

## Overview and Scrutiny Committee

23 January 2025

### Part 1 - Public

#### Recommendation to Cabinet



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Cabinet Member	Kim Tanner – Cabinet Member for Finance and Housing
Responsible Officer	Sharon Shelton – Director of Finance and Transformation
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#### Revenue Estimates 2025/26

### 1 Summary and Purpose of Report

- 1.1 The Council has a statutory duty to set the level of council tax for the forthcoming financial year by 11 March. Under the Budget and Policy Framework Rules of the Constitution, the Cabinet is responsible for formulating initial draft proposals in respect of the Budget. The role of this Committee is to assist both the Cabinet and the Council in the preparation of the Budget for 2025/26 within the context of the Medium Term Financial Strategy and the Council's priorities.

### 2 Corporate Strategy Priority Area

- 2.1 Efficient services for all our residents, maintaining an effective council.
- 2.2 The preparation of the annual budget, which feeds into the Council's Medium Term Financial Strategy, allows for the annual review of expected spending and income.

### 3 Recommendations

- 3.1 Consider the draft Revenue Estimates attached at **[Annex 1]** and make such recommendations, as it considers appropriate, to Cabinet for its special budget meeting on 11 February.

### 4 Introduction and Background

- 4.1 The Cabinet is responsible for formulating initial draft proposals in respect of the Budget for 2025/26.

- 4.2 Cabinet now works alongside officers to prepare the draft Estimates. Accordingly, this report presenting the draft Estimates is now a joint report of the Director of Finance and Transformation and the Cabinet Member for Finance and Housing.
- 4.3 Under the Budget and Policy Framework, one of the responsibilities of this Committee is to scrutinise the draft Estimates and, where appropriate, make recommendations back to Cabinet.
- 4.4 This report is, therefore, intended as the basis for recommendations from this Committee to the Cabinet.
- 4.5 A special meeting of the Cabinet is scheduled for 11 February to consider the recommendations of this Committee and, in addition, take into account the Council's final grant settlement.
- 4.6 At that special meeting on 11 February, the Cabinet will need to formulate its final proposals in respect of the Budget for 2025/26 and the council tax to be levied in respect of the Borough Council. The Full Council will meet on the 18 February to approve the Budget and set the Council Tax. The Full Council may adopt or amend the Cabinet's proposals.
- 4.7 The role of this Committee is to consider both the Revised Estimates for 2023/24 and the draft Estimates for 2025/26 within the context of the Medium Term Financial Strategy and the Council's priorities. These estimates are attached at [Annex 1] for Members' consideration.

## **5 Corporate Strategy**

- 5.1 The Corporate Strategy sets out four key priorities for the borough;
- 1) Efficient services for all our residents, maintaining an effective council;
  - 2) Sustaining a borough which cares for the environment;
  - 3) Improving housing options for local people whilst protecting our outdoor areas of importance;
  - 4) Investing in our local economy.
- 5.2 In preparation of these Estimates, regard has been taken to the above priorities and in particular the Cabinet has highlighted the need to address the following key issues which contribute to the above:
- Provision of cost-effective Temporary Accommodation;
  - Regeneration of Tonbridge (including replacement of Angel Centre);
  - Climate Change, including carbon neutral leisure centres;

- Transformation to improve efficiency and effectiveness; and
- Delivery of the Local Plan

