

## Overview and Scrutiny Committee

22 January 2026

### Part 1 - Public

#### Recommendation to Cabinet



Cabinet Member	Martin Coffin - Deputy Leader; and Cabinet Member for Finance, Waste and Technical Services
Responsible Officer	Paul Worden – Head of Finance (Section 151 Officer)
Report Author	Donna Riley – Financial Services Manager Amanda Riley – Principal Accountant

#### Revenue Estimates 2026/27

### 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 2026/27 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 10 February.

### 4 Introduction and Background

- 4.1 The Cabinet is responsible for formulating initial draft proposals in respect of the Budget for 2026/27.

- 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 Head of Finance and the Cabinet Member for Finance, Waste and Technical Services.
- 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 10 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 10 February, the Cabinet will need to formulate its final proposals in respect of the Budget for 2026/27 and the council tax to be levied in respect of the Borough Council. The Full Council will meet on the 24 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 2025/26 and the draft Estimates for 2026/27 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 Proposal**

- 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 The provisional settlement was published on the 17<sup>th</sup> December 2025 work is ongoing to incorporate these figures into the MTFS for reporting to Cabinet in February 2026.
- 6.5 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 The provisional settlement was published on the 17<sup>th</sup> December 2025 and incorporated changes to the Local Government Finances under what has been titled Fair Funding 2.0 and the Business Rates Reset.
- 7.2 The information received on the 17th confirms that a large number of the previous grants issued under Section 31 for Business Rates (Small Business, Retail Relief and Under indexing), part of Homelessness Prevention Grant, National Insurance compensation, New Homes Bonus are now 'rolled up' into the settlement under Revenue Support Grant. This itself creates a risk to the Council as it is difficult to assess the impact on Business Rate Reliefs paid under the Section 31 Grants which up to now have been based upon the levels of relief granted rather than the fixed grant award. However, further information received now indicated that these

variations to these reliefs will be contained and accounted for within the Collection fund and distributed via surplus or deficit payments in the following year.

- 7.3 However, it is positive to note, in addition to the grants mentioned in paragraph 7.2, the Funding Guarantee, received over the last few years has also been 'rolled into' the new Revenue Support Grant.
- 7.4 In addition to this the settlement covers financial years from April 2026 to March 2029, this is considered a welcomed addition as it allows greater financial planning in forthcoming years.
- 7.5 As part of the settlement the Government prepares a Core Spending Assessment to detail the resources available to the Council as a whole. It should be noted that Tonbridge and Malling see the second highest reduction in its Core Spending Assessment for authorities in England. But it should be noted that this assessment included a notional amount for Council Tax Revenue to be raised by the authority. This is based upon the Council Tax and Taxbase for 2025/26 but then allows for the assumption that the Band D amount will increase in line with the referendum principals and taxbase increases based on a national average, and therefore this element, the Council Tax, are removed for the purposes of comparisons between years.
- 7.6 To demonstrate consistency, the Government has provided a 'notional settlement' for 2025/26 financial years to allow comparison to the new settlement calculations. The calculated figure for Government Support in 2025/26 is £9.163m, staff within financial services have broadly reconciled this figure using the actual final settlement details for 2025/26.
- 7.7 Using the published information for the period 2026-2029, the breakdown of the result of fair funding is given below.

	2025/26	2026/27	2027/28	2028/29
		£000's	£000's	£000's
Total Core Spending	22,372	22,747	22,992	23,219
Council Tax (Notional)	13,209	13,766	14,346	14,951
<b>Total Government Support</b>	<b>9,163</b>	<b>8,981</b>	<b>8,646</b>	<b>8,268</b>
<b>Made up of</b>				
Business Rates	5,325	3,363	3,440	3,509
Revenue Support Grant	3,082	4,777	4,327	3,848
<b>Sub Total General Grant</b>	<b>8,407</b>	<b>8,140</b>	<b>7,767</b>	<b>7,357</b>
Homelessness Grant (specific)	756	841	879	911
<b>Total Support</b>	<b>9,163</b>	<b>8,981</b>	<b>8,646</b>	<b>8,268</b>

- 7.8 Homelessness Grant will be shown within the service budget pages whereas Business Rates and Revenue Support Grants will be shown as part of the Councils General Grant funding.
- 7.9 Although the table shown above shows an increase in the Core Spending power of the authority of 3.8% from 2025/26 to 2028/29, this includes the increases in Council Tax, resulting in a 9.8% reduction in Government funding for the same period. This means that Council Tax expected to fund of the Core Spending Assessment rises from 59.0% in 2025/26 to 64.4% in 2028/29.
- 7.10 To put this 9.8% reduction in Government funding into monetary terms the reduced amounts accumulate to £1.594m over the settlement period.
- 7.11 The table below shows the impact of changes to government support to the Kent District authorities.

