

## Cabinet

11 February 2025

### Part 1 - Public

#### Recommendation to Council



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|                     |   |
|---------------------|---|
| Cabinet Member      | Matt Boughton – Leader of the Council<br>Kim Tanner – Cabinet Member for Finance and Housing              |
| Responsible Officer | Damian Roberts – Chief Executive<br>Sharon Shelton – Director of Finance and Transformation               |
| Report Author       | Sharon Shelton – Director of Finance and Transformation<br>Paul Worden – Chief Financial Services Officer |

#### Setting the Budget 2025/26

##### 1 Summary and Purpose of Report

- 1.1 Further to the meeting of the Overview and Scrutiny Committee earlier in the cycle, this report updates Cabinet on issues relating to the Medium Term Financial Strategy. It also takes Members through the necessary procedures in order to set the Budget for 2025/26.
- 1.2 Members are asked to note that at the time of writing this report, ***the final settlement has not been received***. All figures contained in the report are based on the provisional settlement.
- 1.3 The headlines issues from this report are as follows:
  - Provisional local government finance settlement 2025/26 better than expected, but was an overall DECREASE on 2024/25 funding of is £514,000 (8.5%).
  - A new grant 'Polluter Pays' has been awarded from 2025/26. In 2025/26 the value of the grant is £983,600
  - Due to ongoing increased NNDR receipts and better than expected settlement TMBC has a balanced budget for 2025/26 and has been able to set aside funds in earmarked reserves for key priorities.
  - In addition, an initial assessment of reserves has facilitated a recommendation to release additional funds for key priorities.

- The Government has announced changes to Local Government Funding affecting Grants and Business Rates in order to simplify the award process and target funding based on deprivation, resources and needs. Consultation has commenced and it is expected that any reform will be introduced for the Local Government Settlement for 2026/27 onwards. As previously advised, it is anticipated that this will reduce grant funding to TMBC and that assumption has been built into the MTFS.
- Referendum principles mean that council tax can only rise by greater of 3% or £5. CPI for December 2.5%. Recommended 3% increase in TMBC element of council tax bill giving a council tax at Band D for 2025/26 of £245.30; a cash increase of £7.14 per annum.
- Funding Gap, representing new savings that need to be identified and delivered, now projected at £2.8m over the medium term. In addition, commitment of saving £200,000 (release of office accommodation) and £625,000 (cost and client numbers within temporary accommodation).
- Seven capital schemes to be added to Capital Plan in 2025/26.
- In order to support the recent decision to replace the Angel Centre, as referenced below, officers in conjunction with Cabinet have identified and earmarked funds to assist with the overall financing of the scheme.

## 2 Corporate Strategy Priority Area

- 2.1 Efficient services for all our residents, maintaining an effective council.
- 2.2 Setting of the budget is required under statute

## 3 Recommendations

- 3.1 Recommendations are made, where appropriate, within each section of the report and **highlighted in blue**. For completeness, they are summarised below in the order they appear within the report:
- 3.2 *Section 6 (Local Government Finance Settlement)*: It is **RECOMMENDED** that the details of the final grant settlement, including the anticipated National Insurance grant, are verbally reported to Cabinet at the meeting and any adjustments needed are made to the final Budget.
- 3.3 *Section 8 (Usable Reserves)*: In view of the objective within the Capital Strategy to identify funding for the replacement of the leisure centre in Tonbridge, it is **RECOMMENDED** that the following sums totalling £3.45m are transferred to the Tonbridge Town Centre reserve, and specifically set aside for the funding of the redevelopment of the Angel Leisure Centre:
  - the sum of £1.25m held as a general fund (working) balance

- A sum of £2.2m from the Budget Stabilisation Reserve
- 3.4 *Section 9 (Revenue Estimates 2025/26)*: It is **RECOMMENDED** that as part of the 2025/26 Estimates, sums are contributed to the following earmarked reserves:
- £3.25m to the Regeneration of Tonbridge reserve (specifically for the replacement of Angel Centre);
  - £150,000 to the Homelessness reserve to assist with the provision of Council operated temporary accommodation for homelessness.
- 3.5 *Section 11 (Capital Plan)*: It is **RECOMMENDED** that:
- 1) Cabinet endorse the existing Capital Plan (List A) position at Annex 1 (O&S agenda) and summarised at **[Annex 3]**.
  - 2) Cabinet approves that the schemes listed in **[Annex 4]** are added to List C or deleted from List C as detailed.
  - 3) Cabinet approves the selection of those schemes listed in **[Annex 5]** for evaluation over the coming year. On this occasion, four schemes have been recommended for Fast-Track evaluation.
  - 4) Cabinet approves the transfer of schemes detailed in **[Annex 6]** to List A.
  - 5) Cabinet approves the updated Capital Plan (List A) as summarised in **[Annex 7]**.
  - 6) Cabinet endorse the Capital Strategy as presented to the Overview and Scrutiny Committee on 23 January.
- 3.6 *Section 12 (Treasury Management and Annual Investment Strategy)*: It is **RECOMMENDED** that
- for the financial year 2025/26 the prudential indicators listed in paragraph 12.7 including the liability benchmark indicator and 12.11 be recommended to Council for adoption
  - Members **NOTE** that for the financial year 2025/26 our annual minimum revenue provision is nil subject to the comment at paragraph 12.8.
- 3.7 *Section 13 (Medium Financial Strategy)*: Members are requested to **NOTE** and endorse the updated MTFS **[Annex 10a]**.
- 3.8 *Section 14 (Savings and Transformation Strategy)*: Cabinet is **RECOMMENDED** to note and endorse the updated STS **[Annex 10b]** to be uploaded as a supplement, including the proposed scale and timing of each of the required savings and transformation contributions set out at paragraph 14.4.

- 3.9 *Section 16 (Special Expenses)*: Cabinet is requested to **ENDORSE** the special expenses calculated in accordance with the Special Expenses Scheme and set out at **[Annex 13b]**.
- 3.10 *Section 17 (Robustness of Estimates and Adequacy of Reserves)*: Members are **RECOMMENDED** to note and endorse the Statement **[Annex 16a]** provided by the Director of Finance and Transformation.
- 3.11 *Section 18 (Calculation of Borough Council's Tax Requirement)*: **Note** the Calculation of the Borough Council's council tax requirement at **[Annex 17]**.

