

Cabinet

10 February 2026

Part 1 - Public

Recommendation to Council



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Cabinet Member	Cllr Matt Boughton – Leader of the Council Cllr Martin Coffin – Cabinet Member for Finance, Waste and Technical Services
Responsible Officer	Damian Roberts – Chief Executive Paul Worden – Head of Finance (Section 151 Officer)
Report Author	Paul Worden – Head of Finance (Section 151 Officer) Donna Riley – Financial Services Manager

Setting the Budget 2026/27

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 2026/27.
- 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 headline issues from this report are as follows:
 - As a result of the fair funding review, the provisional local government finance settlement 2026/27 better than expected within the MTFS but was an overall DECREASE on the notional equivalent funding for 2025/26 of £182,000 (2.0%).
 - This decrease continues with further reductions of £335,000 (3.7%) and £378,000 (4.4%) in the 2027/28 and 2028/29 financial years respectively. This means that in 2028/29 the Council will received reduced grant of £895,000 (9.8%) compared to the notional amount for 2025/26.
 - The Business Rates Reset has resulted in previous gains being eliminated from the baseline settlement, but there are a number of properties awaiting

valuation by the Valuation Office that could give additional growth above the current baseline level.

- The provisional settlement was better than the prudent approach taken in the MTFS allowing additional funds to be targeted to key priorities.
- Referendum principles mean that council tax can only rise by greater of 3% or £5. Recommended 3% increase in TMBC element of council tax bill giving a council tax at Band D for 2026/27 of £252.65; a cash increase of £7.35 per annum.
- Allowing for the issues raised above the Funding Gap has reduced to zero over the medium term but is dependent on committed savings of £200,000 being release of office accommodation, £200,000 being costs within temporary accommodation and £400,000 service fee income from the Leisure Trust.
- Six capital schemes to be added to Capital Plan in 2026/27.
- In order to support the replacement of the Angel Centre, officers in conjunction with Cabinet continue to identify and earmark 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, are verbally reported to Cabinet at the meeting and any adjustments needed are made to the final Budget.
- 3.3 *Section 9 (Revenue Estimates 2026/27)*: It is **RECOMMENDED** that as part of the 2026/27 Estimates, sums are contributed to the following earmarked reserves:
- £3.5m is transferred to the Tonbridge Town Centre reserve, and specifically set aside for the funding of the redevelopment of the Angel Leisure Centre:
 - £700,000 is transferred to the Transformation Reserve, specifically for preparation for Local Government Reorganisation, and;
 - £225,000 be transferred to the reserve for the completion of the Local Development Plan.

3.4 *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 22 January.

3.5 *Section 12 (Treasury Management and Annual Investment Strategy)*: It is **RECOMMENDED** that:

- for the financial year 2026/27 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 2026/27 our annual minimum revenue provision is nil subject to the comment at paragraph 12.8.

3.6 *Section 13 (Medium Financial Strategy)*: Members are requested to **NOTE** and endorse the updated MTFS **[Annex 10a]**.

3.7 *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]**.

3.8 *Section 17 (Robustness of Estimates and Adequacy of Reserves)*: Members are **RECOMMENDED** to note and endorse the Statement **[Annex 16a]** provided by the Head of Finance.

3.9 *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 24 February, Members will determine both the Budget and the level of council tax for 2026/27. The detailed Estimates for