## 6 Medium Term Financial Strategy

- 6.1 Whilst this report is predominantly about the Budget for 2025/26, Members and senior officers have a duty to provide for the **long-term financial sustainability** of the Council. It is, therefore, imperative that we prepare plans to deliver any scenario that the Council might face.
- 6.2 The Council has, for many years, adopted a 10-year Medium Term Financial Strategy (MTFS) which covers both revenue and capital budgets. The aim of the Strategy is to give us a realistic and sustainable plan that reflects the Council's priorities.
- 6.3 It is important to recognise that financial 'fortunes' can change, moving up and down, over a medium term period – and one of the main reasons for having a plan of this longevity is to smooth out the 'peaks and troughs' of those financial fortunes in order to create more stability for our budgets and services.
- 6.4 In order to assist Members in preparing for this draft Budget, an interim update of the MTFS was undertaken and reported to the Cabinet and the Finance, Regeneration and Property Select Scrutiny Committee in November. This Part 2 report gave a range of proposals that could be affected by conditions beyond the Council's control, such as Government Funding and external service pressures such as Refuse Collection and Homelessness.
- 6.5 The report in November did not include the provisional settlement and work is ongoing to incorporate these figures into the MTFS for reporting to Cabinet in February 2025. Given the continued uncertainty surrounding those matters (mentioned above) which are beyond the Council's control and which impact in future years of the strategy, it is expected that the funding gap will remain 'in the ball park' of that estimated in the November report.
- 6.6 Alongside the MTFS sits a Savings and Transformation Strategy (STS). The purpose of the Strategy is to provide structure, focus and direction in addressing the financial challenge faced by the Council. In so doing, it recognises that there is no one simple solution and as a result we will need to adopt a number of ways to deliver the required savings and transformation contributions within an agreed timescale. An update of the STS will be presented to the budget meeting of Cabinet in February alongside the MTFS.

## 7 Provisional Local Government Finance Settlement

- 7.1 On 18 December 2024, the Minister of State for Local Government and English Devolution in the United Kingdom, Jim McMahon MP, made a statement to Parliament on the provisional local government finance settlement for 2025/26.

The provisional figures are expected to be confirmed in January / February 2025, subject to the outcome of consultation.

- 7.2 Following the announcement of a wider Local Government Finance Review due to start in Spring 2025 the Settlement Funding Assessment (SFA) is for one year only. As mentioned in previous reports, the review is expected to focus on local deprivation factors as well as need and resources. Officers do not expect TMBC to fair well under the longer term review, but once announced, there will be greater certainty for the longer term on the Council's financial support.
- 7.3 Our provisional SFA for the year 2025/26 as shown in the table below is £2,708,428, an uplift of 2.0% compared to the sum received in 2024/25. However, as mentioned above this will be for one year only.

#### *New Homes Bonus*

- 7.4 No further legacy payments are due under the New Homes Bonus (NHB) scheme giving an allocation for the year 2025/26 only which in our case is £517,013, the increase from 2024/25 accounts for the reduction in unoccupied homes combined with an increase in new homes being completed by developers.
- 7.5 It should be noted that the whilst the amount has increased from 2024/25 it is below the estimated level within the last version of the MTFS (£600,000 per annum).
- 7.6 The Government has announced that as part of the consultation 'Local authority funding reform: objectives and principles' ( see [Local authority funding reform: objectives and principles - GOV.UK](#)) new homes bonus in its current guise will cease. Officers are currently reviewing this consultation for response by 12 February 2025.

#### *Under-indexing of the Business Rates Multiplier*

- 7.7 As a result of business rate multipliers not being maintained at the agreed rate of CPI, the settlement includes a grant for the under-indexing of £482,712. It is yet unknown if the grant will be continued following the review of Business Rate Retention during 2025/26.

#### *Funding Guarantee / Funding Floor*

- 7.8 As in 2023/24 and 2024/25 the Government has issued an additional grant to balance the core spending needs of the Council.
- 7.9 This grant, now known as the Funding Floor, has been included into the settlement in 2025/26 to keep the core spending power, *including Council Tax receipts*, at the same level as 2024/25.
- 7.10 Allowing for these changes the provisional allocation for 2025/26 is £1,785,452.

### *Total Grant Funding*

- 7.11 Total grant funding for the year 2025/26 as shown in the table below is £5,530,915, a cash decrease of £513,814 or -8.5% when compared to that received in 2024/25. That being said in both the February and November 2024 MTFs models it had been assumed that the Funding Floor Grant would not be received, meaning for the 2025/26 financial year the Council has additional funds available for strategic projects.

