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To: Children's, Young People and Education Cabinet Committee 20 January 2026

Subject: **Draft Capital Programme 2026-36, Revenue Budget 2026-27 and Medium Term Financial Plan (MTFP) 2026-29**

Classification: **Unrestricted**

Summary:

This report outlines the key policy considerations within the draft capital and revenue budget proposals for the Cabinet portfolios and council departments relevant to this committee. This is a tailored report for each committee and should be considered within the context of the overall whole council budget proposals published separately to support the budget scrutiny process.

Recommendations:

The Children's, Young People and Education Cabinet Committee is asked to:

- a) NOTE the draft capital and revenue budget proposals
- b) SUGGEST any alternatives that should be considered related to the Cabinet Committee's portfolio before final draft budget is considered by Cabinet on 29th January 2026 and presented to Full County Council on 12th February 2026

1. Background and Context

1.1 The setting of the budget is a decision reserved for Full Council. The Council's Budget and Policy Framework requires that a draft budget is issued for consultation with the Cabinet and Scrutiny Committees to allow for their comments to be considered before the final budget proposals are made to Full Council.

1.2 The Council is under a legal duty to set a balanced and sustainable budget for the forthcoming year (2026-27) within the resources available from local taxation and central government grants, and to maintain adequate reserves. This duty applies to the final draft budget presented for Full Council approval at the annual budget meeting and does not necessarily apply the preceding drafts or plans for subsequent years. The overall strategy for the budget is to ensure that the Council continues to plan for revenue and capital budgets which are affordable, reflect the Council's strategic priorities, allow the Council to fulfil its statutory responsibilities and continue to maintain and improve the Council's financial resilience within the overall resource constraints.

1.3 A medium term financial strategy covering the entirety of the resources available to the Council is the best way that resource prioritisation and allocation decisions can be considered and agreed in a way that provides a stable and considered approach to service delivery and takes into account relevant risks and uncertainty. A report on the purpose of medium term financial planning was presented to Policy and Resources Committee on 8th July 2025 [P&R MTFP Update](#). This report identified that the strategy should pull together in one place all known factors affecting the financial standing and sustainability of the

Council over the medium term. The draft budget publication sets out all this necessary information for the scrutiny process. The final draft will include all the necessary information for the approval process. These are not necessarily the same and the final draft will include supporting strategies e.g. treasury management strategy, necessary for final budget approval.

1.4 The primary focus within the capital programme must be to ensure that the Council has sufficient capacity to meet legal and regulatory requirements where there is risk of death or serious harm to residents and service users. This means first call on capital is to address “safety vital” works. The secondary focus is to reduce impact on revenue budget. This can be achieved through using the flexibility to use capital receipts to fund permitted revenue costs and reducing borrowing requirements. The capital programme will still include individual project schemes and rolling programmes funded from external sources.

1.5 The primary focus of the revenue budget must be to strike an appropriate balance between fulfilling the Council’s statutory obligations on service provision and the administration’s strategic priorities. However, these aims are not always compatible and involves difficult decisions about service levels and provision both for the forthcoming year and over the medium term. In reaching this balance the budget has to include provision for forecast spending growth (base budget changes to reflect full year impact of current variances, contractual price uplifts, staff pay awards, other cost drivers such as market availability, demand increases and service improvements). The revenue budget must also include planned efficiency, policy and transformation savings and plans to generate additional income necessary to balance any differences between spending growth and the available resources from central government and local taxation.

1.6 As part of budget scrutiny process it is worth clarifying that savings relate to reducing current recurring spend whereas bearing down on future growth is cost avoidance. Both amount to the same end outcome of reducing planned spending in the forthcoming year from what would otherwise have been needed without action and intervention. Both savings and cost avoidance are essential to ensure the statutory requirement for a balanced budget is met.

1.7 Fuller details of the budget plans are set out in the draft budget report published on 8th January 2026 to support the scrutiny process. This report is available at [Draft-budget-report-January-2026](#). A separate report on responses to public consultation on the budget strategy has also been published and is available at [Let's Talk Kent](#)

1.8 The report to this Cabinet Committee focuses on the key policy considerations within the draft budget proposals for the directorate/Cabinet portfolio(s) relevant to each committee. To assist this, a summary of the 2026-27 proposals for the relevant directorate/Cabinet portfolio alongside a detailed analysis of the individual spending and savings/income changes within the draft proposals are included as appendices to this report. An interactive dashboard is also provided to Members, enabling the details of all proposals to be examined and scrutinised in depth.