2026/27 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 2026/27; 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. Whilst the decisions being made by Central Government on the future of Local Government in Kent will have a significant impact on this Council, financial decisions made in respect of the year 2026/27 will have an impact across the MTFS, and as such the MTFS has been prepared on the basis on no changes the Council.
- 4.3 This time last year the projected funding gap was put at £2,800,000 with an initial tranche of savings in the sum of £600,000 to be delivered by April 2026, as will be noted from paragraph 14.3 later in this report, that target was achieved.
- 4.4 The impact of Local Authority Funding Reform, Fair Funding 2.0, has now been published covering the Government Support expected up to 2028/29. Whilst this has significantly reduced the level of uncertainty for this period, some uncertainty on the later years may remain depending on the accuracy of the assumptions made on what happens following the 2028/29 financial year.
- 4.5 This leaves some degree of uncertainty around the Council's Waste, Recycling and Street Cleansing Contract. Tenders received in December are now being evaluated with a report to the Communities and Environment Scrutiny Select Committee being presented to Members in March. Until the contract is awarded, the previously assessed budget provision will remain within the MTFS.
- 4.6 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 2026/27 a referendum will be triggered where council tax is increased by **more than 3% or £5, whichever is higher**.
- 4.7 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 2026/27** has been assumed followed by the greater of £5 or 3% each year thereafter in line with the Government Provisional Settlement increases.
- 4.8 Attached at **[Annex 1]** for Members' information is a copy of the Referendums Principles setting out the level of council tax increase for 2026/27 above which the local authority would be required to seek approval of their electorate via a local referendum.
- 4.9 This report necessarily touches on a number of related areas (some of which are complex) that the Head of Finance (Section 151 Officer) 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 2026/27
- 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 the actions set out in the draft Annual Service Delivery Plan for 2026/27 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 The provisional settlement covering the three year period for 2026/27 to 2028/29 was published on the 17th December 2025 and incorporated changes to the Local Government Finances under what has been titled Fair Funding Review 2.0 and the Business Rates Reset.
- 6.2 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 and 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 indicates that the 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.
- 6.3 However, it is positive to note, in addition to the grants mentioned in paragraph 6.2, the Funding Guarantee, received over the last few years has also been 'rolled into' the new Revenue Support Grant.
- 6.4 The Government published headline figures of the Authorities Core Spending Power, which is made up of Government Grants, Retained Business Rates and Council Tax Income. The published papers show that Tonbridge and Malling has suffered the second largest reduction in Core Spending Power in England between 2024/25 and 2028/29. The reduction amounts to a reduction of 15% or £4.1m between these years, ultimately showing reduced Grant and Retained Business Rates being offset by assumed increases in Council Tax.
- 6.5 As the changes to Fair Funding merges several grants into the new settlement totals the government provides a 'notional settlement' for 2025/26 financial year to allow a comparison. The calculated figure for Government Support in 2025/26 is £9.163m.
- 6.6 Using the provisional 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
Total Government Support	9,163	8,981	8,646	8,268
Made up of				
Business Rates	5,325	3,363	3,440	3,509
Revenue Support Grant	3,082	4,777	4,327	3,848
Sub Total General Grant	8,407	8,140	7,767	7,357
Homelessness Grant (specific)	756	841	879	911
Total Support	9,163	8,981	8,646	8,268

Members should note that the 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.

- 6.7 Although the table above shows an increase in the Core Spending power of the authority of 3.8% from 2025/26 to 2028/29, as previously mentioned this includes the Governments projected increases in Council Tax, removing these values shows a 9.8% reduction in Government funding for the same period. To put this 9.8% reduction in Government funding into monetary terms the reduced support is a reduction of £895,000 in 2028/29 compared to 2025/26 and over the settlement period amounts accumulate to £1.594m.
- 6.8 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%

- 6.9 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.

- 6.10 Finally, it should be noted that these figures are provisional and will not be fully confirmed until early February 2026, although in recent years these have not materially changed, given the significant changes to Government support this year, some further amendments may occur this year, or in each of the following two years of the Government's three year settlement.
- 6.11 It is **RECOMMENDED** that the details of the final grant settlement are verbally reported to Cabinet at the meeting and any adjustments needed are made to the final Budget.