	2025/26			2028/29			Reduction from 2025/26 to 2028/29	
	Population	Govt Support £	Support per head £	Population	Govt Support £	Support per head £	£	%
Ashford	139,267	15,184,886	109.03	142,650	12,651,867	88.69	- 2,533,019	-16.7%
Canterbury	170,151	12,438,574	73.10	173,191	13,889,282	80.20	1,450,708	11.7%
Dartford	122,610	19,721,952	160.85	126,688	17,477,468	137.96	- 2,244,483	-11.4%
Dover	125,714	12,777,698	101.64	128,861	11,487,904	89.15	- 1,289,794	-10.1%
Gravesham	107,564	8,943,986	83.15	108,004	11,084,942	102.63	2,140,956	23.9%
Maidstone	182,795	16,902,306	92.47	187,018	15,113,136	80.81	- 1,789,170	-10.6%
Sevenoaks	123,996	7,747,459	62.48	125,154	6,170,432	49.30	- 1,577,027	-20.4%
Folkestone and Hythe	118,191	12,172,966	102.99	120,349	9,639,906	80.10	- 2,533,060	-20.8%
Swale	159,308	18,392,457	115.45	162,882	16,987,047	104.29	- 1,405,410	-7.6%
Thanet	147,083	14,983,288	101.87	149,028	15,060,386	101.06	77,098	0.5%
Tonbridge And Malling	139,457	9,163,001	65.70	142,527	8,267,745	58.01	- 895,256	-9.8%
Tunbridge Wells	120,879	6,771,633	56.02	121,741	6,491,876	53.33	- 279,757	-4.1%

As can be seen we have not incurred the largest reduction in support with those areas with larger decreases having to rely in increased Council Tax yields.

- 7.12 Since the settlement announcement the Council has received a further breakdown of the Homelessness Grant award down into the component elements, these are shown below.

	2026/27 £000's	2027/28 £000's	2028/29 £000's
Staffing	458	279	497
Rough Sleeping	347	363	377
Domestic Abuse new burdens	37	39	39
	<b>842</b>	<b>681</b>	<b>913</b>

The remaining element of the grant previously awarded for Temporary Accommodation costs has now been rolled into the Revenue Support Grant under the relative needs formula.

- 7.13 The next stage of the process will be to review the MTFS allowing for these funding changes and some changes in other assumptions within the plan, this should then identify any funding gap that may remain.
- 7.14 Finally, it should be noted that these figures are provisional and will not be fully confirmed until early February 2026, although historically these have not changed to a significant degree, given the significant changes to Government support some lobbying from some sectors of Local Government may affect later year allocations.

- **National Non Domestic Rates**

- 7.15 Whilst the settlement gives details of the Council's Baseline funding, as detailed in the table at paragraph 7.7, further work is being undertaken to assess the recent changes associated with Business Rates revaluation and the changes to the Multipliers used for different property types in order to calculate the Councils Income base for the 2026/27 estimates.
- 7.16 The final NNDR return is due to be returned to the Government at the end of January, and I will look to update members verbally at the meeting on the levels being assessed and calculated.

- **Local Referendums to Veto Excessive Council Tax Increases**

- 7.17 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.
- 7.18 For the year 2026/27, a referendum will be triggered where council tax is increased by **more than 3% or £5, whichever is higher**.
- 7.19 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 20 January 2026 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 10 February 2026.
- 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 10 February, the Cabinet will need to consider 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 has previously been set at £250,000 but given pending reorganisation if it felt that an increase to £500,000 per annum until 2028/29 would be appropriate.
- 8.7 The annual contribution to the Building Repairs Reserve to meet ongoing maintenance and repair obligations has been set at £820,000 from 2026/27 onwards, this accounts for the previous base of £750,000 and an additional allowance for the Homelessness Properties operated by the Council. Further reviews may be required 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 2025/26

- 9.1 Overall, the draft 2025/26 Revised Estimate show a decrease on the original estimate of £488,814 prior to making a contribution to the General Revenue Reserve. Details of the variations are contained in Annex 1 to this report and the table below gives the principal reasons for the variation.