1.9 Following the scrutiny process, a revised draft of the final budget proposals will be published in January for Cabinet consideration and approval at County Council in February 2025.

2. Key Policy Considerations

Capital Spending

2.1 KCC has a wide range of statutory duties related to children and young people and is committed to making Kent the best place for them to grow, learn, and thrive, ensuring they are safe, supported, and empowered to reach their full potential. The way that KCC and our key partners deliver on priorities is well documented in strategies, policies and committee reports. In common with all LAs, KCC has to make difficult decisions about how best to invest limited resources, achieve value for money and meet the statutory duty to set a balanced budget. This paper focuses solely on a budget discussion to ensure there is clarity on the financial decisions to be made.

Capital Spending

2.2 There are no significant changes to the Children's Young People and Education capital programme compared to last year. The budgets for school related capital expenditure including basic need (mainstream and special educational needs places), modernisation, and maintenance have been included under the Chief Executive Department presentation in line with revised operational budget manager responsibility. This Committee is still responsible for considering and debating individual project requests in line with the Council's school education policy. There may be a future invest to save capital projects to support the delivery of savings relating to looked after children placement costs.

Revenue overview

2.3 Appendix E outlines the draft spending and savings proposals for the CYPE Directorate with spending proposals pertaining to the Core budget totalling +£38.9m and savings & income proposals of -£20.1m for 2026-27 financial year. The table below (table 1) summarises this by Cabinet Member. Externally funded proposals include summary grants changes in relation to the Dedicated Schools Grant and Family Hubs.

Table 1	Beverley Fordham (Education) £'ms	Christine Palmer (Integrated Children's Services) £'ms	CYPE Directorate Total £'ms
Spending Proposals	-£2.2m	£41.0m	£38.9m
Spending Proposals – technical adjustments ¹	£0.0m	£11.5m	£11.5m
Savings & Income Proposals	-£9.7m	-£10.3m	-£20.1m
NET TOTAL CHANGE	-£11.9m	£42.2m	£30.2m

Revenue Spending Growth

2.4 The Spending proposals of £38.9m (excluding grants) comprise of provisions for the following areas: annual contractual price uplift and price increase negotiations; increased costs arising from increased demand from population growth, and; estimated cost pressures relating above the minimum contractual annual price uplift due to either complexities or market pressures.

2.5 The proposals reflect the current trend in the demand for Home to School transport with numbers estimated to increase by a further 5% (£3.3m), along with possible price increases linked to service sector inflation from commissioning of new or alternated

¹ Grants previously received separately are now included with the Council's core spending power.

transport contracts (£3.5m, corresponding costs savings are outlined below). The budget also reflects the additional ongoing savings achieved in 24-25 and 25-26 totalling -£7.5m.

2.6 Children's Social Care (both disabled and non-disabled children) are expected to require significant additional funding (estimated to be in excess of £15m) for demographic pressures. Whist there is expected to be a small estimated increase in demand arising from future population growth, there is expected to be a much bigger financial cost from the higher placements costs for new and, in some cases, existing placements. Continued reductions in the number of available in-house carers is placing a greater reliance on the more expensive external market, where costs are also increasing at a greater rate than inflationary pressures due low supply and high demand for places. In Kent, this is partially resulting from excessive placing of children from other local authorities in Kent, due to the lack of suitable placements in their own areas. The national shortage of placements for our most complex children is leading to higher costs and to children being placed at greater distances from their community and, increasing outside of Kent. These pressures are also reflected in an additional spending proposal of over £10m to fund the current pressures across placement budgets, where we have seen a spike in the cost of residential care placements and further reduction in-house foster carers. The government have recently reiterated their intention to consider options to further manage the Children's social care external market and to cap excessive profits. With this in mind a small saving of £0.9m (in the first year) has been assumed to reflect anticipated future cost avoidance.

2.7 The prices uplift for children social care (totalling £7.2m) includes contractual price uplifts; anticipated price uplifts for new placements spot purchased in market where price uplifts will be applied automatically; and assumed uplifts for our in-house foster carers, permanency payments and direct payments. The fostering uplifts have been set in-line with the historic practice of tracking CPI or for Direct Payments, in line with national living wage increases.

