

From: Brian Collins, Deputy Leader of the Council  
Brendan Arnold, Corporate Director of Finance

To: Policy & Resources Cabinet Committee

Date: 2 July 2026

Subject: **Budget Planning Process 2027-28 and Medium-Term Financial Plan (MTFP) update**

Classification: Unrestricted

**Summary:**

This paper sets out:

- the revenue budget and medium-term financial planning strategy.
- the process and timetable to update and revise the current plan and prepare draft budget for autumn publication.

The strategy and timetable are based on an initial update of forecasts for 2027-28 and 2028-29, with a further update in the autumn ahead of publishing an initial draft for wider scrutiny in November. The purpose of the initial update is to take account of known changes since the budget was approved in February 2026 including 2025-26 outturn, as well as the emerging economic situation. These are likely to increase the gap (and therefore savings requirement). Savings options will then be developed ahead of the autumn update. The purpose of an autumn draft is to avoid a “log jam” in January and to enable some of the decisions to be taken “in principle pending Council budget agreement” ahead of publication of final draft budget in January and ahead of Council approval in February.

The MTFP will need to make provision for the preparations for Local Government Reorganisation (LGR). The 2027-28 budget will need to include KCC’s contribution towards shared transitional costs ahead of new authorities taking over. It is still envisaged to produce medium term plan based on KCC in its current form but highlighting areas impacted by LGR. Reliance on one-off measures to achieve a balanced budget for 2027-28 should be minimised and only considered as a last resort as otherwise this would leave a legacy replacement issue post LGR.

The capital programme covers spending on asset investment and is set out over a longer planning horizon over 10 years. The programme includes rolling annual programmes, (such as the modernisation of assets, which occur every year) and specific individual projects which are often phased over more than one year. It is likely that new capital spending plans will need to be constrained ahead of LGR. The proposed strategy for capital would be to continue with rolling programmes, to update costs/phasing of existing projects and to only include new projects that are fully funded and consider any invest to save proposals on a case-by-case basis in the updated capital programme.

**Recommendations:**

**Policy and Resources Cabinet Committee is asked to NOTE**

- a) **High Level Timetable.**
- b) **The strategy for updating existing revenue plans.**
- c) **The impact on presentation of plans for post LGR.**
- d) **The approach to capital programme.**
- e) **The key challenges and risks affecting budget and medium-term financial planning.**

## **1. Budget and Medium-Term Financial Planning Strategy**

### *Revenue Budget Planning*

1.1 The revenue budget and medium-term financial plan (MTFP) is prepared on an incremental basis starts from the current approved budget as the base to which incremental assumptions for spending, savings, income and contributions/drawdowns from reserves are applied to determine the new budget. A summary of the current directorate budgets 2026-27 and high-level medium term financial plan is included in appendix A.

1.2 The savings, income and use of reserves are necessary to ensure the budget is balanced within the overall resources available from the central government multi-year settlement and forecasts for local taxation. This balanced budget requirement only applies to the forthcoming year's plan although it is considered good practice that the MTFP is balanced over the entire period or at least there is a coherent strategy as to how this would be balanced. The balanced plan is required for the final draft budget presented to full County Council for approval and it is not unusual for earlier drafts to be not fully balanced as plans evolve.

### *Medium Term Financial Planning with Prospect of LGR*

1.3 The current plans are based on the County Council continuing in its current form on a 'going concern' basis and the plans for 2028-29 do not make any presumption of new configuration of councils and responsibilities post local government reorganisation (LGR). It is likely that some spending in 2027-28 will be curtailed ahead of LGR. We will need to show this as a temporary reduction and flagged as LGR implications to assist the hand over to new successor authorities. There will also be some decisions affecting the 2027-28 budget that will only have a part-year impact with full year impact in 2028-29. These "legacy decisions" will also need to be clearly and separately identified as LGR implication.

1.4 The plans for subsequent years beyond 2028-29 will still need to be based on forecast spending and likely funding although these will need to indicate direction of travel rather than a detailed plan. At this stage we are envisaging these plans can only be prepared on a "whole" Kent basis and will subsequently need to be disaggregated into new local authority areas.

### *Presentation of Plans*

1.5 The information in the budget and MTFP is compiled by the Council's Finance Team in liaison with Council Directorates but needs to be owned by those responsible for decision making. Difficult decisions are likely to be needed to meet the statutory obligations and strategic ambitions of the Council, given the funding constraints. The financial plans should be the foundation upon which decisions are made to ensure resources are used effectively and the Council's VFM responsibilities met.

1.6 The proposed strategy for balancing the 2027-28 budget needs to ensure recurring costs are as far as possible funded sustainably from recurring sources (funding, savings or

income). Balancing the budget in what could be the final year of the Council in its current form from one-off sources (flexible use of capital receipts or reserves) should only be considered as a last resort as otherwise this would put an additional burden on successor authorities to find sustainable replacement.

1.7 The three-year plan includes funding from the multi-year settlement, projections for future council tax base and household charges, and share of retained business rates growth. The update and revision will need to include a projection for the 2029-30 settlement as the current multi-year only extends to 2028-29.

