

From: Linden Kemkaran, Leader of the Council

Brian Collins, Deputy Leader of the Council

To: Cabinet 8<sup>th</sup> January 2026

Subject: Provisional Local Government Finance Settlement

Classification: **Unrestricted**

**Summary:**

This report sets out the Provisional Local Government Finance Settlement (PLGFS) 2025-26 which was published on 17th December 2025. The settlement represents the first multi-year announcement since 2016 and includes significant update and reforms to funding allocations following the Fair Funding 2.0 consultation in the summer. The multi-year settlement is presented as a core spending power including the government's assumptions on council tax as well as the allocation of grant settlements. The 2026-27 grant settlement includes £50.5m (9.7%) increase in the general grant (now referred as Fair Funding Allocation) and £8.9m increase in the Families First Partnership. Multi-year allocations for other consolidated grants were also published on 18<sup>th</sup> December 2025.

**Recommendations:**

Cabinet is asked to NOTE the provisional settlement including the reset of business rate baseline and consolidation grants, and impact on draft budget 2026-27 and Medium-Term Financial Plan 2026-29.

Cabinet is asked to CONFIRM the delegation to the s151 Officer to finalise any response, in consultation with the Deputy Leader

**1. Background and Context**

1.1 The provisional local government finance settlement (PLGFS) 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 sets out the impact of the changes for individual local authorities. This level of detail was not available either in the consultation on reforms in the summer or in the policy statement published in November.

1.2 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 changes include retaining the Recovery Grant from 2025-26 along with an additional guarantee. The settlement is subject to a four-week consultation which closes on 14th January 2026.

1.3 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.

1.4 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.

1.5 Separately the settlement includes 4 new consolidated grants, 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.

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

## 2. Core Spending Power

2.1 The core spending calculations for England total and Kent are summarised in table 1. This shows an increase in core spending power for KCC of 8.3% for 2026-27 compared to 5.7% average for all English authorities. There are lower increases for 2027-28 and 2028-29.

Table 1 – Core Spending Power Summary

	2025-26	2026-27	2027-28	2028-29	2026-27	2027-28	2028-29
	£m	£m	£m	£m	Increase	Increase	Increase
<b>England Total</b>							
<i>Grant Settlement</i>							
Fair Funding Allocation & Legacy/Rolled In Grants	32,985.1	33,928.0	34,400.5	34,895.7	2.9%	1.4%	1.4%
Families First	523.1	853.1	853.1	729.1	63.1%	0.0%	-14.5%
Homeless Rough Sleeping & Domestic Abuse	725.1	794.3	816.2	835.3	9.5%	2.8%	2.3%
Transitional Protection		146.9	352.8	567.5		140.2%	60.9%
Recovery Grant & Recovery Guarantee	600.0	748.8	713.3	698.6	24.8%	-4.7%	-2.1%
Mayoral Capacity Fund	33.5	33.0	33.0	33.0	-1.5%	0.0%	0.0%
<i>Council Tax</i>	38,655.6	41,208.0	44,011.9	46,999.5	6.6%	6.8%	6.8%
<b>Total Core Spending Power</b>	73,522.5	77,712.1	81,041.4	84,618.8	5.7%	4.3%	4.4%
<b>Kent</b>							
<i>Grant Settlement</i>							
Fair Funding Allocation & Legacy/Rolled In Grants	519.1	569.7	613.1	659.1	9.7%	7.6%	7.5%
Families First	12.8	21.7	21.7	18.5	70.0%	0.0%	-14.6%
Homeless Rough Sleeping & Domestic Abuse	4.0	4.0	4.0	4.0	0.0%	0.0%	0.0%
<i>Council Tax</i>	994.3	1,062.2	1,134.7	1,212.2	6.8%	6.8%	6.8%
<b>Total Core Spending Power</b>	1,530.2	1,657.6	1,773.6	1,893.9	8.3%	7.0%	6.8%

2.2 The majority of the £50.5m increase in Kent's FFA in 2026-27 arises from the full reset of the business rate baseline which has increased from £259.4m to £294.6m (an increase of £35.2m). The remainder is due to increase in RSG compared to the legacy/rolled in grants from £259.7m to £275.1m (an increase of £15.4m). The increases in 2027-28 and 2028-29 are largely due to RSG (£36.7m and £39.9m respectively) as a result of the three transition for the Fair Funding implementation.

### 3. Consolidated Grants

3.1 The most significant grants consolidated into RSG were previously included in core spending power amounting to £176.1m in 2025-26. These were Social Care Grant, Market Sustainability & Improvement Fund, Employer National Insurance Grant and New Homes Bonus Grant. The other grants consolidated into RSG include £5.3m from Children and Families Grant and £0.8m specific adult social grants. The grants included in RSG are no longer separately identifiable as individual amounts.

3.2 The Local Authority Better Care Grant (£61.7m in each of 2025-26 and 2026-27) is still identifiable and will still be paid as a separate Section 31 grant (amounts for 2027-28 and 2028-29 have not yet been separately identifiable but will not be less than assumed amount included within the FFA for these years).

3.2 The other new four consolidated grants are still subject to specific conditions. Mostly these are allocated according to existing distribution methodologies and have been announced as multi-year allocations for the first time enabling the funding/income to be reflected in the MTFP. Table 2 shows the individual amounts for the separate grants in 2025-26 and the new consolidated allocations for 2026-27 to 2028-29.

Table 2 – Consolidated Grants

	2025-26 £000s	2026-27 £000s	2027-28 £000s	2028-29 £000s
Children, Families and Youth Grant				
Children's Social Care Prevention Grant	6,760	21,712	21,712	18,545
Supported Families	6,013			
<i>Sub Total (Families First Partnership)</i>	<i>12,773</i>			
Holiday Activities and Food Programme	5,828	6,130	5,874	5,874
Post 16 Pupil Premium Plus Programme	445	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	19,172	19,161	22,061
Homelessness, Rough Sleeping and Domestic Abuse Grant				
Domestic Abuse	4,031	4,031	4,031	4,031
Public Health Grant				
Public Health Grant	82,040	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		

#### 4. Contact details

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#### **Background documents**

Below are click-throughs to reports, more information, etc.  
Click on the item title to be taken to the relevant webpage.

<https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-2026-2027-to-2028-29>