#### **4 Introduction and Background**

- 4.1 At the Full Council meeting on 18 February, Members will determine both the Budget and the level of council tax for 2025/26. The detailed Estimates for 2025/26 prepared by officers in liaison with the Cabinet have been carefully considered by the Overview and Scrutiny Committee earlier in the cycle. Details are set out at paragraph 9 below.
- 4.2 Whilst the primary purpose of this report is for Cabinet to recommend the Budget and resultant level of council tax for 2025/26; as ever, **this one year cannot be viewed in isolation**. This budget sits within the context of our Medium Term Financial Strategy (MTFS) covering a ten-year period. Financial decisions made in respect of the year 2025/26 will have an impact across the MTFS and upon the required savings and transformation contributions the Council will need to achieve in order to 'balance its books' and we must not lose sight of the scale of this particular challenge. **Ultimately, Members working with senior officers have a duty to ensure the Council's long term financial position is sustainable, and that 'short term' decisions do not jeopardise that longer term sustainability.**
- 4.3 This time last year the projected funding gap was put at £1,705,000 with an initial tranche of savings in the sum of £305,000 to be delivered by April 2025. During the course of the current year, as will be noted from paragraph 14.3 later in this report, that target was exceeded.
- 4.4 The potential impact of the Local Authority Funding Reform and the recommissioning of the Council's Waste, Recycling and Street Cleansing contract has added to the uncertainty in the scale of the funding gap over the past twelve months, with the latest projected funding gap being £2,800,000. Members should also note that it is necessary to add to this figure the value of any initiatives already built into the MTFS, **but not yet delivered**. In this respect, the scaling back of office accommodation in the sum of £200,000 and a total reduction of £625,000 in respect of homelessness (*made up of £400,000 reduction in Temporary Accommodation costs and £225,000 reduction due to assumed reversion to 100 clients within Temporary Accommodation*) needs to be added in, giving a figure of **£3,625,000** to be found and delivered over the medium term.

**The MTFS including the latest project funding gap is discussed in more detail later in this report.**

- 4.5 The Localism Act requires a local authority to seek the approval of their electorate via a local referendum if it proposes to raise council tax above the threshold set by the Secretary of State. For the year 2025/26 a referendum will be triggered where council tax is increased by **more than 3% or £5, whichever is higher**.
- 4.6 This time last year the MTFS assumed a council tax increase of 3%. For the purposes of preparing the budget papers and updating the MTFS an **increase of 3% in 2025/26** has been assumed followed by the greater of £5 or 2% each year thereafter.
- 4.7 Attached at **[Annex 1]** for Members' information is a copy of the Referendums Principles setting out the level of council tax increase for 2025/26 above which the local authority would be required to seek approval of their electorate via a local referendum.
- 4.8 This report necessarily touches on a number of related areas (some of which are complex) that the Director of Finance and Transformation is required to draw to Members' attention in order to provide assurance and advice to aid decision making. The report is, therefore, broken down into sections dealing with the following areas:
- Section 5: Corporate Strategy
  - Section 6: Local Government Finance Settlement
  - Section 7: Business Rates
  - Section 8: Usable Reserves
  - Section 9: Revenue Estimates 2025/26
  - Section 10: Fees and Charges
  - Section 11: Capital Plan
  - Section 12: Treasury Management and Annual Investment Strategy
  - Section 13: Medium Term Financial Strategy Update
  - Section 14: Savings and Transformation Strategy
  - Section 15: Collection Fund Adjustments
  - Section 16: Special Expenses and Parish Council Precepts
  - Section 17: Section 25 Statement - Robustness of the Estimates / Adequacy of the Reserves
  - Section 18: Calculation of Borough Council's Tax Requirement

## 5 Corporate Strategy

5.1 The Council adopted a new Corporate Strategy in 2023 setting out the values key to achieving the strategy of **innovation, transformation, and delivery**.

5.2 The Strategy sets out the 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.

5.3 In preparation of these Estimates, regard has been taken to the above priorities and in particular the Cabinet 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 the Angel Centre;
- Climate Change, including carbon neutral leisure centres;
- Transformation to improve efficiency and effectiveness; and
- Delivery of the Local Plan.

## 6 Local Government Finance Settlement

6.1 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.

6.2 Following the announcement of wider Local Authority Funding Reform due to start in Spring 2025, the Settlement Funding Assessment (SFA) is for one year only. As mentioned in previous reports, any review leading to reform 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.

6.3 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 2025/26. However, as mentioned above this will be for one year only.

### *New Homes Bonus*

- 6.4 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 2025/26 accounts for the reduction in unoccupied homes combined with an increase in new homes being completed by developers.
- 6.5 It should be noted that whilst the amount has increased from 2025/26 it is below the estimated level within the last version of the MTFS (£600,000 per annum).
- 6.6 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. The draft response to this consultation is reported elsewhere on this agenda for response by 12 February 2025.

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

- 6.7 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*

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

### *Total Grant Funding*

- 6.11 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 2025/26. 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/<br>(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>2,510,260</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> |

6.12 The provisional local government finance settlement 2025/26 is subject to consultation. The return date for responses to the consultation was 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](#)

6.13 The final settlement was expected to be confirmed in late January / early February 2025, subject to the outcome of the consultation but at the time of writing has not been received. Cabinet will be updated at the meeting on 11 February with details of the final settlement, including the National Insurance grant for local authorities which is yet to be announced. Members are advised that the funding made available to the sector for this grant will not cover the entire cost of the additional employers' national insurance contributions.

6.14 It is **RECOMMENDED** that the details of the final grant settlement, including the anticipated National Insurance grant, are verbally reported to Cabinet at the meeting and any adjustments needed are made to the final Budget.

## 7 National Non Domestic Rates (NNDR)

7.1 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.

7.2 The Government sets a baseline need for the Council of £2.541m as set out in the table at 6.11 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.



- 7.3 The development of Panattoni Park in the north of the Borough continues with final major development on site likely to be occupied during the early to mid-stages of 2025/26.
- 7.4 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.
- 7.5 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.
- 7.6 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).