	£	Reserve Funding
Salary Estimates	599,850	Part
Investment Fund Losses	750,000	Yes
Investment Income	- 280,900	
Economic Development Initiatives	200,000	Yes
Planning Appeals	112,500	
Polluter Pays Grant Award	- 352,850	
Garden Waste Income	- 95,800	
Car Parking Income	- 197,850	
IT Software & Consultancy	259,000	Part
Building Repairs Expenditure	224,910	
Contributions to reserves	2,589,300	
Contributions from reserves	- 4,471,200	
Capital Expenditure	472,000	Yes
Government Funding	- 288,000	
Business Rates Income	- 106,164	
Other impacts	96,390	
<b>Total Movement</b>	<b>- 488,814</b>	

- 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, alongside movements to other earmarked reserves following a review by the S151 Officer approved at Cabinet in January 2026.
- An increase in the contributions to the Council's earmarked reserves as a result of additional specific grant awards, alongside movements to other earmarked reserves following a review by the S151 Officer approved at Cabinet in January 2026.
- Increased expenditure on capital projects after allowing for the movement of schemes moved between financial years.

## 10 Revenue Estimates 2026/27

- 10.1 Overall the draft 2026/27 Estimate shows a decrease compared to the 2025/26 Original Estimate of £4,740,324 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.

	£	Reserve Funding
Salary Pay Inflation	562,150	Part
Superannuation Backfunding	- 1,109,000	
Planning Policy (Local Plan)	- 270,400	Yes
Economic Development Initiatives	250,000	Yes
Investment Income	331,000	
Car Parking Income	- 258,550	
Garden Waste Income	- 183,900	
Polluter pays grant award	- 383,700	
Homelessness Grant	302,000	
Building Repairs Expenditure	- 263,000	
Contributions to reserves	- 8,065,950	
Contributions from reserves	4,241,750	
Capital Expenditure	1,362,000	
Government Funding	- 1,666,701	
Business Rates Income	847,062	
Collection Fund Movements	- 290,535	
Other Movements	- 144,550	
<b>Total Movement</b>	<b>- 4,740,324</b>	

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

- Following the revaluation of the Councils Pension Fund arrangements the actuaries have reviewed both the standard and deficit pension fund contributions. The standard rate has fallen for 20.7% to 17.6% and the deficit is now being recovered over a longer period. The resulting reductions have been included into the Salary Pay Inflation and Superannuation Backfunding variations above.
- Changes to Government Grant income following the fair funding review, as explained in section 7 above.
- 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.
- Changes to the Council's Business Rates Baseline.

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

## **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. 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 2026/27 estimate includes provision for levies totalling circa £536k, an increase of 3.5% on the 2025/26 levies.
- 11.2 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, considering 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 for 2026/27 being in line with the maximum that could be set, as detailed in 7.17 to 7.19 above. It should be noted that the government assumes that councils will set council tax to the referendum limit 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 10 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 2026/27 is **£1,135,000**.
- 13.5 There remains an annual capital allowance for all other capital expenditure not least considering 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 has been increased to £500,000.
- 13.6 It should be noted that given the level of the Capital Plan some borrowing could be required for projects in the forthcoming year, at the present time, no allowance has been made for any debt charges that may be incurred.

## 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 provisional local government finance settlement covering the 2026/27 to 2028/29 financial years represents a decrease in funding to the Council of 9.6% whilst anticipating an increase in the proportion of Core Spending raised through Council Tax from 60.5% to 64.4%.

- 14.4 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 final results of 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 potential financial effects of Local Government Reorganisation, that is expected to occur in 2028/29 have yet to be fully assessed. Once a decision on the future for the Council has been announced further changes to Council Finances may be required.

## **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
Annexes	(1) Draft Revenue Estimates Booklet (2) Mandatory/Discretionary Services