

Finance, Regeneration and Property Scrutiny Select Committee

17 February 2026

Part 1 - Public

Matters for Information



Cabinet Member	Cllr Martin Coffin – Cabinet Member for Finance, Waste and Technical Services
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Medium Term Financial Strategy

1 Summary and Purpose of Report

- 1.1 This report gives members details of the Medium-Term Financial Strategy (MTFS) used in supporting the budget proposed for agreement at Full Council on the 24th February 2026.

2 Corporate Strategy Priority Area

- 2.1 Efficient services for all our residents, maintaining an effective council.
- 2.2 The MTFS demonstrates longer term financial projections allowing the Council to plan in advance for any service changes to contribute to any funding gap identified.

3 Introduction and Background

- 3.1 The MTFS covers both revenue and capital budgets over a rolling ten-year period, and it is this Strategy that underpins the budget setting process each year and over the strategy period.
- 3.2 The Strategy also sets out, based on current financial information, not only the projected budgets for the period, but also the assumed levels of council tax, based upon expected referendum limits, required to meet the Council's spending plans. The information supporting this Strategy primarily comes from Service estimates and details supplied from the provisional settlement announced in December 2025, which covers the 2026/27, 2027/28 and 2028/29 financial years.
- 3.3 In addition to these 'known' facts additional assumptions are used to allow for the projections for the remainder of the strategy period.

- 3.4 As well as these assumptions the Section 151 officer is required to demonstrate that the Council will remain a 'Going Concern' for the foreseeable future, and therefore the strategy assumes no changes to the current service delivery as a result of Local Government Reorganisation proposals for Kent.
- 3.5 To remind members the strategy has high level objectives these are:
- 1) To achieve a balanced revenue budget that delivers the Council's priorities by the end of the strategy period.
 - 2) 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.
 - 3) Seek to set future increases in council tax having regard to any guidelines issued by the Secretary of State.
 - 4) 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 (STS) approved by Members.
 - 5) 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 £500,000 for 2026/27 and 2027/28 from the Council's own resources) and give priority to those schemes that generate income or reduce costs.
- 3.6 The MTFs is supported by the Savings and Transformation Strategy (STS). The purpose of the STS is to formulate an overarching plan to address any "funding gap" identified to meet the criteria above.

4 Position in February 2025

- 4.1 At the Budget meeting in February 2025, the Council agreed an MTFs which identified a funding gap of £2,800,000 to be achieved over four tranches.
- 1) £600,000 to be achieved for the Budget for 2026/27;
 - 2) £750,000 to be achieved for the Budget for 2028/29;
 - 3) £750,000 to be achieved for the Budget for 2029/30; and
 - 4) £700,000 to be achieved for the Budget for 2030/31.

5 Budget for 2026/27

- 5.1 The budget for 2026/27 has been considered by both the Overview and Scrutiny Committee on 22nd January 2026 and then Cabinet on 10th February 2026 before the final approval by Full Council on the 24th February 2026.
- 5.2 As mentioned above in February 2025 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

- 5.3 Also incorporated into this budget is the details arising from the Fair Funding Review and Business Rates Reset which were provisionally announced in December 2025, the final settlement is expected in early February and will be updated to Cabinet, this meeting and Council verbally.
- 5.4 The budget being proposed allows for a Band D Council Tax of £252.65 and a total Borough Precept of £13,812,921.

6 MTFS for 2026/27 to 2035/36

- 6.1 As with previous years and minded to the statement in paragraph 3.4 the MTFS covers the period from April 2026 to March 2036.
- 6.2 As stated earlier the net budget for 2026/27 has been used to project forward across the period to provide an estimated long term financial outcome.
- 6.3 In addition to the base budget there have been several assumptions made in completing this strategy and these are explained below.

Government Funding

- 6.4 At the time of writing this report the Council has received the provisional settlement for Local Government for 2026/27, 2027/28 and 2028/29.
- 6.5 The settlement is the result of the Fair Funding Review and Business Rates Reset; both have influenced the financial support from Central Government.
- 6.6 As a result, several grants such as New Homes Bonus, Business Rate Reliefs and elements of the Homelessness Prevention Grant have now been rolled into a single Revenue Support Grant.