	2024/25	2025/26	Cash Increase/ (Decrease)	
	£	£	£	%
Local Share of Business Rates (baseline)	2,509,032	2,541,100	32,068	1.3
Revenue Support Grant	146,419	167,329	20,910	14.3
<b>Settlement Funding Assessment</b>	<b>2,655,451</b>	<b>2,708,428</b>	<b>52,977</b>	<b>2.0</b>
<b>New Homes Bonus</b>	<b>343,373</b>	<b>517,013</b>	173,640	50.6
<b>Under-indexing of the Business Rates Multiplier</b>	<b>464,291</b>	<b>482,712</b>	18,421	4.0
<b>Other Grants</b>	<b>71,354</b>	<b>37,310</b>	(34,044)	-47.7
<b>Funding Guarantee / Funding Floor</b>	<b>2,510,620</b>	<b>1,785,452</b>	(724,808)	-28.9
<b>Total Grant Funding</b>	<b>6,044,729</b>	<b>5,530,915</b>	<b>(513,814)</b>	<b>-8.5</b>

- 7.12 The provisional local government finance settlement 2025/26 is subject to consultation. The return date for responses to the consultation is 15 January 2025, with the response being agreed by the Cabinet Member for Finance and Housing prior to submission. The consultation paper can be found at the following link: [Consultation: provisional local government finance settlement 2025 to 2026 - GOV.UK](#)

### *National Non Domestic Rates (NNDR)*

- 7.13 In the statement on 18<sup>th</sup> December 2024 it was announced that the Government will be considering changes to the current Business Rates model operated in local government. It is expected that this will be through the resetting of baseline requirement, and forms part of the wider funding reforms consultation.
- 7.14 The Government sets a baseline need for the Council of £2.541m as set out in the table at 7.11 above. Under the current rules, the Council is allowed to keep a proportion of any amount received above this baseline. The proportion depends on whether the Council is a member of a Business Rates Pool, which it is, and the membership of the authorities within this pool.
- 7.15 The development of Panattoni Park continues with final major development on site likely to be occupied during the early to mid-stages of 2025/26.

- 7.16 Using information from the Valuation Office, officers have provided a prudent estimate of the valuation for this new building on Panattoni Park and other potential changes in the borough.
- 7.17 Taking this into account and after allowing for the financing arrangements within the Kent Business Rate pool, officers have estimated that the business rates receipts to TMBC will be circa £3.888m - some £1.347m above the baseline. This has been factored into the Revenue Estimates Summary Page S1 within [Annex 1].
- 7.18 These amounts are lower than the 2024/25 original estimate as there was a significant release of an appeals provision in the current financial year that cannot be repeated in 2025/26 (see report to Cabinet 13 February 2024).

*Local Referendums to Veto Excessive Council Tax Increases*

- 7.19 The Localism Act gives local communities the power to veto excessive council tax increases. The Secretary of State will determine a limit for council tax increases which has to be approved by the House of Commons. If an authority proposes to raise council tax above this limit, they need to hold a referendum seeking views from local residents.
- 7.20 For the year 2025/26, a referendum will be triggered where council tax is increased by **more than 3% or £5, whichever is higher**.
- 7.21 Referendum principles currently do not apply to town and parish councils.

**8 Specific Issues for this Budget Setting process**

- 8.1 This year's budget setting process has had to incorporate the current economic impacts of inflation for both next year and over the medium term. An overall inflation provision is made, broken down into three parts – pay inflation, contract inflation and supplies and services inflation.
- 8.2 In terms of the council tax base, built into the MTFS is an expectation about future growth in the number of band D equivalents over the ten-year period. It is important, however, to recognise that the scale of development growth both in any one year and over the medium term is very difficult to predict given the market as well as other site-specific conditions.
- 8.3 Recommendations regarding fees and charges are made during this cycle of meetings and reflected in the revenue estimates.
- 8.4 Any decisions made by the General Purposes Committee at its meeting on 22 January 2025 have not been reflected in these draft papers due to timing. Any financial implications arising from decisions made at the meeting of the General Purposes Committee will need to be incorporated into the draft Estimates prior to presentation to Cabinet on 11 February 2025.