## 8 Council's Usable Reserves

- 8.1 The Council holds a number of 'usable' reserves on its balance sheet which could be **repurposed** to support both day to day services or assist in one off larger schemes either of a revenue or capital nature.
- 8.2 Although not yet incorporated into Capital Plan 'List A', Members approved, in principle, the replacement of the Angel Centre in Tonbridge in the context of the Town Centre Regeneration Programme. Cabinet January 2024 CB24/17 refers:
- "In principle, the Angel Centre be demolished and replacement leisure and community facilities be provided in Tonbridge and, in principle, all options be kept on the table for the future location and nature of such replacement leisure and community facilities within Tonbridge"*
- 8.3 Once formally approved, this is likely to be the largest capital project undertaken by the Council in over 25 years. The Council's Capital Strategy includes an objective to identify opportunities for funding the replacement of the leisure centre in Tonbridge.
- 8.4 Due to this and the Council's debt free status, officers are currently exploring ways of financing the replacement centre with minimal resort to external borrowing. With this in mind, the Director of Finance and Transformation and her team have conducted an **initial** review of the Council's reserve balances in line with objective 13.8 of the Annual Service Delivery Plan (see elsewhere on this agenda).
- 8.5 Two particular reserves have been identified for 'early release' subject to Member approval.
- 8.6 The first is the **Budget Stabilisation Reserve** which is currently expected to hold the sum of £2.7m as at 31 March 2025 with future commitments of £500,000. This reserve was established during Covid to assist with the return to 'normal'

economic levels. Members will be aware that approvals have been given to the use of some of this reserve, but the majority of these costs are now built into the MTFs as ongoing growth. Having undertaken an assessment, £2.2m could be released from this reserve for the specific use of the replacement of the Angel Centre.

- 8.7 Members will note from Annex 15 that the Council holds a general fund balance (formally known as the working balance) as well as a general revenue reserve. This balance, £1.25m, has been held for many years as a 'last resort' for financial viability, but given the current and predicted levels of the Council's General Revenue Reserve over the medium term, it is felt that the working balance can be released to support the delivery of the replacement leisure centre.
- 8.8 Further reviews of the Council's remaining reserve balances will be undertaken in the coming months as set out in the Annual Service Delivery Plan and reported to Members accordingly.
- 8.9 In view of the objective within the Capital Strategy to identify funding for the replacement of the leisure centre in Tonbridge, it is **RECOMMENDED** that the following sums totalling £3.45m are transferred to the Tonbridge Town Centre reserve, and specifically set aside for the funding of the redevelopment of the Angel Leisure Centre:
- The sum of £1.25m held as a general fund (working) balance
  - A sum of £2.2m from the Budget Stabilisation Reserve.

## 9 Revenue Estimates 2025/26

- 9.1 As mentioned in the Introduction, the draft Revenue Estimates for 2025/26 were presented to the Overview and Scrutiny Committee on 23 January. The role of the Committee is to assist both the Cabinet and the Council in the development of its budget within the context of the Medium Term Financial Strategy and the Council's priorities. Whilst a number of questions were posed by Members at the meeting, the Revenue Estimates as presented were endorsed. These estimates included the proposed fees and charges as approved by the Scrutiny Select Committees and the Licensing and Appeals Committee over recent months.
- 9.2 The estimates presented to O&S have been updated to take account of changes to staffing estimates following the General Purposes Committee on the 22 January, and minor changes to the Collection Fund Deficit estimates for 2024/25 and changes in reserve movements as set out in paragraph 8.9.
- 9.3 The proposed Council Tax for 2025/26 is considered elsewhere on this agenda and if approved will generate a Council Tax yield of £13,209,360.
- 9.4 This means that the Council has £3,400,000 available to transfer to reserves for strategic objectives.

9.5 Following discussions with Cabinet Members, officers have been requested to make the following reserve movements as part of this Budget:

- 1) Transfer of £3.25m to the Regeneration of Tonbridge reserve (specifically for the replacement of Angel Centre);
- 2) Transfer of £150,000 to assist with the provision of Council operated temporary accommodation for homelessness.

9.6 It is **RECOMMENDED** that the sums of £3.25m and £150,000 are transferred to the reserves as explained in paragraph 9.5 above.

9.7 These changes have been summarised on the table below:

|  | <b>Revised<br/>Estimate<br/>2024/25<br/>£</b> | <b>Original<br/>Estimate<br/>2025/26<br/>£</b> |
|--|---|--|
| Summary Total reported to Overview and Scrutiny Committee on 23 January 2025 prior to contributions to or from General Revenue Reserve | 11,606,435                                    | 9,848,611                                      |
| Staffing Establishment Changes following General Purposes Committee 22 January 2025  | 5,400   | 157,550  |
| Transfer of reserve to General Fund (as per paragraph 8)   |   | (3,450,000)                                    |
| Transfer to Tonbridge Town Centre Reserve (as per paragraph 8 and paragraph 9.4 above)   |   | 6,700,000                                      |
| Transfer to the Homelessness Reserves (as per paragraph 9.5 above)   |   | 150,000  |
| Changes to Reserve Funding following GP Committee  | (5,400)                                       | (45,800)                                       |
| Collection Fund Deficit adjustments  |   | (171,793)                                      |
| <b>Current Summary Total</b>   | <b>11,606,435</b>                             | <b>13,188,568</b>                              |

9.8 With these changes the net contribution to / from the General Revenue Reserve in 2025/26 becomes £20,792 as set out on the Revenue Estimates Summary in **[ANNEX 11]**.

## 10 Fees and Charges

10.1 Proposals in respect of fees and charges for the year 2025/26 considered and approved by the Scrutiny Select Committees and the Licensing and Appeals Committee over recent months have been reflected in the Budget.

