single/lower tier authorities)
- Islands Grant (Isle of Wight and Isles of Scilly only)

The Council's RSG allocation for 2025-26 is £15.7m, which reflects rolled in grants of £3.7m (as shown in the list above) and an inflationary increase of £0.2m.

B) New Homes Bonus

The New Homes Bonus (NHB) scheme was introduced in 2011-12 to help tackle the national housing shortage. The scheme was designed to reward those authorities that increased their housing stock either through new build or by bringing empty properties back into use. The grant is un-ringfenced. The grant was due to cease after 2024-25 but has been retained for one more year in 2025-26 local government finance settlement with allocations reflecting the change in the number of homes reported on tax base returns (CTB1) between 2023-24 and 2024-25 above the baseline of 0.4%, with supplements for homes brought back into use and affordable homes. As in 2024-25 there are no legacy payments. In two tier areas the reward is split 80% to the district and 20% to the county, and this Council's allocation for 2025-26 is £1.9m.

C) Local Authority Better Care Grant (formerly Improved Better Care Fund and ASC Discharge Fund)

The Better Care Fund (BCF) was introduced in the 2013-14 spending review. The fund is a pooled budget, bringing together local authority and NHS funding to create a national pot designed to integrate care and health services.

In addition to this, an Improved Better Care Fund (IBCF) was announced in the 2016-17 budget to support local authorities to deal with the growing health and social care pressures during the period 2017-20. The grant is allocated according to relative needs formula for social care with an equalisation adjustment to reflect the adult social care council tax precept. The allocations increased each year between 2017-18 to 2020-21. The subsequent spending reviews and local government settlements have seen the grant rolled forward at the same value in cash terms as 2020-21 (£48.5m). The grant for 2022-23 included a 3% inflationary uplift as part of the additional resources for adult social care within the settlement. The grant for 2025-26 is the same value in cash terms as 2024-25, 2023-24 and 2022-23 (£50m). In addition, for 2025-26, the ASC Discharge Fund has been rolled into the IBCF at its 2024-25 value and the grant renamed as Local Authority Better Care Grant. For planning purposes we have assumed that this grant will continue at the same value in cash terms for the medium term in subsequent years although there has been no confirmation of this.

D) Social Care Grant

The social care support grant was first introduced in 2019-20 following the announcement in the Chancellor's 2019-20 budget of an additional £410m for adult and children's social services. The Council's allocation for 2019-20 was £10.5m based on a formula using the Adult Social Care (ASC) Relative Needs Formula (RNF) with an equalisation adjustment to reflect the adult social care council tax precept.

An additional £1bn was added to the 2020-21 settlement taking the total for social care grant to £1.41bn. The same formula as 2019-20 was used based on using the ASC RNF with an equalisation adjustment to reflect the adult social care council tax precept. The Council's allocation was £34.4m. The government believes there is not a single

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bespoke needs formula that can be used to model relative needs for both adult and children's social care, therefore the existing ASC RNF was used to distribute this Social Care Grant funding.

The 2021-22 settlement included a further £300m taking the total social care grant to £1.71bn. The same formula was used again providing the Council with an additional £4.7m, increasing the total grant value for 2021-22 to £ 39.1m.

The 2022-23 settlement included an additional £636.4m, £556.4m of this was allocated via the existing ASC RNF and the remaining £80m was allocated to reflect the 1% adult social care council tax precept. This took the total grant to £2.346bn. Combined with the rollover from 2021-22, the Council's total social care grant for 2022-23 was £54.5m, an increase of £15.4m on 2021-22.

The 2023-24 settlement included an additional £1.345bn from the additional funding for adult social care announced in Autumn Budget 2022 which was added to the £2.346bn rolled forward from 2022-23. £160m of this increase was allocated to reflect the 2% adult social care council tax precept, with the remaining £1.185bn allocated using the existing ASC RNF. In addition, the Independent Living Fund (ILF) was rolled into the Social Care Grant (accounting for £161m of the total grant figure) and will no longer be received as a separate specific grant. This took the total Social Care grant to £3.852bn in 2023-24. The Council's total Social Care Grant for 2023-24 was £88.771m including £1.920m from rolled in ILF.

The 2024-25 provisional settlement increased allocations of the Social Care Grant by £0.692bn, of which £0.612bn was previously announced (and expected) as part of the additional funding for social care announced in Autumn Budget 2022, and £80m was unexpectedly transferred from Services Grant. These increases have been added to the rolled forward grant from 2023-24 of £3.852bn taking the total grant for 2024-25 to £4.544bn. £0.532bn of the increase was allocated according to ASC RNF (as we had been expecting) and £160m of the increase allocated to reflect the 2% adult social care council tax precept (we had been expecting £80m via ASC council tax before the transfer of the further £80m from Services Grant).

The final settlement for 2024-25 included an additional £500m increase announced on 24 January 2024. All the additional grant has been allocated via the element allocated according to the ASC RNF, increasing the national share for this element from £532m to £1,032m. The Council's share of this additional allocation is £12.8m, increasing the total 2024-25 Social Care grant allocation for this Council to £117.0m.

