

'SECTION 25' STATEMENT
ON THE ROBUSTNESS OF THE ESTIMATES
AND THE ADEQUACY OF THE RESERVES

Introduction

This statement is given in respect of the 2026/27 Budget Setting Process for Tonbridge and Malling Borough Council. I acknowledge my responsibility for ensuring the robustness of the estimates and the adequacy of the reserves as part of this process. The budget has been prepared within the context of a Medium Term Financial Strategy (MTFS) spanning a ten-year period.

The draft Budget for 2026/27 shows a balanced position with a contribution to General Revenue Reserve being made. Details of how this has been achieved are set out in the detailed Budget report.

The MTFS sets out the high level financial objectives the Council wishes to fulfil over the agreed time span. This includes achieving a balanced revenue budget by the end of the strategy period and 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. The MTFS 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.

Following the announcement of the Fair Funding Settlement the core funding from central government, made up of Revenue Support Grant and Retained Business Rates, is expected to fall by £895,000 by the 2028/29 financial year. This reduction was foreseen within the previous iterations of the MTFS and as a result this reduction can be contained in the overall projections.

As a result, the current predicted funding gap now reduces to a **nil position**, a number of factors assumed in future years could be different and therefore the funding gap may reappear.

This nil position assumes that some long term reductions in cost or increased income will occur in the MTFS, namely the scaling back on office accommodation in the sum of £200,000, the increased usage of Council owned or leased temporary accommodation for Homelessness clients of £200,000 and a net income from the service fee from the Leisure Trust of £400,000.

Robustness of Estimates

The aim of the Medium Term Financial Strategy is to give us a realistic and sustainable plan that reflects the Council's priorities and takes us into the future. It is a Strategy that is adopted by Members of the Council alongside the Budget to provide a forward looking context for the consideration of the budget year ahead. It also provides the Council's Corporate Management Team with a tool for strategic financial planning and decision making.

Underpinning the Strategy sits detailed estimates formulated in conjunction with Service Managers who carry responsibility of delivering their area of service within budget provision. The estimates take into account past outturn, current spending plans and likely future demand levels / pressures.

Factors considered for the 2026/27 Budget Setting Process and in developing the Strategy are:

Corporate Strategy	The Council's financial plans should be in support of its strategic priorities and objectives set out in overview in the Corporate Strategy. Additional earmarked reserve contributions totalling £4.4m to support the Council's key priorities within the Corporate Strategy has been made via the 2026/27 Budget.
Consultation with Non-Domestic Ratepayers	The Council consults representatives of its non-domestic ratepayers about its expenditure proposals who may make written representations if they deem it appropriate. No such representations have been received.
The level of funding from Central Government towards the costs of local services	Our Settlement for 2026/27 is £8,891,144. This is made up of Retained Business Rates of £3,362,707, Revenue Support Grant of £4,776,751 and Homelessness Prevention Grant of £841,686. Revenue Support Grant from 2026/27 has several previous grants rolled up previously classified as Section 31 Grants.
New Homes Bonus	This grant ceases from 2026/27 being rolled into Revenue Support Grant.
Business Rates	<p>The Government's Business Rates Reset implemented with their Fair Funding Review has resulted in any previous growth achieved being rolled into the new baseline issued as part of the settlement announcement.</p> <p>As a result, the Council has budgeted both for 2026/27 and beyond to only allow for the baseline amounts issued as part of the three year settlement.</p> <p>The Kent Pooling arrangements for Business Rates will cease from the end of 2025/26, meaning that any growth achieved will be subject to the national guidance on levy charges.</p>

Overall Grant Funding	<p>Following the announcement of the Fair Funding Review and Business Rates Reset the Council is only entitled to two major non-specific grant streams, being Revenue Support Grant and Retained Business Rates.</p> <p>The Government has provided a three year settlement showing increases in Business Rates to £3,509,236 in 2028/29 and a reduction in Revenue Support Grant to £3,847,809 in 2028/29.</p> <p>For future planning in the MTFS it has been assumed that Business Rates will increase by the Bank of England inflation rate (2%) and Revenue Support Grant will remain at the 2028/29 levels.</p>
Council Tax Base	<p>The Council Tax Base for 2026/27 is 54,672.16 Band D equivalents with an expectation that this will increase by an additional 5,700 over the strategy period, or around 633 on average per year (over the remaining 9 years).</p>
Local Referendums to Veto Excessive Council Tax Increases	<p>The Secretary of State will determine a limit for council tax increases which for 2026/27 has been set at 3% or £5, whichever is higher. 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. Due regard has been taken of the guidelines issued by the Secretary of State.</p> <p>The MTFS reflects an annual increase in council tax of 3% in the remaining years of the plan.</p> <p>If the Council was minded reducing any increase from this proposed level, the resulting loss would be equal to £134,000 for each 1% reduction. This would then be compounded in the remaining years of the MTFS and place a high risk on the achievement of its financial objectives.</p>
The Prudential Code and its impact on Capital Planning	<p>Tonbridge and Malling is a debt-free authority and projections based on the current capital plan suggest that recourse to borrowing to fund the currently approved capital expenditure is unlikely before 2029/30.</p> <p>This does not however, preclude a decision to borrow 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.</p>