## 11 Capital Plan

11.1 The outcome of the Capital Plan Review process was considered by the Overview and Scrutiny Committee on 23 January.

- 11.2 Members are aware of the difficult financial landscape in previous years and therefore the ability of the Council to invest in capital schemes. It is, however, acknowledged that some capital projects can have a beneficial impact on the revenue position by either generating additional or new income, or alternatively producing cost savings in due course.
- 11.3 Members are reminded of 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). The broad criteria are:
- to meet legislative requirements including health and safety and climate change obligations;
  - funded from external resources; and
  - reduce revenue expenditure and or generate income.
- 11.4 The subsequent recommendations where appropriate have regard to these criteria.
- 11.5 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 addition, other earmarked reserves can be used to fund in full or in part appropriate capital plan schemes.
- 11.6 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.
- 11.7 There remains an annual capital allowance for all other capital expenditure. Any 'bids' for capital schemes or discretionary capital grants are to be assessed in the context of the annual allowance. The annual capital allowance is currently set at £250,000, as detailed in the MTFS.
- 11.8 It should be noted, **based on current projections and approvals, 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 a capital investment opportunity that meets the Council's strategic priorities and objectives, achieves value for money and delivers a financial return. Each such opportunity to be considered on a case by case basis as appropriate.
- 11.9 The Overview and Scrutiny Committee endorsed the recommendations as detailed in the papers. The recommendations were:
- 1) Cabinet be asked to endorse the Capital Plan (List A) position at Annex 1 (O&S agenda) and summarised at **[Annex 3]**.

- 2) The schemes listed in **[Annex 4]** are added to List C or deleted from List C as detailed.
- 3) The schemes listed in **[Annex 5]** are selected for evaluation over the coming year. On this occasion, seven schemes have been recommended both for Fast-Track evaluation.
- 4) The evaluated List C schemes are progressed in accordance with the recommendation shown in **[Annex 6]**.
- 5) Cabinet be asked to endorse the Capital Strategy at **[Annex 5]** (O&S agenda) for adoption by Council and publication on the Council's website.

11.10 Details of the evaluated schemes are summarised below.

| <b>Capital / revenue consequences of evaluated schemes</b>   |                               |  |
|--|-------------------------------|--|
|  | <b>Capital Cost<br/>£'000</b> | <b>Annex 4<br/>(O&amp;S<br/>Agenda)<br/>Page</b> |
| <b>Planning, Housing and Environmental Health</b>  |                               |  |
| Acquisition of Temporary Accommodation and Resettlement (excludes £400k already approved on list A). <i>fast-track</i> | 3,800                         | CP 50  |
| <b>Street Scene, Leisure and Technical Services</b>  |                               |  |
| Haysden Country Park Site Improvement Works. <i>fast-track</i>   | 50                            | CP 53  |
| Tonbridge Racecourse Sportsground Tennis Court Improvements. <i>fast-track</i>   | 65                            | CP 55  |
| Swanmead Sportsground Land Drainage. <i>fast-track</i>   | 25                            | CP 57  |
| Tonbridge Cemetery Vaults. <i>fast-track</i>   | 43                            | CP 59  |
| Digital CCTV Systems at the Council's Leisure Facilities. <i>fast-track</i>  | 85                            | CP 62  |
| <b>Corporate Services</b>  |                               |  |
| PWGC Boiler Replacement. <i>fast-track</i>   | 250                           | CP 65  |
| <b>Total</b>   | <b>4,318</b>                  |  |

11.11 An updated summary of the **Capital** Plan incorporating the schemes listed in paragraph 11.10 is attached at **[Annex 7]**.

11.12 A funding statement based on **[Annex 7]** is attached at **[Annex 8]**. The main source of funding is the Revenue Reserve for Capital Schemes supplemented by

external Grants, S106 Agreements and the use of some internal Reserves. The impact on the Revenue Reserve for Capital Schemes is illustrated in **[Annex 9]**.

11.13 Accordingly, it is **RECOMMENDED** that:

- 1) Cabinet endorse the existing Capital Plan (List A) position at Annex 1 (O&S agenda) and summarised at **[Annex 3]**.
- 2) Cabinet approves that the schemes listed in **[Annex 4]** are added to List C or deleted from List C as detailed.
- 3) Cabinet approves the selection of those schemes listed in **[Annex 5]** for evaluation over the coming year. On this occasion, four schemes have been recommended for Fast-Track evaluation.
- 4) Cabinet approves the transfer of schemes detailed in **[Annex 6]** to List A.
- 5) Cabinet approves the updated Capital Plan (List A) as summarised in **[Annex 7]**.
- 6) Cabinet endorse the Capital Strategy as presented to the Overview and Scrutiny Committee on 23 January.

## **12 Treasury Management and Annual Investment Strategy**

- 12.1 The Local Government Act 2003 and its subsidiary regulations set out the framework for the system of capital controls which applied from 1 April 2004 whereby local authorities must set their own borrowing limits with regard to affordability, prudence and sustainability. Underpinning this is a requirement to follow the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).
- 12.2 The Prudential Code requires that the CIPFA Treasury Management Code of Practice is adopted and that a number of prudential indicators are set.
- 12.3 Updates to both the Prudential Code and Treasury Management Code were published by the Chartered Institute of Public Finance and Accountancy (CIPFA) in December 2021 and uphold a key principle that borrowing primarily for return on investment is not permissible.
- 12.4 The requirements of both the Prudential Code and Treasury Management Code published by CIPFA have been taken into account and reflected as appropriate in the annual review and update of the Capital Strategy and the Treasury Management and Annual Investment Strategy 2025/26.
- 12.5 The approval of the Treasury Management and Annual Investment Strategy and determination of the prudential indicators has to be made by Full Council, as do amendments to either the Strategy or indicators during the year.

12.6 The Prudential Code under the auspices of the Local Government Act 2003 and subsidiary regulations requires that a number of treasury management prudential indicators are set.

- 1) The capital financing requirement - the extent to which the authority needs to undertake external borrowing to support its capital programme.
- 2) The operational boundary for external debt.
- 3) The authorised limit for external debt.
- 4) The actual external debt.
- 5) The upper limit for fixed interest rate exposure.
- 6) The upper limit for variable rate exposure.
- 7) The upper limit for total principal sums invested for over 365 days.
- 8) The maturity structure for new fixed rate borrowing during 2025/26.