- 6.7 Furthermore, previous gains achieved on Business Rate growth on businesses around the borough and from pooling gains from the Kent Business Rates Pool have now been absorbed into the new Business Rates Baseline for 2026/27 onwards.
- 6.8 The overall change, which has been details in previous reports results in a reduction in Government Support of £895,000 by 2028/29, compared to the notional amount for 2025/26.
- 6.9 These published amounts are likely to be subject to alteration in 2027/28 to take account of changes in the Councils Rateable Value of Business Rate premises on 31st March 2026.
- 6.10 Whilst this is not good news, as there is a larger reliance on Council Tax income, which will be explored further later in this report, previous iterations of the MTFS had assumed a prudent approach to the expected results of this review which have resulted in a lesser blow to the long term stability of the Council.
- 6.11 Moving back to the expected levels of Government Support in the years after this three year settlement, the MTFS has assumed that Business Rate income will increase by the prevailing rate of CPI, which has been assumed at the Bank of England target of 2% and that the level of Revenue Support Grant will remain at the provisional £3.848m level from 2029/30 onwards.

Waste, Recycling and Street Cleansing Contract

- 6.12 The current contract is due to end in March 2027, and as such the South West Kent Partnership, being ourselves and Tunbridge Wells Borough Council, has carried out a retendering exercise for a contract award to be made in April 2026 with service commencement in April 2027.
- 6.13 In the update to members in November 2024, an additional balloon payment of £2.4m was added to the MTFS from 2027/28 onwards to account for anticipated increases in market value. It was recognised that this figure could be insufficient, but a commitment was made through the Budget reports to re-assess the contract specification to eliminate some or all the spend above this level.
- 6.14 The resulting tenders have now been assessed with reports being presented to Communities and Environment Scrutiny Select Committee in March. Once the contract has been formally awarded the previously assessed budget provision will be adjusted accordingly within the MTFS.

Angel Centre

- 6.15 With the proposed development of a replacement to the Angel Centre now progressing further and the effects of Government Financial support now being provisionally known, the funding for the project can be considered further.

- 6.16 The Capital Programme has a List A budget of £19.4m covering the 2025/26 to 2027/28 financial years, the funding to which was to be identified. Given the settlement position and to assist with the project, it has been proposed that the Council allocates £3.5m in both 2026/27 and 2027/28 to support the project. Members should note that this does not preclude the consideration of borrowing, if the market conditions are found to be favourable, but these contributions should allow for certainty that the scheme can be supported, in full, from reserves and external contributions if necessary.
- 6.17 If the outcome is that the Council does not borrow to support the project, it would be safe to assume that the Leisure Trust would make a service fee contribution to the Council as part of the service fee negotiations currently being undertaken.
- 6.18 To allow for this, the MTFS includes an income of £400,000 from the 2028/29 financial year to meet this assumption.

Local Government Reorganisation

- 6.19 The announcement on the future of Local Government in Kent expected early summer 2026. In both the run up to and following the announcement officers and members in these new groupings will work together to prepare services to ensure ongoing delivery from the date of the unitary authority's inception.
- 6.20 This will likely result in additional workload for officers who will assist with this work, therefore, an allowance will be needed to backfill these posts as necessary to maintain 'business as unusual' meeting statutory requirements of service delivery for existing Borough Council.
- 6.21 There will also be a need to provisionally pay for interim costs for new council which will then be reclaimed from the Shadow and Unitary authority on inception,
- 6.22 Within the MTFS an additional contribution to the Transformation Reserve of £700,000 in both 2026/27 and 2027/28 specifically earmarked for this purpose.

Inflation Rates

- 6.23 Inflation rates for the MTFS are broken down into headline areas - Pay, Energy, Waste contract, General Prices and Income - beyond 2026/27 the rates projected remain constant over the MTFS.
- 6.24 Assumptions in the MTFS are, Pay, General Prices and Income 2%, Waste Contract 4% and Energy at 5%.
- 6.25 In arriving at these assumptions consideration has been taken of the Office of Budget Responsibility (OBR) inflationary forecast for November 2025 gives inflation for 2026 to be 2.5% falling to 2% in 2027, which is the Bank of England longer term forecast.