7 National Non Domestic Rates

- 7.1 As a result of the Business Rates Reset the vast majority of growth received in business rates in recent years has now been rolled into the new baseline given in paragraph 6.6. In addition, the new retention scheme places higher risks on authorities falling below their baselines, as a result the decision was taken to disband the current Business Rate Pool in Kent at the end of the 2025/26 financial year. However, it has been agreed that assessments will be made annually to see if the request to reestablish a pooling arrangement should be made.
- 7.2 The submission for the Council's estimated Business Rates has been returned to Central Government showing the expected income to be at the baseline set.
- 7.3 The submission does not include any potential growth from the small number of large business properties that remained unvalued at the time of the return. This is important as these are likely to generate additional income to the Council, as a rough estimate each £1m gained above our overall baseline collectable rates, being Gross Rates less discounts and exemptions, will generate around £280k after levy payments have been made.
- 7.4 Furthermore, the amounts for 2027/28 and 2028/29 may be subject to change depending on the final Rateable Value of Businesses in the Borough on 31st March 2026.

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 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 This project is now part of list A and as such is 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. To assist with this the Head of Finance (Section 151 Officer) conducted a further review of the reserves.
- 8.5 The result of this review was reported to Cabinet in January 2026, the report included recommendations on the transfer of reserves (Decision Notice D260006CAB). Head of Finance and his 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).

9 Revenue Estimates 2026/27

- 9.1 As mentioned in the Introduction, the draft Revenue Estimates for 2026/27 were presented and endorsed by the Overview and Scrutiny Committee on 22 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.
- 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 21 January.
- 9.3 The proposed Council Tax for 2026/27 is considered elsewhere on this agenda and if approved will generate a Council Tax yield of £13,812,921.
- 9.4 This means that the Council has £5,370,000 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:
- £3.5m is transferred to the Tonbridge Town Centre reserve, and specifically set aside for the funding of the redevelopment of the Angel Leisure Centre:
 - £700,000 is transferred to the Transformation Reserve, specifically for preparation for Local Government Reorganisation, and;
 - £225,000 be transferred to the reserve for the completion of the Local Plan.
- 9.6 It is **RECOMMENDED** that the sums of £3.5m, £700,000 and £225,000 are transferred to the reserves as explained in paragraph 9.5 above.
- 9.7 These changes have been summarised on the table below:

	Revised Estimate 2025/26 £	Original Estimate 2026/27 £
Summary Total reported to Overview and Scrutiny Committee on 22 January 2026 prior to contributions to or from General Revenue Reserve	12,699,754	8,448,244
Staffing Establishment Changes following General Purposes Committee 21 January 2026 along with the associated reserve movements		166,400
Drainage Board Levies		(4,900)
Transfer to Tonbridge Town Centre Reserve (as per paragraph 9.5 above)		3,500,000
Transfer to the Transformation Reserve for Local Government Reorganisation (as per paragraph 9.5 above)		700,000
Transfer to the Planning for the Local Development Plan		225,000
Collection Fund Deficit adjustments		2,159
Current Summary Total	12,699,754	13,036,903

9.8 With these changes the net contribution to / from the General Revenue Reserve in 2026/27 becomes £776,018 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 2026/27 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 22 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 2026/27 is £1,135,000.
- 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 was increased to £500,000 for the 2026/27 and 2027/28 financial years in the run up to Local Government Reorganisation in Kent.
- 11.8 It should be noted, that given the level of the Capital Plan some borrowing could be required for projects in the forthcoming years. At the present time no allowance has been made for any debt charges that may be incurred.
- 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) 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.
 - 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.

Capital / revenue consequences of evaluated schemes		
	Capital Cost £'000	Annex 4 (O&S Agenda) Page
Street Scene, Leisure and Technical Services		
Taddington Valley Public Open Space - Site Improvements <i>fast-track</i>	108	CP 44
Tonbridge Swimming Pool Boiler Replacement – for inclusion to the boiler scheme already approved on list A). <i>fast-track</i>	300	CP 47
Laybourne Lakes Country Park – Resurfacing Access Roads and Paths. <i>fast-track</i>	200	CP51
Tonbridge Farm Sportsground – Provision of Full Size All Weather Pitch. <i>fast-track</i>	1,000	CP 54
Angel Centre – Innerva Suite. <i>fast-track</i>	101	CP 58
Leisure Centres – Water Safety Systems Installation to Swimming Pools. <i>fast-track</i>	160	CP 62
Total	1,869	

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, five schemes have been recommended for Fast-Track evaluation.
- 4) Cabinet approves the transfer of schemes detailed in **[Annex 6]**, which includes the Tonbridge Swimming Pool Boiler Replacement, 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 22 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 2026/27.
- 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 2026/27.