12.7 A summary of the indicators appears in the table below.

| TREASURY MANAGEMENT INDICATORS  | 2023/24        | 2024/25  | 2025/26  | 2026/27  | 2027/28  |
|---|----------------|--|----------|----------|----------|
|   | Actual         | Estimate   | Estimate | Estimate | Estimate |
|   | £'000          | £'000  | £'000    | £'000    | £'000    |
| Authorised Limit for external debt :  |                |  |          |          |          |
| borrowing   | nil            | 7,000  | 7,000    | 7,000    | 7,000    |
| other long term liabilities   | nil            | nil  | nil      | nil      | nil      |
| TOTAL   | nil            | 7,000  | 7,000    | 7,000    | 7,000    |
| Operational Boundary for external debt:-                                    |                |  |          |          |          |
| borrowing   | nil            | 4,000  | 4,000    | 4,000    | 4,000    |
| other long term liabilities   | nil            | nil  | nil      | nil      | nil      |
| TOTAL   | nil            | 4,000  | 4,000    | 4,000    | 4,000    |
| Actual external debt  | nil            | nil  | nil      | nil      | nil      |
| Upper limit for fixed interest rate exposure < 1 year at year end           | 35,365 (64.8%) | It is anticipated that exposure will range between 0% to 60%   |          |          |          |
| Upper limit for variable rate exposure < 1 year at year end                 | 10,916 (20.0%) | It is anticipated that exposure will range between 40% to 100% |          |          |          |
| Upper limit for total principal sums invested for over 365 days at year end | 8,288 (15.2%)  | 60% of funds   |          |          |          |

| Maturity structure of fixed rate borrowing during 2025/26 – 2027/28 | upper limit | lower limit |
|---|-------------|-------------|
| under 12 months   | 100 %       | 0 %         |
| Over 12 months  | 0 %         | 0 %         |

Consideration has been given to the Liability Benchmark Indicator, however, as this Council is debt free there is no debt maturity profile to report. The forecast net investment requirement for the next three years (excluding the liquidity allowance) is: 2025/26 £39.9m, 2026/27 £31.8m and 2027/28 £27.4m.

- 12.8 The capital financing requirement (CFR) measures the amount of external borrowing that the Council expects to have to undertake in support of its capital programme. The Council is debt free and has no borrowing requirement to support the current approved capital programme. However, once the replacement to the Angel Centre has been formally evaluated and a capital scheme presented to Members, if approved, **it is expected that external borrowing will be required to support the progression of the scheme. This will prompt a change in CFR which, when required, will be reported to Members through an update to the Treasury Strategy.**
- 12.9 The operational boundary is designed to cover all day to day borrowing requirements. As this Council is debt free, borrowing is only undertaken on a short-term basis to cover cash flow management.
- 12.10 The authorised limit is intended to provide a degree of headroom above the operational boundary to cover unexpected and unusual borrowing requirements.
- 12.11 The other prudential indicators we are required to set are shown in the table below.

### Prudential Indicators

|           |   |   |   |  |  |  |  |  |
|-----------|---|---|---|--|--|--|--|--|
| <b>1.</b> | Ratio of actual and estimated financing costs to the net revenue stream | (Interest payable with respect to borrowing less interest and investment income) ÷ (government grants plus call on local taxpayers) x 100%. |   |  |  |  |  |  |
|           | 2023/24<br>actual<br>-22.43%  | 2024/25<br>estimated<br>-15.81%   | 2025/26<br>estimated<br>13.72%          | 2026/27<br>estimated<br>-11.39%        | 2027/28<br>estimated<br>-8.52%         | 2028/29<br>estimated<br>-7.74%         | 2029/30<br>estimated<br>-7.00%         | 2030/31<br>estimated<br>-7.00%         |
| <b>2.</b> | Actual and estimated capital expenditure                                | This indicator is based on the updated capital plan position. The figures are based on those shown in <b>[Annex 8]</b> .                    |   |  |  |  |  |  |
|           | 2023/24<br>actual<br>£'000<br>2,480                                     | 2024/25<br>estimated<br>£'000<br>8,780  | 2025/26<br>estimated<br>£'000<br>11,992 | 2026/27<br>estimated<br>£'000<br>2,463 | 2027/28<br>estimated<br>£'000<br>2,199 | 2028/29<br>estimated<br>£'000<br>2,233 | 2029/30<br>estimated<br>£'000<br>2,606 | 2030/31<br>estimated<br>£'000<br>2,057 |



- 12.12 We, therefore, **RECOMMEND** that for the financial year 2025/26 the prudential indicators listed in paragraph 12.7 including the liability benchmark indicator and 12.11 be recommended to Council for adoption.
- 12.13 A local authority has a statutory duty to “*determine for the current financial year an amount of minimum revenue provision that it considers to be prudent*” in relation to its capital expenditure. It would be impractical to charge the entirety of such expenditure to revenue in the year in which it was incurred and so such expenditure is spread over several years to try and match the years over which such assets benefit the local community through their useful life.
- 12.14 The spreading of these costs is through what is termed an *annual minimum revenue provision*. As the Council is debt free and, at least in the short term, does not expect to borrow to support its capital programme the minimum revenue provision is nil. Guidance issued by the Government also recommends that a Minimum Revenue Provision Policy Statement be prepared. **We propose to prepare such a Statement at a time when our capital expenditure plans cannot be met without recourse to borrowing.**
- 12.15 Members are asked to **NOTE** that for the financial year 2025/26 our *annual minimum revenue provision* is nil subject to the comment at paragraph 12.8.

### 13 Medium Term Financial Strategy Update

- 13.1 To recap, the Council’s Medium Term Financial Strategy (MTFS) covers both revenue and capital budgets over a rolling ten-year period, and it is this Strategy that underpins the budget setting process for the forthcoming year and over the strategy period. The aim of the MTFS is to give us a realistic and sustainable plan that reflects the Council’s priorities.
- 13.2 The Strategy also sets out, based on current financial information, not only the projected budgets for the period, but also the levels of council tax that are projected to be required to meet the Council’s spending plans. Underneath the Strategy for the budget setting year sits detailed estimates formulated in conjunction with Services taking into account past outturn, current spending plans and likely future demand levels / pressures.
- 13.3 The MTFS sets out the high level objectives the Council wishes to fulfil over the agreed time span. These are:
- To achieve a **balanced revenue budget** that delivers the Council’s priorities by the end of the strategy period.
  - To retain a **minimum of £3.0m** in the General Revenue Reserve by the end of the strategy period and **not to fall below £2.0m** at any time during the 10-year period.