1.8 The three-year whole Council revenue plan and one year directorate revenue plans<sup>1</sup> are shown as “net spend” (that is, total spending offset by income and specific grants). Net spend is effectively the spend over which the council has direct control.

1.9 Individual key service spending plans have in this Council been presented for one year only and include separate detail showing gross spend (split between staffing and non-staffing), income and specific grants, and resultant net spend. In the past these have only been produced for the final draft budget which is eventually approved by Full Council.

### *Capital Programme*

1.10 Spending on capital investments is shown separately through the 10-year capital programme<sup>2</sup>. The Council has a substantial asset base, and it is important these assets are used in a way to maximise value to the council including regular rationalisation and seeking improved returns. The capital investment strategy sets out the investments of the Council as required by statutory guidance.

1.11 The capital programme represents the medium-term plan for investment within affordability and capacity constraints. It is likely that capital spending will be even more constrained than revenue spending in the last year of the Council in its current form. It is particularly important that the Council does not incur capital costs on projects that may not be continued by new authorities as otherwise this could result in significant abortive costs which would represent a revenue pressure on the new councils. Previously capital planning has included a separate analysis of potential projects subject to business case approval and affordable funding. In light of LGR it is proposed the analysis of potential projects is no longer included in the plans for 2027-28.

## **2. Other Key Components of Planned Draft Publication in November**

### *Assessment of Financial Resilience*

2.1 The assessment of the financial resilience of the Council is an important part of the medium-term planning process. This is a function undertaken by the Chief Financial Officer (CFO) and finance staff on behalf of the Council<sup>3</sup>. Their judgement is reported in a Section 25 report to the County Council Budget Meeting, where all councillors must have due regard to the contents when considering the proposed budget.

### *Budget Risks*

---

<sup>1</sup> Appendices D & E to the County Council report/sections 6 & 7 of the budget book

<sup>2</sup> Appendices A & B to the Council report/sections 3 and 4 of the budget book

<sup>3</sup> A range of tools are available to the CFO in making this judgement, appendix I of the Council budget report/section 11 of the budget book demonstrates one of these tools through self-assessment against the key symptoms of financial stress identified by Chartered Institute of Public Finance and Accountancy (CIPFA) in their publication “building financial resilience”.

2.3 A Budget Risk Register is included in the MFFP<sup>4</sup>. This identifies and quantifies the likelihood and potential impact of the most significant budget risks which could affect delivery of the MTFP. The level of risks is a significant factor in assessing the adequacy of the Council's reserves.

#### *Sensitivity Analysis*

2.4 The budget sensitivity analysis assesses how changes in external and internal factors impact on the Council's budget. The analysis is based on different "what-if" scenarios. The purpose of sensitivity analysis is to support a more resilient and robust budget to allow for potential uncertainties and fluctuations, and to influence future decision making.

#### *Treasury Management Strategy*

2.5 The Treasury Management Strategy<sup>5</sup> the management of the Council's cash flows, borrowing and investments together with the associated risks. The Council has borrowed and invested substantial sums and thus is exposed to financial risks including losses on invested funds and revenue consequences of exposure to changing interest rates. Most cash inflows are predictable with set dates or the receipt of government grants and tax precepts from collection authorities. These generally precede the dates for major outflows. Regular bi-annual reports of treasury management performance are made to Governance and Audit Committee and full Council.

### **3. Updating and Revising the Current Plan**

3.1 The updated 2026/27-2028/29 plan will form the basis for revised 2027/28-2029/30 plan to be developed and agreed over the months ahead leading up to publication of draft budget and MTFP proposals for initial scrutiny in the Autumn, with final draft plan in January 2027 ahead of approval by full County Council in February 2027. The initial update will include the following:

- a) unavoidable price increase estimates due to changes in inflation forecasts,
- b) cost and demand drivers to be based on updated forecasts including progress towards managing cost increases in more affordable manner. The multi-year calculations will also need to be more refined than current assumptions,
- c) any other cost increases kept to a minimum,
- d) provision for 1% to 2% contingency for emerging uncertainties,
- e) consideration of further approaches to absorbing or avoiding future spending growth,
- f) revised savings targets required to achieve a balanced plan (taking into account the impact from changes under a to e above) with details to be worked up in the subsequent months in conjunction with the Administration's priorities.

3.2 As part of revising the MTFP supporting financial information will be provided, as will the opportunity to challenge spending growth predictions; there will be a strong focus on efficiencies and productivity savings, and alignment of savings with the Administration's priorities. This will require a wide approach towards identifying savings options alongside a more disciplined approach towards considering the scope of "statutory services" (for example, by being specific about which piece of legislation is being cited as underpinning any statutory piece of activity) and reconsideration of minimum statutory requirements. One-off savings should only be considered as a last resort. Savings involving staff

---

<sup>4</sup> (appendix J to Council budget report/section 12 of the budget book)

<sup>5</sup> (appendix M to Council budget report/section 15 of the budget book)

restructures should be agreed in principle by September 2026 if full year effect is to be achieved in 2027-28 budget.