2.8 In addition, these proposals reflect estimates of the additional ring-fenced funding made available as part of the Provisional Local Government Settlement and wider budget announcements for preventative services to support children. The Best Start Family Hubs grant has been confirmed for the next 3-years and is expected to increase by a further £1.1m to nearly £5m in 2026-27. Additional investment to support the implementation of the new Families First Partnership (FFP) Programme in Children's Social Care of £8.9m, brings total investment up to over £20m including ongoing funding for early help services previously funded by the Supporting Families Grant. The FFP programme is intended to support delivery of the national implementation of Family Help, multi-agency child protection teams and family group decision-making reforms. Both grants are subject to specific terms and conditions.

Revenue Savings and Income

2.9 The savings proposals comprise of a mixture of both cost savings and cost avoidance.

2.10 A number of initiatives across Children's Social Care have been proposed to help counter the impact of the current market conditions, and avoid future cost growth totalling - £3.2m. These are focused on exploring options to improve the recruitment and retention of our in-house foster carers by drawing on best practice from across the region (and nationally); along with investing in our own children's homes either directly or through partnership working with state-funded special schools. This Committee has previously

considered and debated the proposal to invest in 4 new children's homes², and future proposals look to further this learning with a focus on both educating and supporting our most vulnerable children closer to home where possible. In addition, The Council is also committed to pursuing suitable contributions towards the cost of looked after children from health, with proposed savings of -£1.9m.

2.11 Other proposals where key decisions have previously been considered and debated by this Committee³ include changes to the transport policy for Post 16 in 2024-25 and 2026-27 (totalling -£3m in 2026-27), and transferring the costs of council-run services to schools where appropriate (-£2.6m) from 2026-27.

2.12 This budget reflects the impact of ongoing efficiencies delivered by the Council's transport service during 2025-26, with the introduction of the new route planning system delivering a further estimated -£1.5m saving in 2026-27. The Council is also intending to pursue contributions from other local authorities to recover transport costs, which had to be temporarily paused whilst the Government reviewed the process. The Department of Education have now confirmed their intention to formalise the practice whereby local authorities will be able to recoup both education (special educational needs) and school transport costs from another local authority where they remain responsible for the looked after child. This effectively reinstates the process Kent was operating under and additional income of approximately -£1m is hoped to be reinstated during 2026-27.

2.13 The draft proposals continue to reflect the anticipation that the Kent 16+ Travel Saver charge will increase in line with the Kent Travel Saver (-£0.1m) along with proposals to reduce the current subsidy paid by the Council, by seeking alternative sources of funding or moving towards a full cost recovery offer (-£0.3m).

2.14 The remaining savings cover a cross section of services and include:

- Maximising the use of grants for ongoing investment in services and therefore avoiding the possible cutting of existing services (dependent on grant conditions, total saving of -£4.2m in 26-27).
- Review of the remaining areas of discretionary spend across education services to identify additional savings (totalling -£0.5m).
- Cross directorate review of services across CYPE to identify opportunities to either consolidate or/and standardise practices including the use of technology and modernisation of processes (-£1.4m)

Special Educational Needs Deficit

2.15 The draft proposals also reference a forecast in-year overspend on the Dedicated Schools Grant (DSG) in 2026-27, with costs to support children with Special Educational Needs anticipated to exceed estimated grant income by approximately £75m in 2026-27. This is an interim forecast devised ahead of the Department of Education announcements on specific funding arrangements for 2026-27, and wider long-term SEN reform plans. The Government has confirmed the Schools White Paper is expected to be published in the Spring setting out reforms to deliver a system which supports both children & families and is financially sustainable. In the mean, the draft MTFP for 2026-29 continues to reflect the

² [24/00105 - In-House Provision of Children's Residential Homes](#)

³ Key decisions include: [23/00069 - Post 16 Transport Policy Statement including Post 19 for 2024/25](#); [25/00045 - Post 16 Transport Policy Statement including Post 19 for 2026/27](#); [25/00071 - Funding of Services to Schools](#);

Council's involvement with the Department of Education's Safety Valve programme (where additional funding is provided to help pay off historic deficits dependent on an agreed plan), along with the impact of the statutory override, which holds the accumulated DSG deficit (forecast to be over £130m by March 2026) in an unusable reserve, away from the Council's General Fund, until March 2028. At which point the Government have indicated funding for SEND will then be managed within the overall governmental spending envelope, and local authorities should not expect to fund future special education needs costs from general funds, dependent on the Council demonstrating it is managing the system effectively. Lack of information on both how this will work, how historic deficits will be resolved, and future local authority responsibilities means the High Needs Deficit is still considered to be one of the highest risks to the Council. Appendix G of the Budget Report sets out the current understanding in relation to the future treatment of SEN Deficits.

3. Contact details

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