- Seek to set future increases in council tax having regard to the **guidelines** issued by the Secretary of State.
  - Continue to identify efficiency savings and opportunities for new or additional income sources and to seek appropriate reductions in service costs in delivery of the Savings and Transformation Strategy approved by Members.
  - Subject to there being sufficient resources within the capital reserve, set a **maximum 'annual capital allowance'** each year as part of the budget setting process for all new capital schemes (currently set at £250,000 from the Council's own resources) and give priority to those schemes that generate income or reduce costs.
- 13.4 Members working with senior officers have a duty to ensure the Council's long term financial position is sustainable, and that 'short term' decisions do not jeopardise that longer term sustainability. The announcement of the devolution/reorganisation white paper naturally has diverted Members' attention to the shorter term. However, as noted at the O&S Committee this is presently only a white paper and it is important that, for now, we continue with "business as usual" and ensure the long term stability of the Council.
- 13.5 The budget for 2025/26 is, naturally, the starting point for updating the MTFS. The Summary Total for the 2025/26 Estimates prior to the settlement funding is £17,228,450 (see **Annex 11**) and is used as the basis for the budget projections in the Medium Term Financial Strategy at **[Annex 10a]**.
- 13.6 When updating the MTFS we need to take into account the following (not exclusive) factors:
- Government Grant Funding (Settlement Funding Assessment + NHB + Other Grants)*
- 13.7 Funding in future years will be dependent on the outcome of the local authority funding reform incorporating the Business Rates Reset. This review has commenced with initial consultation responses required by 12 February 2025. Therefore, officers have continued with the assumptions made in prior years allowing for the narrowing of the funding gap to be delivered in tranches in order to plan ahead.
- 13.8 In the latest iteration of the MTFS it is assumed government grant funding and increased business rates income to be retained will reduce from circa £7.16m in 2025/26 to £3.48m in 2028/29 before seeing a modest increase year on year thereafter. The overall change between 2025/26 and 2028/29 represents a cash decrease of £3.68m or 51.4%.
- 13.9 A hypothetical example of how the assumed overall government grant funding and increased business rates income of £3.48m in 2028/29 might be made up is business rates retention scheme (£2.88m) NHB/ replacement (£600,000).

### *Business Rates Retention Scheme*

- 13.10 As mentioned above, changes to the Business Rates Retention Scheme / Business Rates, decided as the Business Rates Reset, are now expected to take place in 2026/27 as part of the local authority funding reform. Officers believe that this will involve retaining a base level of Business Rates but increasing the threshold where business rates over this level can be retained.
- 13.11 For budgeting purposes, as a result of the continued development at Panattoni Park and other areas in the borough, business rates income is expected to exceed the business rates baseline in 2025/26. As a member of the Kent Business Rates Pool for business rates retention scheme purposes, we are estimating that the increased business rates income to be retained for 2025/26 will be circa £3.888m - some £1.347m above the baseline.

### *Council Tax Referendum Principles*

- 13.12 The MTFs sets out, not only the projected budgets for the period, but also the levels of council tax that are projected to be required to meet the Council's spending plans.
- 13.13 For the year 2025/26, a referendum will be triggered where council tax is increased by **more than 3% or £5, whichever is higher**. This time last year the MTFs assumed a council tax increase of £5 representing a 2.2% increase in council tax.
- 13.14 For the purposes of preparing the budget papers and updating the MTFs an **increase of 3% 2025/26** has been assumed followed by the greater of £5 or 2% each year thereafter.

### *Pension Fund Deficit*

- 13.15 The pension fund deficit is forecast to be recovered within the 10-year period of this MTFs and in all significant respects is **why the projected funding gap is in the region of £2.8m and not in excess of £4.5m**. It should be noted that this does not mean a pension fund deficit will not reappear - as it could. This will be dependent on the future performance of the pension fund and in order to lessen the risk of that occurring we are looking to establish a 'buffer'. What this would mean in practice is working towards a position where the pension fund is overfunded so that there is an element of headroom to manage the risk.

### *Waste Services Contract*

- 13.16 The Waste Services Contract has a 'break-point' in 2027 and it has been assumed for financial planning purposes that one or both parties would not wish to extend the contract beyond the break-point. Recent work undertaken on this contract has now given a potential significant increase in the cost of the contract when recommissioned in April 2027. This increase has been reflected in the

updated MTFS (as presented to Cabinet in November 2024) but there is also an expectation that the specification is reviewed in order to allow for potential reductions in cost.

#### *Climate Change Agenda*

- 13.17 Detailed Climate Change agenda related costs are not reflected in the MTFS. However, there is an earmarked reserve to fund until expended, both a revenue budget and specific projects / initiatives in support of the Climate Change Strategy.

#### *Funding Gap*

- 13.18 As we know, the funding gap is not static and constantly changes in response to both internal and external factors.
- 13.19 Taking into account the potential changes to local government finance support and the issues raised above the Council's medium term budget projections remain under severe pressure. The latest update of the MTFS gives a potential funding gap of £2.8m, and this includes initiatives covering office accommodation, £200,000, and reductions in the cost and client numbers within Temporary Accommodation, £625,000, giving a total of £3.625m to be delivered over the medium term.
- 13.20 **[Annex 10a]** sets out the picture for the MTFS.
- 13.21 Cabinet is **RECOMMENDED** to note and endorse the updated MTFS **[Annex 10a]**.

### **14 Savings and Transformation Strategy**

- 14.1 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.
- 14.2 A number of key themes have been identified, together with outline targets and timescales which will need to be revisited and aligned with the latest projected funding gap.

#### *Savings and Transformation Contributions*

- 14.3 The Council set a savings target of £305,000 to be delivered by April 2025 this target was exceeded, as reported to Members through Budgetary Control Reporting, and estimates for 2025/26 have been adjusted to reflect this.