3.3 It is proposed that the update to the Capital Programme follows the governance process set out in the current approved capital strategy, with the following steps undertaken between June and December:

- Only consider new bids that are fully funded or invest to save schemes.
- Review and update the cost and phasing of exiting schemes and projects.
- Review the programme in light of ongoing pressures, ensuring no impact on revenue.
- Any implications of changes in borrowing in the capital programme to be fed into the revenue MTFP (i.e. borrowing costs).
- Any other implications impacting on the revenue budget, for example any use of capital receipts to support transformation activity.

3.4 The high-level budget timetable is set out in appendix B of this report.

## **4. Key Challenges and Risks affecting Budget and Medium-Term Financial Plan**

### *Inflation*

4.1 The Bank of England April 2026 quarterly Monetary Policy Committee (MPC) included revised inflation assumptions following the impact on energy prices arising from the conflict in the Middle East. Inflation prior to the conflict (Q4 2025 and Q1 2026) was 0.2% lower than the November forecast by The Office for Budget Responsibility on which the existing MTFP was based. Following the conflict inflation is now forecast to be between 1% to 4% higher in 2026 than the November OBR forecast with different scenarios in subsequent years depending on how long inflation would remain above the 2% target. A summary of the scenarios is included in appendix C of this report, the full MPC report can be accessed [BoE MPC April 2026 Report](#)

4.2 Each 1% above the current MTFP forecast adds circa £10m to the Council's budget pressures (the precise detail will be set out in MTFP updates).

### *Social Care*

4.3 Spending growth pressures in adult social care and children's care remain the most significant for the Council. The 2026-27 budget strategy for Adult Social Care was based on a strategy that included:

- limiting annual fee uplifts to an affordable level taking into statutory Care Act requirements, inflationary and other cost pressures on providers and the sustained investment in recent years that has resulted in higher fees compared to other councils.
- retendering contracts with the aim of getting more providers on the framework which would make cost driver of future placements more predictable.
- review of "self-funded" costs.
- more rigorous approach to managing placements through the assessment of eligible need through only meeting statutory local authority duties.

4.4 The strategy also relies on agreeing partnership arrangements with health authorities. In adopting this strategy, it was recognised this came with significant risks, not least an ambitious programme for retendering contracts and risks of legal challenge.

4.5 The children's social care strategy includes adjustments to the base budget to reflect the full year effect of current variances, forecast price uplifts, cost and demand pressures for new placements into care along with ambitious savings and income plans.

### *High Needs Spending*

4.6 The final Local Government Finance Settlement included a High Needs Stability Grant equivalent to 90% of the accumulated historic deficit as 31<sup>st</sup> March 2026. However, the grant will only be confirmed following agreement of an SEN Recovery Plan. This plan replaces the previous Safety Valve agreement but will only see future forecast deficits eliminated with legislative changes to statutory requirements. Consequently, high needs spending continues to be the highest budget risk on a par with social care.

### *Local Government Reorganisation*

4.7 The 2027-28 budget will need to include provision for the Council's contribution to the pre implementation costs. These can realistically only be included in budget plans once government has passed a Structural Change Order (a statutory instrument that gives reorganisation a legal basis). There remains a risk should SCO not be approved according to the planned timetable. Other impacts of LGR e.g. temporary curtailment of

spending plans and full year effects of budget decisions post vesting day will also need to be clearly identified.

## **5. Conclusions**

5.1 Robust medium term financial planning is one of four key elements in public sector financial management (the others being execution, monitoring and reporting). The MTFP is more than the financial forecasts for the future and is the full suite of appendices published in the papers for full County Council Budget Meeting and included in the Budget Book.

5.2 The MTFP needs to be owned by decision makers and should be the foundation upon which decisions are made to ensure resources are used effectively.

5.3 The MTFP includes spending on day-to-day services (revenue spend) and investment in assets (capital spend).

5.5 A sound plan is based on identifying the resources necessary to fulfil current policies as a starting point before then considering changes necessary to achieve a balanced and affordable plan which is presented to County Council in February 2027 which the process described in this report has been completed.

5.6 The 2027-28 plan is unique in that it is likely to be the final plan for this Council. It is essential that the plan identifies the consequences (of decisions necessary for 2027-28 budget) are reflected in the future plans for successor councils along with robust forecast of future spending and funding for successor councils.

## **6. Contact details**

Report Authors:

Dave Shipton (Head of Finance Policy, Planning and Strategy)  
03000 419418  
[dave.shipton@kent.gov.uk](mailto:dave.shipton@kent.gov.uk)

Cath Head (Head of Finance Operations)  
03000 416934  
[cath.Head@kent.gov.uk](mailto:cath.Head@kent.gov.uk)

Relevant Corporate Director:

Brendan Arnold (Corporate Director of Finance)  
03000 410066  
[brendan.arnold@kent.gov.uk](mailto:brendan.arnold@kent.gov.uk)