- 8.5 Other than loss of investment income the revenue estimates do not take account of the revenue consequences of new capital schemes. At its meeting on 11 February, the Cabinet will need to give consideration to both the Revenue and Capital Estimates in the context of the MTFS and, where appropriate, recommend additions to the Capital Plan.
- 8.6 In accordance with the MTFS objectives, the annual contribution to the Revenue Reserve for Capital Schemes excluding capital renewals is set at £250,000 and remains in place until 2028/29.
- 8.7 The annual contribution to the Building Repairs Reserve to meet ongoing maintenance and repair obligations has been set at £750,000 from 2025/26 onwards, but could require review in future years in order to keep a balanced reserve position.
- 8.8 More detailed explanatory notes in respect of the revenue estimates can be found in the attached Revenue Estimates Booklet **[Annex 1]**.
- 8.9 To support scrutiny of the Revenue Estimates and further to previous requests from Members, **[Annex 2]** sets out for each of the services contained in **[Annex 1]** a description as to whether it is a mandatory or a discretionary service.
- 8.10 It is important that Members appreciate however, that there are often discretionary 'add-ons' to a mandatory service and therefore mandatory services should not be excluded from scrutiny. It is also worth noting that discretionary services are often the ones which are most desired and appreciated by residents and taxpayers, contributing to wider objectives such as health and wellbeing.

## **9 Revised Revenue Estimates 2024/25**

- 9.1 Overall, the draft 2024/25 Revised Estimate show a decrease on the original estimate of £65,034 prior to making a contribution to the General Revenue Reserve. Details of the variations are contained in Annex 1 to this report but the table below gives the principal reasons for the variation.
- 9.2 Other changes identified not contained within Annex 1 are as follows.
- An increase in the contributions from the Council's earmarked reserves primarily to fund the increased service expenditure
  - An increase in the contributions to the Council's earmarked reserves as a result of windfall sums and additional specific grant awards.
  - Increased expenditure on capital projects after allowing for the movement of schemes moved between financial years.

	£	Reserve Funding
Salary Estimates	761,000	part
Back Scanning	190,000	
Regeneration of Tonbridge	375,000	Yes
Gibson Building Covenant	410,000	Yes
Investment Income	(468,000)	
Planning Policy (Local Plan)	130,000	Yes
Planning Appeals	346,000	Yes
Homelessness Accom & initiatives	590,000	
Procurement and Gypsy Sites	152,000	Yes
Planning and Building Control Fees	212,000	
Refuse Contract Consultant costs	60,000	
Recycling Bring Banks	(66,000)	
Tree Health and Safety Work	30,000	
Leisure Trust Energy Support	(242,500)	Yes
Garden Waste Income	(92,000)	
Car Parking Income	(300,000)	
Contributions from reserves	(2,292,869)	Yes
Contributions to reserves	500,090	Yes
Capital Expenditure	264,500	Yes
KCC Contributions	(200,000)	Yes
Business Rate Income	(7,805)	
Other impacts	(416,420)	
<b>Total Movement</b>	<b>(65,034)</b>	

## 10 Revenue Estimates 2025/26

10.1 Overall the draft 2025/26 Estimate show an decrease over the 2024/25 Original Estimate of £1,822,869 prior to making a contribution to the General Revenue Reserve. Details of the variations are contained in Annex 1 to this report but the table below gives the principal reasons for the variation.

10.2 Other changes identified not contained within Annex 1 are as follows;

- Reduced contributions to the Council's earmarked reserves primarily due to a reduction in one off funding arrangements to fund future specific corporate projects.
- Reduced contributions from the Council's earmarked reserves due to less additional reserve funding requirements.
- Reduced Government Grant income as explained in paragraphs 7.10 and 7.11.



- Collection fund deficits, the movement between years is as a result of slightly decreased collection rates and increased levels of empty business properties.

	£	Reserve Funding
Salary Pay Inflation	400,000	part
Staffing National Insurance	250,000	
General Inflation	250,000	
Planning Policy (Local Plan)	500,000	Yes
Homelessness Temp Accommodation	400,000	
Procurement and Gypsy Sites	156,500	part
Recycling Bring Banks	(100,000)	
Car Parking Income	(500,000)	
Garden Waste Income	(363,000)	
Polluter pays grant award	(983,700)	
Leisure Trust Energy Support	(244,500)	
Potential extension to IDOX	90,000	
Regeneration of Tonbridge	292,000	Yes
Contributions to Reserves	(6,202,550)	Yes
Contributions from Reserves	(676,850)	Yes
Capital Expenditure	96,000	Yes
Government Grants	527,950	
Business Rates Income	1,974,597	
Collection Fund Deficit	2,428,234	
Other Movements	(117,550)	
<b>Total Movement</b>	<b>(1,822,869)</b>	