- 14.4 As in previous iterations of the MTFS the latest projected funding gap of £2.8m can be broken down into tranches. The proposed number, scale and timing of requisite future savings and transformation contributions is given below.
- 1) Tranche 1 - £600,000, as mentioned above, to be achieved by April 2026.
  - 2) Tranche 2 - £750,000 to be achieved by April 2028.
  - 3) Tranche 3 - £750,000 to be achieved by April 2029.
  - 4) Tranche 4 - £700,000 to be achieved by April 2030.
- 14.5 Breaking down the tranches in this way should, hopefully, allow time for the Fair Funding Review to be concluded and what is to happen to New Homes Bonus and other grant income to be decided in advance of Tranche 2 and, in turn, giving the opportunity to revisit the scale and timing of future tranches. **The focus of attention over the next 12 months must be to deliver the Tranche 1 savings target.**
- 14.6 The STS is currently being reviewed by the Council's Management Team to include revised outline targets and timescales for each of the themes totalling £2,800,000. An overall outline of the STS, including a summary of past savings achieved, can be found at **[Annex 10b]** but an updated copy will be added to this report as a supplement prior to the meeting.
- 14.7 Cabinet is **RECOMMENDED** to note and endorse the updated STS [Annex 10b] to be uploaded as a supplement, including the proposed scale and timing of each of the required savings and transformation contributions set out at paragraph 14.4.

## 15 Collection Fund Adjustments

- 15.1 As the billing authority for the area, this Council has responsibility for maintaining the 'collection fund' accounts into which council tax and business rates are paid.
- 15.2 Before we can finalise our calculations in respect of the tax requirements, we have to estimate the surplus / deficit on the collection fund for 2024/25 in respect of council tax and business rates and then share this between the major precepting authorities (including ourselves) in line with the respective legislative proportions.
- 15.3 These are known as collection fund adjustments, The collection fund for 2024/25 as shown in the table below along with the council's share.

|                | Total (Surplus) /<br>Deficit<br>£ | TMBC's Share<br>£ | Details in Annex |
|----------------|-----------------------------------|-------------------|------------------|
| Council Tax    | 407,980                           | 55,677            | [Annex 12a]      |
| Business Rates | 703,900                           | 281,560           | [Annex 12b]      |

## 16 Special Expenses and Parish Council Precepts

- 16.1 A Special Expenses Scheme **[Annex 13a]** was introduced on the 1 April 2017 and following consultation public conveniences added to the Scheme with effect from 1 April 2022.
- 16.2 The largest part (around 80%) of special expenses are covered by the Council's Grounds Maintenance Contract. The contract was retendered during 2024/25 with a 'go live' date of 1 January 2025.
- 16.3 As part of the re-tendering exercise, the areas covered by the Contract were re-measured by the leisure team as it was acknowledged that the previous measurements were considerably out of date. In addition to this some areas have now been included into the contract that had not been recognised in the previous measurements, examples are Taddington Woods in Walderslade (affecting the Aylesford area) and Basted Mill (affecting Borough Green, Ightham, Platt and Plaxtol). These two particular areas had been managed as variation orders to the previous contract but these variation orders were not incorporated into prior years' annual special expenses charges.
- 16.4 Now that we have a 'clean' set of data following the work that has been carried out in the lead up to the grounds maintenance re-tender, the allocation of special expenses in relation to this specific function have moved to more accurately reflect the current spread of work and cost. This has resulted in some financial variations and whilst in some areas the percentage variations appear to be large, the absolute financial changes are relatively small.
- 16.5 Details of the Special Expenses for 2025/26 are set out at **[Annex 13b]**. The basic amount of council tax of £222.32 plus the special expenses Band D charge, where applicable, gives the total Borough Council Band D charge for that area.
- 16.6 When publishing the Borough Council's level of council tax at Band D for "official" purposes in accordance with the prescribed methodology from the Department for Levelling Up, Housing and Communities (DLUHC), we are required to aggregate all expenditure (as if special expenses did not exist) and calculate a **notional** Band D figure. (This is so that the DLUHC can see that the referendum principles have been adhered to).
- 16.7 The resultant published (notional) council tax at Band D **for 2025/26 is £245.30**, being 3.0% higher than the published Band D council tax for 2024/25. As

Members will note, no resident will actually pay this exact amount as the Borough Council's Band D – unless it is by coincidence.

16.8 Cabinet is requested to **ENDORSE** the special expenses calculated in accordance with the Special Expenses Scheme and set out at **[Annex 13b]**.

16.9 Details of Parish Council precepts notified to the Borough Council are given at **[Annex 14]** for information.

## 17 **The Robustness of the Estimates and the Adequacy of the Reserves (Section 25 Statement)**

17.1 The Council is required to have regard to the level of its balances and reserves before determining its council tax requirement. **[Annex 15]** sets out the projected general fund working balance and general revenue reserve balances based on an increase of 3% to the notional council tax level.

17.2 Section 25 of the Local Government Act 2003 requires the Chief Financial Officer (in our case the Director of Finance and Transformation) when making the statutory calculations required to determine its council tax to report to an authority, on the robustness of the estimates included in the budget and the adequacy of the reserves for which the budget provides.

17.3 What is required is the professional advice of the Director of Finance and Transformation on these two questions. This responsibility is discharged by way of a certified Statement.

17.4 The Director of Finance and Transformation advises that she is satisfied as to the robustness of the estimates and the adequacy of reserves on the understanding that the **required savings and transformation contributions based on latest projections in the sum of £2,800,000, together with the initiatives already built into the MTFS ( i.e. the scaling back of office accommodation in the sum of £200,000 and reductions in the use of and client numbers in Temporary Accommodation of £625,000) are delivered in the timeframe assumed in the Medium Term Financial Strategy.**

17.5 The Statement referred to above is appended at **[Annex 16a]** which Members are recommended to read thoroughly in order to understand the assumptions and risks that are set out. Members will note that, overall, the Director of Finance and Transformation signifies that, in her professional opinion, **the estimates are robust and the level of reserves adequate**. Members are, however reminded, of the fact that the delivery of the Savings and Transformation Strategy is still categorised as RED on the Strategic Risk Register and it is essential that addressing the projected funding gap and associated savings targets are progressed as a priority.

- 17.6 A schedule of the reserves held by the Council at 1 April 2024 and proposed utilisation of those reserves to 31 March 2026 is provided at **[Annex 16b]**. In addition, a profile of the projected reserve balances is provided at **[Annex 16b(ii)]**.
- 17.7 As this Council's Chief Finance Officer, the Director of Finance and Transformation has undertaken a review of the earmarked reserves held and is satisfied as to the position depicted and will revisit the position as part of the closedown process for 2024/25.
- 17.8 Members are **RECOMMENDED** to note and endorse the Statement **[Annex 16a]** provided by the Director of Finance and Transformation.