Other identified changes

- 6.26 Several smaller assumptions have been included in the MTFS, partly due to recent initiatives proposed by the Council.
- 6.27 The first concerns the development of Gibson East and the sale of Gibson West. Work is now commencing on Gibson East and is expected to be ready for reoccupation in Autumn 2026. In preparation for this move the Council have appointed agents to actively promote the sale of Gibson West in the future. It has been assumed that a £200,000 of savings in premises costs following the sale of the building starting in 2029/30.
- 6.28 Members have recently agreed to expand the Council's owned or managed Homelessness provision in the borough, as a result it would be expected that there would be a reduction in the costs of nightly paid accommodation. The two newly approved schemes are likely to be ready for occupation by the end of the 2026/27 financial year. Therefore, a saving of £100,000 in 2027/28 rising to £200,000 in 2028/29 has been included in the MTFS.

Council Tax Increases

- 6.29 For 2026/27 the Government has issued guidance that the maximum amount that a District Council can increase their Council Tax is by the greater of £5 or 3%.
- 6.30 From the details shared within the provisional settlement, the Government has assumed that Councils will continue to increase their Council Tax by the same levels, 3%, in future year.
- 6.31 As well as Band D Council Tax the Government also assumes that the Council's Taxbase will increase due to housing development in the borough. The MTFS includes expectations of growth, and as such has assumed growth of 600 Band D properties up to 2029/30, increasing to 650 from 2030/31 being a total increase of 5,700 Band D properties over the life of the MTFS.

7 Final MTFS Projection for 2026/27

- 7.1 Including the impact of the assumptions made above, the resulting MTFS shown in **[Annex 1]**, gives a balanced position in year 10, 2035/36 with a contribution to the General Revenue Reserve (GRR) of £318,000 and a GRR balance of £4.8m, meeting the objectives set in paragraph 3.5.
- 7.2 In addition to this, to achieve these results a zero funding gap has been identified, as such the Head of Finance has decided not to produce a Savings and Transformation Strategy for 2026/27. This does not preclude the resurrection of the plan in later years if changes to assumptions are necessary.

8 Sensitivity Analysis

- 8.1 Given the length of the projections being undertaken there will always be a need for 'sense checks' on assumptions being made.
- 8.2 Inflationary assumptions made have been considered with the comments made at paragraph 6.25, a variation to these assumptions would have a longer term impact on the MTFs outcomes. The table below repeats the information shared in November 2024 being updated for the current values in the MTFs.

Area	Long term Inflation Rate (%) for 2027/28 and beyond	Impact of 1% variation £,000's
Employees	2	176
Energy	5	3
Waste	4	115
Prices	2	136
Income	2	(121)

- 8.3 If the outcome of the inflation rates over the year were to fluctuate to the higher value given in paragraph 6.25, a 0.5% increase in the inflation factors considered 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. It will also maintain a zero funding gap over the MTFs.

9 Financial and Value for Money Considerations

- 9.1 The Council maintains a prudent level of reserves to provide a safety net for unforeseen or other circumstances. The Section 25 'Robustness of Estimates and Adequacy of Reserves' statement that the Council's Chief Financial Officer (i.e. Head of Finance) is required to produce under the local Government Finance Act 2003 to support Members in considering the Budget Setting report, lists examples of why the Council needs to retain a minimum level of reserves. Examples include Emergencies; Economic and world recession; Interest Rate volatility; Income volatility; and Government Legislation.
- 9.2 The Council has resolved to hold a minimum level of general revenue reserve of £3 million to provide for a host of potential financial and operational risks. At the start of 2025/26, the general revenue reserve balance was circa £11.0m giving some headroom to deal with any issues arising without more immediate 'draconian' measures.
- 9.3 It should be recognised that the use of the reserves to fund corporate priority projects will have a longer term effect in the reserve, primarily through reduced investment receipts, but it will remain above the £3m level throughout the MTFs.

10 Risk Assessment

- 10.1 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.
- 10.2 Through prudent husbandry of resources, Council has reserves to help to smooth the path in the event that the delivery of savings is necessary. However, reserves are finite, and it is imperative that any actions required are taken at the earliest opportunity to preserve the longer term financial sustainability of the Council.

11 Legal Implications

- 11.1 Section 151 of the Local Government Act 1972 requires every local authority to make arrangements for the proper administration of their financial affairs and requires one officer to be nominated to take responsibility for the administration of those affairs.

12 Consultation and Communications

- 12.1 None required

13 Implementation

- 13.1 None required

14 Cross Cutting Issues

- 14.1 Climate Change and Biodiversity

- 14.1.1 None

- 14.2 Equalities and Diversity

- 14.2.1 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 at this stage.
- 14.2.2 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	Annex 1 – MTFS Summary