## 11 Other specific matters affecting the estimates

- 11.1 Internal Drainage Board (IDB) Levies – Members will be aware that some councils (including TMBC) are charged levies to fund IDBs in their area. This Council receives levies from two separate IDBs: the Upper Medway Drainage Board and the Lower Medway Drainage Board. Levies are payable on demand and the Council has little influence over the rate being set. Some councils, those that are significantly impacted by levies, receive additional funding to support these costs, but TMBC does not fall into this group. With this in mind the Council has recently joined a special interest group (SIG) to request additional and potentially fairer funding for authorities who are paying these levies. The 2025/26 estimate includes provision for levies totalling circa £518k, an increase of 3% on the 2024/25 levies.
- 11.2 Local Plan Contributions – At the meeting of Housing and Planning Scrutiny Select Committee (HPSSC) in December Members received an updated profile of cost for the local plan for the remainder of 2024/25 and for 2025/26. The

estimated costs are included within these draft estimates. An estimate of costs and contributions beyond 2025/26 will be assessed and provided to Members of the Scrutiny Select Committee at its next meeting in February 2025.

- 11.3 Temporary Accommodation Lease for property in Tonbridge – Following the endorsement of the part 2 report by both HPSSC and Cabinet in December the cost of this scheme will be met from the proposed budget within Homelessness and the overall budget will be adjusted at the revised estimate for 2025/26.
- 11.4 Inflation – a general level of inflation has been provided on contracts and certain supplies and services within these estimates. Once the actual inflation levels are known it could be that there is an element of overprovision. If this is the case, the ‘excess’ provision could be used to cover shortfalls identified elsewhere in the budget or contribute to the ongoing funding gap once identified.

## **12 Reserves**

- 12.1 The Estimates as presented, taking into account the grant settlement, should allow the Council to contribute to the corporate priorities identified in paragraph 5.2 through contributions to reserves.
- 12.2 This is predicated on the council tax levy in 2025/26 being in line with the maximum that could be set, as detailed in 7.20 to 7.22 above. It should be noted that the government assumes that councils will set council tax in this way when making their core spending power calculations.
- 12.3 The contribution to reserves will be discussed and recommended by Cabinet at the special budget meeting in February, specifically focussing on the Corporate priorities set out in paragraph 5 above.

## **13 Capital Plan**

- 13.1 A report elsewhere on this agenda seeks to advise Members of the way forward on the Capital Plan. The criteria established to guide the inclusion of new schemes to List C (holding list of schemes not yet fully worked up) and ultimately the inclusion of schemes on List A (schemes assigned budget provision) are:
- to meet legislative requirements including health and safety obligations;
  - funded from external resources; and
  - reduce revenue expenditure and or generate income.
- 13.2 The Capital Plan review report recommends schemes for inclusion on List B, the short-list of schemes for possible inclusion in the Capital Plan. Members are reminded that the selection from List B of schemes to be included in the Capital Plan (List A) – if any – will be made at Cabinet on 13 February for endorsement by Council.

- 13.3 Capital expenditure is currently funded from the revenue reserve for capital schemes, grants from government and other bodies, developer contributions and from capital receipts derived from the sale of assets. In some instances, earmarked reserves may also provide funding in full or part for specific schemes.
- 13.4 There is also an annual contribution to the revenue reserve for capital schemes to match the funding required for the replacement of existing assets (vehicles, plant and equipment) and recurring capital expenditure. The contribution in 2025/26 is £1,149,000.
- 13.5 There remains an annual capital allowance for all other capital expenditure not least in light of the difficult and challenging financial outlook. Any 'bids' for capital schemes or discretionary capital grants are to be assessed in the context of the annual allowance which is set at £250,000.
- 13.6 It should be noted, based on current approvals and details contained within the MTFS and capital plan, **that from 2029/30 the Council may need to borrow to fund such expenditure**. This does not however, preclude a decision to borrow in order to fund in full or in part an investment opportunity that meets the Council's strategic priorities and objectives, and achieves value for money. Each such opportunity to be considered on a case by case basis as appropriate.