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

TREASURY MANAGEMENT INDICATORS	2024/25	2025/26	2026/27	2027/28	2028/29
	Actual	Estimate	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
Authorised Limit for external debt :					
borrowing	nil	7,000	13,000	13,000	13,000
other long term liabilities	nil	nil	nil	nil	nil
TOTAL	nil	7,000	13,000	13,000	13,000
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	30,000 (56.4%)	It is anticipated that exposure will range between 0% to 60%			
Upper limit for variable rate exposure < 1 year at year end	15,851 (29.0%)	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	7,973 (14.6%)	60% of funds			

Maturity structure of fixed rate borrowing during 2026/27 – 2028/29	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: 2026/27 £28.9m, 2027/28 £15.2m and 2028/29 £10.9m.

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, the Angel Centre

redevelopment has now been approved and appears on List A. The scheme is broken down into stages with Council approval required to move onto each stage. The Council is currently stage 3, design, and is expected to move to stage 4 upon planning approval. **If approved, it is expected that external borrowing may be required to support the progression of the scheme. This may prompt a change in CFR which, if 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

1.	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%.				
	2024/25 actual -24.82%	2025/26 estimated -15.76%	2026/27 estimated -9.44%	2027/28 estimated -5.5%	2028/29 estimated -3.80%	2029/30 estimated -3.99%	2030/31 estimated -2.92%	2031/32 estimated -2.79%
2.	Actual and estimated capital expenditure			This indicator is based on the updated capital plan position. The figures are based on those shown in [Annex 8] .				
	2024/25 actual £'000 2,886	2025/26 estimated £'000 10,972	2026/27 estimated £'000 25,143	2027/28 estimated £'000 5,264	2028/29 estimated £'000 2,089	2029/30 estimated £'000 2,981	2030/31 estimated £'000 2,164	2031/32 estimated £'000 1,742

- 12.12 We, therefore, **RECOMMEND** that for the financial year 2026/27 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 2026/27 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 and subsequent [English Devolution and Community Empowerment Bill](#) has naturally given greater attention to the next two

years of the Government's stated timetable which would see existing first and second tier Councils in Kent being replaced by new Unitary Councils in April 2028. However, as noted at the O&S Committee there is still a possibility that this timetable may be delayed and it is therefore important that, for now, there remains a focus on "business as usual" to ensure the long term stability of the Council.

13.5 The budget for 2026/27 is naturally the starting point for updating the MTFS. The Summary Total for the 2026/27 Estimates prior to the settlement funding and collection fund adjustments is £21,127,500 (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

13.7 The provisional settlement for 2026/27 covered a period of three financial years to 2028/29. The published information has been explained in depth at section 6 above, and whilst showing a decrease in funds over the forthcoming years, the level due is above the prudent estimate included in previous iterations within the MTFS.

13.8 The latest iteration of the MTFS includes the details provided in the provisional settlement, meaning that Government Support from Revenue Support Grant will be £4.777m, falling to £3.848 in 2028/29. It has then been assumed that this amount will then remain at this level for the remainder of the MTFS. This is seen as a risk as it is unknown on the funding levels for the authority beyond the 2028/29 financial year.

Business Rates Retention Scheme

13.9 As part of the Fair Funding Review the Government also performed a Business Rates Reset on the Council's Baseline. This has again dropped, mainly as a result of the decision in Kent to cease the pooling arrangements, but the current level of Rateable Values and multipliers currently place the authority on the Baseline level provided by Central Government. As mentioned above in paragraph 7.3, no increases for unvalued properties have been included in either the base estimate, with only inflationary levels being included in the Business Rates Baseline beyond 2026/27.