	<p>Each such opportunity to be considered on a case by case basis as appropriate. A key objective of the Prudential Code is to ensure, within a clear framework, the capital investment plans of local authorities are affordable, prudent and sustainable.</p> <p>The Government may also decide, as it has done in other parts of the country, to direct the Council to borrow to meet its share of the one-off implementation costs associated with Local Government Reorganisation.</p>
The Council's Capital Strategy and Capital Plan	<p>Other than funding for the replacement of our assets which deliver services as well as recurring capital expenditure, there is now an annual capital allowance for all other capital expenditure. The annual capital allowance is currently set at £500,000 until 2027/28. Whilst the replacement to the Angel Centre in Tonbridge has been agreed in principle, officers are yet to finalise the business case and funding arrangements for the final project approval by Members. Therefore, the Capital Strategy includes intentions to earmark funds to support the cost of development.</p>
Treasury Management	<p>A Treasury Management and Annual Investment Strategy is adopted by the Council each year as required by the Local Government Act 2003 as part of the budget setting process. The Strategy sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments. 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.</p> <p>The requirements of the updated Codes of Practice have been taken into account and reflected as appropriate in the annual review and update of the Capital Strategy and in preparing the Treasury Management and Annual Investment Strategy for 2026/27.</p>
Interest Rates	<p>Interest returns on the Council's 'core funds' have been set at 3.625% in 2026/27 and fluctuating between 3.375% and 3.0% thereafter. In setting these rates due regard has been taken of the interest rate forecasts of the Council's independent Treasury Adviser, MUFG. To put this into context, based upon the 24/25 closing balance a 0.25 of a percentage point variation to this</p>

	<p>assumed level would have an £86,750 effect on the Council's investment income.</p> <p>The Council has chosen to retain a minimum of £3m in its General Revenue Reserve to deal with, amongst other things, interest rate volatility.</p>
Property Investment Funds and Multi Asset Diversified Income Funds	<p>The Council took the decision some years ago to invest in one or more property investment funds and multi asset diversified income funds. To guard against downward fluctuations in asset values a Property Investment / Multi Asset Diversified Income Fund Reserve was established and the balance maintained will be in line with the potential losses in capital value.</p>
Adequacy of Reserves	<p>At the beginning of 2026/27, we anticipate that the General Revenue Reserve balance will be £11.533m.</p> <p>The Adequacy of Reserves is discussed in more detail below.</p>
Pay and Price Inflation	<p>The estimates provide allowance for general pay inflation amounting to circa 4.0% in 2026/27 followed by 2% each year thereafter reflecting future projections. Where possible in 2026/27 general price inflation has been kept to a minimum or in line with the prevailing rate of inflation (CPI) followed by 2% each year thereafter.</p> <p>This is in line with the Bank of England inflation target. Exceptions include energy and the waste services contract where different indices have been applied.</p> <p>The Office of Budget Responsibility (OBR) inflationary forecast for November 2025 gives inflation for 2026 to be 2.5% falling to 2% in 2027.</p> <p>In order to provide context 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.</p>
Fees and Charges	<p>As has been the practice for a number of years now the objective has been to maximise income, subject to market conditions, opportunities and comparable charges elsewhere.</p>
Emerging Growth Pressures and Priorities	<p>The projections within the MTFS include all known and quantified priorities and growth pressures that we are aware of at the time of preparing this statement. New priorities and growth pressures will undoubtedly emerge</p>

	over the period and in consequence, the Strategy will be updated at least annually.
Financial Management	<p>The Council's financial information and reporting arrangements are sound and its end of year procedures in relation to budget under / overspends clear. Collection rates for council tax and NNDR remain good in comparison to other councils.</p> <p>Our external auditor (Grant Thornton UK LLP) following the 2024/25 audit concluded the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p>
Insurance Arrangements and Business Continuity	<p>Risks identified via the preparation of Service / Section Risk Registers have, wherever possible, been reduced to an acceptable level.</p> <p>Any remaining risk has been transferred to an external insurance provider. In addition, specific arrangements are in place to ensure the continuity of business in the event of both major and minor disruptions to services. As insurance premiums are reactive to the external perception of the risks faced by local authorities and to market pressures, both risks and excess levels are kept under constant review. The Council recognises that not all risks are financial; and considers risks when making decisions.</p>
Corporate Governance and Risk Management	<p>The Council has adopted a Local Code of Corporate Governance based upon the requirements of the CIPFA/SOLACE Corporate Governance framework.</p> <p>This incorporates risk management and the Council is committed to a Risk Management Strategy involving the preparation of Risk Registers at both strategic and operational levels.</p>
Equality Impact Assessments	Where there are deemed to be equality issues as a result of adjustments to revenue budgets a separate equality impact assessment has or will be undertaken at the appropriate time. In addition, an equality impact assessment is undertaken and reported to Members prior to commencement of a new capital plan scheme.
Partnership Working	The Council is working in partnership with other councils with the aim of not only delivering savings through joint working, but also to improve resilience and performance.