The 2025-26 provisional settlement increased allocations of the Social Care Grant by £0.880bn, of which £0.600bn was previously announced (and expected) as part of the additional funding for social care announced in Autumn Budget 2024. An additional £0.080bn was added and announced alongside the publication of the policy statement on the local government finance settlement at the end of November 2024, meaning an additional £0.200bn has been further increased as part of the

provisional settlement announcement. This Council's share of the additional £0.880bn for 2025-26, as confirmed in the final settlement, is £20.1m.

The Social Care Grant is ringfenced for adults' and children's social care.

E) Services Grant

This was a new one-off, un-ringfenced grant for 2022-23. The grant has been reduced in each of 2023-24 and 2024-25 settlements and has been removed entirely in provisional Local Government Finance Settlement 2025-26 and the funding repurposed into other grants, resulting in a loss of £1.3m of grant funding for Kent.

F) Adult Social Care Market Sustainability and Improvement Funding (MSIF)

This originated in 2022-23 under the Market Sustainability and Fair Cost of Care Fund. In total £162m was made available and the Council's share was £4.2m.

The 2023-24 settlement maintained the current levels of Fair Cost of Care funding for local authorities for 2023-24 at £162 million.

The Autumn Budget 2022 announced that there will be an additional £400m for adult social care to increase MSIF to £562m for 2023-24. This additional funding was intended to make tangible improvements to adult social care and, in particular, to address discharge delays, social care waiting times, low fee rates, workforce pressures, and to promote technological innovation in the sector. The additional grant was allocated on the same basis as 2022/23 using the ASC RNF. The Council's allocation of the additional £400m was £10.3m taking the total grant for 2023-24 to £14.4m. The grant was included in the Council's 2023-24 budget plans.

A further £600m funding for adult social care over 2023-24 and 2024-25 was announced on 28th July 2023. £570m was added to MSIF (£365m in 2023-24 and £205m in 2024-25). This additional funding was intended to fund workforce improvements.

The local government finance settlement for 2024-25 has provided confirmation of an Autumn Statement 2022 announcement that this grant has increased nationally by £283m in 2024-25 and by a further £205m for the 2024-25 increase in the workforce element. The additional funding is allocated by the same mechanism as 2023-24 (ASC RNF). The Council's total allocation for 2024-25 is £26.969m, an increase of £12.5m (as expected).

The local government finance settlement for 2025-26 confirmed the Council's allocation remains at the same cash value as 2024-25 of £26.969m.

For planning purposes we have assumed that the grant will continue at the same value for 2026-27 and 2027-28 although there has been no confirmation of this.

G) Children's Social Care Prevention Grant

The provisional settlement provides details of the Children's Social Care Prevention Grant, which is a new allocation for 2025-26 of £250m. This has been uplifted to £269.7m in the final settlement. The grant is allocated to all social care authorities (single tier and upper tier). The provisional allocation for the Council in 2025-26 was £6.2m, and this has increased to £6.8m in the final settlement. The grant is allocated according to a new interim relative needs formula (RNF) based on research commissioned by MHCLG and DfE as outlined in more depth in the following paragraphs. As with other social care grants the formula includes an RNF element and equalisation adjustment to reflect ability to raise council tax.

The new interim multi-level Children and Young Persons RNF model includes characteristics at individual child level (age, sex, ethnicity and eligibility for free school meals) and local factors (deprivation, parents with low qualifications, children with poor health, children in overcrowded households, population density and travel time to urban centres). The C&YP RNF methodology also includes a new area cost adjustment (ACA) which as well as taking account of labour costs and business rates (as used in previous ACA) also includes a measure for accessibility to services. These new measures for RNF and ACA build on the options identified in the previous Fair Funding review.

The approach to resource equalisation for the Children's Social Care Prevention grant is a little different. £175m (70%) of the new funding is allocated solely via RNF/ACA, the remaining £75m (30%) is allocated on the similar equalisation principles as social care grant. The equalisation compares the amount a council would raise from 1% increase in council tax with £75m allocated through the RNF/ACA methodology. Those councils where the notional 1% is more than the RNF/ACA amount receive no share of the £75m. The £75m is then scaled to the remaining authorities based on the difference between their £75m share on RNF/ACA and the notional 1% council tax.

The provisional announcement does not include a demonstration of the methodology at individual authority level. Our working assumption is that KCC's allocation is based solely on a share of the £175m RNF/ACA and KCC is one of those councils that receives no share of the £75m. We anticipate there will be more clarity in the final settlement.

H) Employer National Insurance Contributions Grant

This is a new grant for 2025-26 which was initially announced as part of the provisional Local Government Finance Settlement where the government confirmed £515m was available nationally to compensate local authorities for the additional costs for local authority employed staff from changes to employers national insurance announced as part of the Autumn 2024 Budget Statement.

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Further details were announced as part of the final Local Government Finance Settlement on 3rd January 2025. This confirmed that individual allocations totalling £502m alongside £13m for Combined Authorities and Combined County Authorities.

Individual local authority allocations have been allocated pro rata to each authority's 2023-24 revenue outturn for net current service expenditure. The Council's allocation is £10.1m. The grant is un-ringfenced.