Council Tax Referendum Principles

13.10 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.

- 13.11 For the year 2026/27, 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 3.0%.
- 13.12 For the purposes of preparing the budget papers and updating the MTFS an **increase of 3% 2026/27** has been assumed followed by the greater of £5 or 3% each year thereafter, this is in line with the Governments assessment within the three year settlement.

Pension Fund Deficit

- 13.13 The pension fund deficit is forecast to be recovered within the 10-year period of this MTFS and has been reduced significantly from the 2025/26 rate following discussions with the Pension Fund Actuaries. 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 but is considered a lower risk given the current annual deficit recovery amount.

Waste Services and Anti-Social Behaviour Team Contracts

- 13.14 The recommissioning of the Waste Services Contract from April 2027 is now reaching its conclusion, but prior to this work a financial assessment was undertaken on the potential cost increase given recent changes in the market. This estimated increase was reflected in the updated MTFS presented to Cabinet in November 2024 and agreed by Full Council in February 2025.
- 13.15 Final tenders have now been received and are being evaluated. Once the contract award has taken place with reports to Members in March and April 2026, further updates to the MTFS will take place to assess the financial position in line with the MTFS targets.
- 13.16 Following the use of the Antisocial Behaviour Team during the summer of 2025, consideration is being made to repeat the service in the forthcoming years. The tender arrangements are still being concluded and if approved any costs arising will be funded from reserves.

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.

Inflation Assumptions

- 13.18 For the purposes of the MTFS, the inflation levels from 2027/28 onwards have been set at 2% for pay, prices and income and 4% for the Waste Contract

inflation. The Office of Budget Responsibility (OBR) inflationary forecast for November 2025 gives inflation for 2026 to be 2.5% falling to 2% in 2027.

- 13.19 A 0.5% increase in the inflation factors above will still result in a balanced budget in year 10 of the MTFs, albeit reduced to £170,000 and a GRR balance of £3.7m meeting both requirements of the MTFs.

Funding Gap

- 13.20 As we know, the funding gap is not static and constantly changes in response to both internal and external factors.
- 13.21 The Fair Funding Review and Business Rates Rest has been concluded, and whilst the Councils funding has been reduced, due to the prudent approach in previous versions of the MTFs, as explained in paragraph 13.7, it does eliminate one of the two major risks causing the funding gap, the other being the Waste Services contract explained in paragraph 13.14.
- 13.22 The MTFs continues to have some in built savings from known adjustments to service delivery that will generate savings in the longer term. Firstly, the potential savings arising from the disposal of the Gibson West building following the refurbishment and reoccupation of the Gibson East building, this has been prudently estimated as £200k occurring from 2029/30 onwards. The second come from the increased use of Council owned or leased Temporary Accommodation, once fully utilised this is expected to reduce costs in the region of £200k. Finally with the proposed transfers to reserves suggested in paragraph 9.5 which can be replicated in the 2027/28 financial year, this would potentially eliminate the need for borrowing to finance the Angel Centre Project. This would mean that any additional service fee income from the Leisure Trust, estimated at £400k would directly contribute to Council Service funding.
- 13.23 Allowing for these changes to the MTFs the remaining funding gap reduces to zero over the medium term.
- 13.24 **[Annex 10a]** sets out the picture for the MTFs.
- 13.25 Cabinet is **RECOMMENDED** to note and endorse the updated MTFs **[Annex 10a]**.

14 Savings and Transformation Strategy

- 14.1 Alongside the MTFs the Council has a Savings and Transformation Strategy (STS) 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 differing ways to deliver the required savings and transformation contributions within an agreed timescale.

- 14.2 Several 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 £600,000 to be delivered by April 2026. This target was exceeded and the reductions in expenditure and increased income has been reflected in the 2026/27 estimates as detailed in the table below.