<p>Government Led Issues including reforms to National Planning Policy Framework (NPPF)</p>	<p>Whilst the outcome of the local authority funding reform is now known, welfare reform initiatives are still in progress, and the administration of housing benefits for working age claimants is expected to cease from the end of 2026/27 and the MTFS has reflected this.</p> <p>The Council has proceeded with the publication of Regulation 18 of the Local Plan and associated consultation. The responses to this consultation are being examined at the present time, but due to the timeframes being proposed for the remainder of the process to deliver the Local Plan some additional costs have been recognised in the immediate term.</p> <p>Therefore, it is expected that a number of these issues could give rise to variances compared to projections. As a result, we will need to closely monitor the impact of these issues on the Council's finances.</p>
<p>Savings and Transformation Contributions</p>	<p>Given the previous prudential approach taken to the potential results of the Fair Funding Review, the results while showing a reduction in Government funding of around £895,000 at the end of the third year announced in the settlement, means that Council has a zero funding gap required to meet the long term objectives of the MTFS.</p> <p>It should be noted however, that the MTFS does contain reductions in cost for the scaling back of office accommodation in the sum of £200,000, reductions in the costs from the use of Council owned or leased Temporary Accommodation of £100,000 in 2027/28 increasing to £200,000 from 2028/29 and a projected income from the renegotiated service fee from the Leisure Trust amounting to £400,000.</p> <p>There are further risks arising from the recommissioning of the refuse, recycling and street cleansing contract, the results of which are expected after this budget will be set, meaning that the funding gap may require reassessment early in the new financial year, with a further report being presented to Cabinet.</p>
<p>Reorganisation of Local Government in Kent</p>	<p>The assumption taken within the budget preparations and projections has been one of 'business as usual'. Once further announcements are made and a future Bill is ratified into legislation, further reviews will take place and updates will be shared with Members.</p>

These assumptions and changing circumstances will require the Strategy to be reviewed and updated at least annually.

Particular reference has been made to the current cost and client numbers within temporary accommodation for homelessness purposes. In terms of homelessness, the MTFS assumes that the recent significant increases in costs will be brought under control over the medium term through the provision of council owned and managed accommodation, the achievement of which could require some reserve funding depending on the time taken to achieve these goals.

Adequacy of Reserves

The minimum prudent level of reserves that the Council should maintain is a matter of judgement. It is the Council's safety net for unseen or other circumstances. The minimum level cannot be judged merely against the current risks facing the Council as these can and will change over time. The objective is 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; and given below are areas of operational and financial risk (not exhaustive) considered in determining the appropriate minimum level:-

- Interest Rate volatility
- Income volatility
- Change to Government Grant including New Homes Bonus
- Identified savings not being delivered in the required timescales
- Localisation of council tax support
- Business rates retention scheme and associated volatility of income
- Local Plan / Planning Inquiries particularly as a result of the latest NPPF
- Partnership Working
- Climate Change
- Emergencies
- Economic and world recession
- Poor performance on Superannuation Fund
- Bankruptcy / liquidation of a major service partner
- Closure of a major trading area, e.g. leisure centre for uninsured works
- Cyber/data loss
- Problems with computer systems causing shortfall or halt in collection performance
- Government Legislation
- Ability to take advantage of opportunities

- Uninsured risks
- Recruitment and retention of staff and associated capacity issues

Clearly, the minimum General Revenue Reserve balance needs to, and will, be kept under regular review. The General Revenue Reserve balance at 31 March 2036, the end of the 10-year MTFS, is estimated to be £4.814m based on an increase in council tax of 3% for 2025/26 with the Council working to a balanced budget.

The Revenue Reserve for Capital Schemes is established to finance future capital expenditure. A funding statement illustrates that recourse to borrowing to fund capital expenditure is unlikely before 2029/30 other than by exception on a case by case basis. The Revenue Reserve for Capital Schemes balance at 31 March 2029 is estimated to be £2.126m.

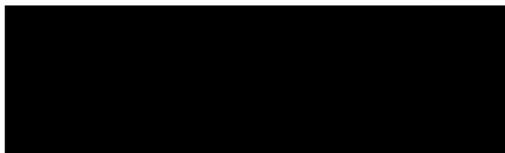
A schedule of the reserves held as at 1 April 2025 and proposed utilisation of those reserves to 31 March 2027 is provided in Annex 16b.

Balances held generate interest receipts which support, underpin and contribute towards meeting the objectives of the Strategy.

Opinion

I am of the opinion that the approach taken in developing the 2026/27 budget meets the requirements contained in the Local Government Act 2003 to ensure the robustness of the estimates and the adequacy of the reserves.

Signed:

A large black rectangular redaction box covering the signature of the Head of Finance & Section 151 officer.

Date: 29 January 2026

Head of Finance & Section 151 officer CPFA, DMS