## **18 Calculation of Borough Council's Tax Requirement**

- 18.1 The Council is required to calculate:
- Its aggregate expenditure which, for this purpose, includes our share of any Collection Fund deficit and the Parish Council precepts.
  - Its aggregate income which, for this purpose, includes our share of any Collection Fund surplus and the Local Government Finance Settlement (see paragraph 1.3).
  - The amount by which the aggregate expenditure exceeds the aggregate income is to be its council tax requirement for the year.
- 18.2 Assuming Cabinet's concurrence with the recommendations concerning the Medium Term Financial Strategy and Savings and Transformation Strategy set out in paragraphs 13 and 14, the calculation is set out at **[Annex 17]**. It should be noted that, for this purpose, the Borough Council's council tax requirement includes the Parish Council precepts.
- 18.3 Cabinet is therefore **RECOMMENDED** to note the Calculation of the Borough Council's council tax requirement at **[Annex 17]**.

## **19 Financial and Value for Money Considerations**

- 19.1 The uncertainty surrounding local government finances – the awaited outcome of the Local Authority Funding Reform, makes financial planning that much more difficult.
- 19.2 Alongside this come the projected market increase cost in respect of the Waste contract due to be recommissioned in 2027. The timetable for the recommissioning is due to be shared with Members in the forthcoming months, but financial uncertainty will remain until the contract is awarded.
- 19.3 The 2025/26 provisional local government finance settlement represents a holding position until the consultation on the local authority funding reform is concluded. We anticipate this could be for the 2026/27 settlement.



- 19.4 Once both of these factors are known this should allow for greater certainty on the ongoing funding gap for the authority in the medium term.
- 19.5 In addition, 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.

## **20 Risk Assessment**

- 20.1 The Local Government Act 2003 requires the Chief Financial Officer, 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.
- 20.2 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.
- 20.3 The current uncertainty surrounding local government finances does not aid financial planning with the increased risk of significant variations compared to projections; and the consequent implications on the level of reserves held.
- 20.4 The Waste Services Contract is unlikely to be extended beyond the initial 8 year contract period and could see increased costs over current levels. As mentioned at paragraph 13.16, however, it is important to note that forward planning already assumes a 'scaled-back' specification but will not meet the full cost increase.
- 20.5 It is expected that the pension fund deficit will be recovered within the 10-year period of this MTFS. However, depending upon the performance of the fund, a deficit could 'reappear' at any time. To mitigate the risk of this and the impact it would have on the MTFS, we are working towards a position where the pension fund is overfunded so that there is an element of headroom.
- 20.6 Members are reminded that there are factors not reflected in the MTFS, e.g. the cost of borrowing for new capital plan schemes when and if required.
- 20.7 Any increase in council tax above the relevant threshold, even by a fraction of a percentage point, would require a referendum to be held.

- 20.8 Whilst, at the present time, the Council does not need to borrow in order to finance the current approved capital programme, it is likely that the replacement to the Angel Centre will facilitate this need in the near future, officers will provide details of the scheme in the forthcoming months along with the revenue implications of financing for this project.

## 21 Legal Implications

- 21.1 There are a number of legislative requirements to consider in setting the Budget which will be addressed as we move through the budget cycle.
- 21.2 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.
- 21.3 The Local Government Finance Act 2012 and regulations that followed introduced the current Business Rates Retention Scheme.
- 21.4 December 2024 saw the publication of an English Devolution White Paper which has set out the Government's clear intent to drive devolution through the establishment of Mayoral Strategic Authorities and an associated programme of local government reorganisation in two-tier areas. If Kent is included as part of any priority programme it could see the Council ceasing to exist within the term of these plans and strategies. It also may well be that the Council's ability to take decisions, acquire or dispose of assets, to let contracts or to deliver projects or services may be constrained by the terms of the Structural Change Order or any Direction issued under Section 24 of the Local Government and Public Involvement in Health Act 2007 or by the lack of capacity associated with the work involved in delivering any structural changes.
- 21.5 Whilst no councils can foresee the effect that devolution may bring, the Council must proceed on its current course at the moment to ensure that there is no interruption to services.

## 22 Consultation and Communications

- 22.1 As part of the budget process the council are required to consult representatives of the Council's Non-Domestic Ratepayers. The consultees who include a group of the larger ratepayers in the Borough receive on request information and copies of the draft budgets and are invited to make written representations if they deem it appropriate. The deadline given for responses was 29 January 2025. ***Cabinet is advised that no adverse comments have been received.***

## 23 Cross Cutting Issues

### 23.1 Equalities and Diversity

23.1.1 Where there is a perceived impact on end users an equality impact assessment has been carried out and as further savings and transformation options emerge, further equality impact assessments will need to be carried out as appropriate.

|                   |   |
|-------------------|---|
| Background Papers | None  |
| Annexes           | <p>Annex 1 – Referendum Principals for Council Tax</p> <p>Annex 2 – Provisional Settlement Grant Allocations</p> <p>Annex 3 – Capital Plan List A (O&amp;S 23 Jan 2025)</p> <p>Annex 4 – Capital Plan List C Additions and Deletions</p> <p>Annex 5 - Capital Plan List C selected for evaluations</p> <p>Annex 6 – Capital Plan Summary of Evaluated Schemes</p> <p>Annex 7 – Capital Plan List A updated to include recommended schemes.</p> <p>Annex 8 – Capital Plan Funding</p> <p>Annex 9 – Revenue Reserve for Capital Schemes</p> <p>Annex 10a – Medium Term Financial Strategy</p> <p>Annex 10b – Savings and Transformation Strategy</p> <p>Annex 11 – Revenue Estimates Summary</p> <p>Annex 12a – Collection Fund Surplus / Deficit Council Tax</p> <p>Annex 12b - Collection Fund Surplus / Deficit Business Rates</p> <p>Annex 13a – Special Expenses Policy</p> <p>Annex 13b – Special Expenses 2025/26</p> <p>Annex 14 – Parish Council Precepts</p> <p>Annex 15 – General Fund and General Revenue Reserve Balances</p> <p>Annex 16a – Robustness of Estimates and Adequacy of Reserves Statement</p> <p>Annex 16b – Reserves Estimate</p> <p>Annex 16bii – Reserves Profile</p> <p>Annex 17 - TMBC Draft Council Tax Resolution</p> |