Savings Achieved	Amount £'s
Service Budget Reductions	182,500
Waste Contract Inflation	120,000
Car Parking Income Generation	300,000
TOTAL	602,500

- 14.4 Given the updated position that after allowing for the above reductions and the changes explained in section 13 there is no need for a savings and transformation strategy to be required for the 2026/27 financial year, this does not mean that there will no longer be any need for such a strategy in future years and it will be reviewed and resurrected if needed.

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 2025/26 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 2025/26 as shown in the table below along with the council's share.

	Total (Surplus) / Deficit £	TMBC's Share £	Details in Annex
Council Tax	(1,992,326)	(266,903)	[Annex 12a]
Business Rates	789,910	315,964	[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 were added to the Scheme with effect from 1 April 2022.

- 16.2 Details of the Special Expenses for 2026/27 are set out at **[Annex 13b]**. The basic amount of council tax of £230.47 plus the special expenses Band D charge, where applicable, gives the total Borough Council Band D charge for that area.
- 16.3 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).
- 16.4 The resultant published (notional) council tax at Band D **for 2026/27 is £252.65**, being 3.0% higher than the published Band D council tax for 2025/26. As Members will note, no resident will actually pay this exact amount as the Borough Council's Band D – unless it is by coincidence.
- 16.5 Cabinet is requested to **ENDORSE** the special expenses calculated in accordance with the Special Expenses Scheme and set out at **[Annex 13b]**.
- 16.6 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 Head of Finance (Section 151 Officer)) 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 Head of Finance on these two questions. This responsibility is discharged by way of a certified Statement.
- 17.4 The Head of Finance advises that he is satisfied as to the robustness of the estimates and the adequacy of reserves on the understanding that the **initiatives already built into the MTFs (i.e. the scaling back of office accommodation in the sum of £200,000, increased used of Council owned or leased Temporary Accommodation of £200,000 and increased service fee from the Leisure Trust of £400,000) 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 Head of Finance signifies that, in his professional opinion, **the estimates are robust and the level of reserves adequate.**
- 17.6 A schedule of the reserves held by the Council at 1 April 2025 and proposed utilisation of those reserves to 31 March 2027 is provided at **[Annex 16b]**.
- 17.7 As this Council's Chief Finance Officer, the Head of Finance 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 2025/26.
- 17.8 Members are **RECOMMENDED** to note and endorse the Statement **[Annex 16a]** provided by the Head of Finance.

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 With the announcement of the Fair Funding Review and Business Rates reset the uncertainty surrounding local government finances has reduced, but the issues around longer term funding, post the initial announcement may give rise to further funding gaps in later years.
- 19.2 Alongside this come the projected market increase cost in respect of the Waste contract due to be recommissioned in 2027. The results of the recommissioning and contract award are due to be reported to members in the in the forthcoming

months, once fully known the MTFS will be reviewed and any funding gap arising will be shared with members.

- 19.3 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.
- 20.3 As mentioned in the Financial and Value for Money Considerations section above the announcement of the Fair Funding Review and Business Rates Reset have reduced the uncertainty effect in the immediate term, but beyond the current settlement period the assumptions included in the MTFS would require at least annual review.
- 20.4 The recommissioning of Waste Services Contract is currently reaching its conclusion, to allow for this the MTFS currently has a projected increase in the contract value that cannot be confirmed until the award has been made.
- 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. Similarly, any increase below the maximum allowed within the MTFS would have the effect of reducing council tax income in a cumulative effect over the medium term and without

compensatory adjustments, potentially reduce the General Revenue Reserve Balance below the objective levels set.

- 20.8 Whilst, at the present time, the Council does not need to borrow to finance the current approved capital programme, it is likely that the replacement to the Angel Centre may 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 The results of Local Government Reorganisation in Kent are yet to be fully released, with an expected announcement in the summer of 2026. Depending on the outcome and the date of final reorganisation 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&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 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 17 - TMBC Draft Council Tax Resolution</p>