#### 14 Financial and Value for Money Considerations

- 14.1 Members and senior officers have a duty to provide for the **long-term financial sustainability** of the Council. It is, therefore, imperative that we prepare plans to deliver any scenario that the Council might face.
- 14.2 The uncertainty surrounding local government finances with regard to:
- the awaited outcome of the reform of local government funding, including business rates reforms, and
  - impact of the devolution and reorganisation plans announced by the Government in December 2024.
- 14.3 The 2025/26 provisional local government finance settlement represents a holding position. Consultation on the 2025/26 settlement will be considered by officers and a response will be submitted in January in consultation with the Cabinet Member for Finance and Housing.
- 14.4 A further consultation paper on 'Local authority funding reform: objectives and principles' relevant to grant settlements from 2026/27 has been issued and is being considered by officers for return in February.
- 14.5 The impact of current economic conditions on Council finances / financial assumptions in respect of inflation, interest rates, etc. and the scale of the impact over the medium term is uncertain and difficult to determine.

## 15 Risk Assessment

- 15.1 The Local Government Act 2003 requires the Chief Financial Officer (s151), when calculating the Council Tax Requirement, to report on the robustness of the estimates included in the budget and the adequacy of the reserves for which the budget provides. Consideration will and is given to the risks associated with any budget setting process where various financial and other assumptions have to be made. To mitigate the risks detailed estimates are formulated in conjunction with Services taking into account past outturn, current spending plans and likely future demand levels / pressures and external advice on assumptions obtained where appropriate.
- 15.2 The Medium-Term Financial Strategy sets out the high-level financial objectives the Council wishes to fulfil and underpins the budget setting process for the forthcoming year and over the Strategy period. As the Council's high level financial planning tool, the Strategy needs to be reviewed and updated at least annually and in the current climate regularly reviewed by Management Team. In addition, not identifying and implementing the requisite savings and transformation contributions will put at risk the integrity of the MTFS.
- 15.3 The uncertainty and volatility surrounding local government finances has not aided financial planning with the increased risk of significant variations compared to projections; and the consequent implications on the level of reserves held. That being said, the commitment for future multi year settlements should allow the Council to have some improved certainty that can be included in future iterations of the MTFS.
- 15.4 The Waste Services Contract after 2027/28 is expected to increase the Council's costs due to a hardening in the market position. Once the results or the retendering are known this will allow for better planning.
- 15.5 **Members are reminded that the cost of borrowing for new capital plan schemes when and if required are not factored into the MTFS.**
- 15.6 Any increase in council tax above the relevant threshold, even by a fraction of a percentage point, would require a referendum to be held.
- 15.7 The Devolution White Paper (see elsewhere on this agenda) could bring major changes for TMBC in due course. At this point given the relative uncertainty, our financial planning continues in the normal way. However the risk will be added to the Strategic Risk Register.

## 16 Legal Implications

- 16.1 There are a number of legislative requirements to consider in setting the Budget which will be addressed as we move through the budget cycle.

- 16.2 The Localism Act gives local communities the power to veto excessive council tax increases. The Secretary of State will determine a limit for council tax increases which has to be approved by the House of Commons. If an authority proposes to raise council tax above this limit, they will have to hold a referendum to get approval for this from local voters who will be asked to approve or veto the rise.
- 16.3 The Local Government Finance Act 2012 and regulations that followed introduced the current Business Rates Retention Scheme.

## 17 Consultation and Communications

- 17.1 Before the Borough Council determines the amount of its total estimated expenditure and makes calculations of its requirements for the ensuing financial year, it consults representatives of its non-domestic ratepayers about its expenditure proposals (including capital expenditure). The consultees receive on request information and copies of the draft budgets and are invited to make written representations if they deem it appropriate. Any points of clarification required are dealt with by telephone, written correspondence or, if appropriate, an informal meeting with officers.
- 17.2 Any comments or representations received from the consultees will be reported to Members during the budget process as appropriate.

## 18 Cross Cutting Issues

### 18.1 Climate Change and Biodiversity

- 18.1.1 Climate change advice has not been sought in the preparation of the options and recommendations in this report.

### 18.2 Equalities and Diversity

- 18.2.1 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

Background Papers	None
Annex 1	Draft Revenue Estimates
Annex 2	Mandatory and Discretionary Services