Policy and Resources Committee Meeting	
Meeting Date	4th February 2026
Report Title	2026/27 Budget and Medium Term Financial Plan and Capital Strategy
EMT Lead	Lisa Fillery, Director of Resources
Head of Service	Claire Stanbury, Head of Finance and Procurement
Lead Officer	Claire Stanbury, Head of Finance and Procurement
Classification	**Open**
Recommendations	That Policy & Resources Recommends to Council: 1. To approve the 2026/27 revenue budget proposals. 2. To approve the proposed Council Tax Band D increase for 2026/27 to £212.76. 3. To approve the Medium Term Financial Plan. 4. To approve the Capital Strategy. 5. To approve the capital programme proposals. 6. To note the additional amount of Council Tax for Parish Precepts. 7. To endorse the Statement (Appendix III) provided by the Director of Resources. 8. To approve the minimum revenue provision statement. 9. To delegate authority to the Director of Resources to adjust charge out rates within fees and charges as appropriate, where they are based on costs incurred and where legislation changes are made to centrally set charges in year. 10. To approve the use of reserves statement as detailed in appendix VII as to ensure reserves are valid and support the assumptions in the MTFS.

1 Purpose of Report and Executive Summary

1.1 This report sets out the Council's Revenue and Capital budget proposals for 2026/27, the Medium Term Financial Plan (MTFP) and the Capital Strategy.

1.2 Policy and Resources committee received a budget report on 26 November 2025 prior to the provisional local authority grant settlement announced on 17 December 2025. This report reflects the implications of the settlement, along with any other changes identified since the committee meeting.

1.3 This report, if agreed by Policy and Resources committee, will then go forward to Council on 18 February.

2 Background, Context and Proposals

Provisional Local Government Finance Settlement 2026/27

2.1 This year the provisional settlement provides a multi-year funding allocation and the results of the Fair Funding Review and the Business Rate Reset. The multi-year allocation removes a level of uncertainty over the medium term, however that is now replaced with the knowledge of a reduction in grant funding over that period. Whilst the impact on the budget from Fair Funding is neutral for 2026/27 reductions in Revenue Support Grant and Homelessness funding mean that a budget gap increases from 2027/28.

2.2 The draft settlement published on 17 December confirmed the details of the Revenue Support Grant (RSG) which included the rolling in of some specific service and new burden grants and other legacy government grant allocations in addition to the new formula to allocate funding based on need. The resetting of Business Rates to remove growth retained locally has also required transitional funding to be included in the RSG for 2026/27 however this is reduced from 2027/28. Swale is in the position of having both a high needs assessment and a significant loss of business rate growth funding.

2.3 The table below shows the government's funding assumptions for Swale from 2025/26 – 2028/29

	2025-26	2026-27	2027-28	2028-29
Funding Source	£ millions	£ millions	£ millions	£ millions
Fair Funding Allocation	**0.000**	**16.093**	**15.530**	**14.896**
of which: Baseline Funding Level	0.000	6.808	6.965	7.105
of which: Revenue Support Grant	0.000	9.285	8.566	7.791
Legacy Funding Assessment	**15.737**	**0.000**	**0.000**	**0.000**
of which: Legacy Business Rates	14.187	0.000	0.000	0.000
of which: Legacy Grant Funding	1.550	0.000	0.000	0.000
Homelessness, Rough Sleeping and Domestic Abuse	**1.401**	**1.604**	**1.525**	**1.368**
Total Transitional Protections	**0.000**	**0.000**	**0.005**	**0.184**
of which: 100% income protection	0.000	0.000	0.005	0.184
Grants rolled in to Revenue Support Grant	**0.716**	**0.000**	**0.000**	**0.000**
Recovery Grant	**0.539**	**0.539**	**0.539**	**0.539**
Total Grant Allocations	**18.39**	**18.24**	**17.60**	**16.99**

2.4 The draft budget has been updated to take into account the details within the provisional settlement and other changes identified since the publication of the draft budget in November 2025. These changes are summarised below:

	2026/27	**2027/28**	**2028/29**
Provsional Settlement Funding changes	305,157	622,017	578,549
Continuation of EPR - baseline funding	(1,349,000)		
HB admin grant reduction	48,928		
Leisure centre capital funding	158,000		
Legacy budget adjustments	22,000		
Pay award and pension cost reduction	(190,000)		
Property team asset support	40,000	(40,000)	
Toilet contract provision	50,000	0	
Chamber/Meeting security	125,000	(50,000)	
Planning appeals - 3 x major schemes 2026/27	200,000	(200,000)	
Policy and practice subscription	20,000	0	
Swale LGR costs	110,000	0	
H&S tree works	35,000	(35,000)	
Collection team staffing	50,000	0	
Additional comms post	40,000	0	
Coastal errosion officer	80,000	0	
housing standards work	50,000	0	
Total	**(204,915)**	**297,017**	**578,549**

2.5 The government has confirmed that the Extended Producer Responsibility for packaging scheme (pEPR) will continue. Our initial allocation for this funding stream was £1.349m, this was later increased to £2.3m but with funding guaranteed at the lower amount only. Payment of the first instalments of the grant were delayed, and the amount received to date is still lower than the £1.3m guaranteed amount. As such this budget (and the current year's forecast) assume the grant level at the guaranteed amount. Total funding will not be confirmed until the end of this financial year and if the amount received exceeds the budget assumptions this will be added to reserves and used to support the future year's budget deficit.

Staff Pay

2.6 The budget assumes a 3% increase in staff pay as well as increments that are due and the increase in the real living wage.

Capital Strategy

2.7 The Capital Strategy sets out the Council's approach and process to the deployment of capital resources in meeting the Council's overall aims and objectives. It also provides a strategic framework for the effective management and monitoring of the capital programme. It provides a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services.

2.8 The proposed Treasury Management Strategy was reported to the Audit Committee on 21 January 2026 and is also reported separately to this meeting. The proposed Capital Programme and its funding are detailed in Appendix VI to this report.

2.9 Councils are required to balance their revenue budget annually and cannot borrow to achieve a balanced position. However, they have very far reaching powers to borrow to fund capital expenditure. This has historically been funded from borrowing from the Public Works Loan Board (PWLB), which is part of the Debt Management Office which is part of the Treasury. Borrowing can be for up to 50 years at rates which are below commercial rates. The decision to borrow externally is ultimately a treasury one, and is made closer to the time when expenditure is actually incurred, taking into account available cash balances, the opportunity cost of investments and the exposure to interest rate and credit risks.

2.10 Council in February 2020 agreed the following principles:

- Investing in sustainable, affordable and social housing to increase overall supply,

- Using the ability to borrow at lower rates of interest for the benefit of the physical and social infrastructure of the borough and for broader social value, and

- Ensuring that the costs of borrowing are manageable long term within the Revenue budget.

2.11 Council also agreed that in future specific capital projects will have a borrowing limit associated. This limit can be varied by Policy & Resources Committee.

2.12 The Council has not made and will not make any direct commercial investments outside of the Borough. Capital funds will be used for the benefit of local residents

2.13 Looking ahead to 2026/27 there will be four significant capital projects which are reflected in the draft Capital Budget:

2.13.1 – Affordable Housing – in October 2020 Cabinet agreed to establish Swale Rainbow Homes Ltd. The outline business case envisaged the Council providing up to £23m of funding through loans to support the delivery of new homes, however since that decision was made external economic factors driven by Covid-19, BREXIT and the Ukraine war impacted interest rates and development costs significantly and the original ambition of the project was no longer viable. It was agreed that delivery at a single site was pursued with grant funding applied for to bridge the viability gap. On 10 September 2025, Policy and Resources agreed the appointment of a contractor to deliver 51 homes at Cockleshell Walk subject to securing appropriate grant funding to support the project. Homes England are currently assessing the claim and if approved work can begin on the project as soon as possible.

2.13.2 – Pride in Place and Pride in Place Impact Fund – Swale has been awarded 2 Pride in Place grants to support projects within the district. Pride in Place funding of £20m has been awarded to Sheppey East over a 10 year period. The council will act as accountable body supporting a community led programme aimed at putting power into the hands of local people so that they can decide how to regenerate their local area. The Pride in Place Impact Fund of £1.5m has been awarded to the council with the aim of building strong, resilient, prosperous and inclusive communities. A member working group is developing a list of projects to recommend to Policy and Resources for allocation of the grant.

2.13.3 – Levelling Up Scheme – continuation of this capital project in 2026/27 will use funding to improve health, education, leisure and employment opportunities in Sheerness through the Sheerness Revival project.

2.13.4 – Leisure Centre Improvements – in September 2025 Policy and Resources agreed that £2m should be added to the capital programme to deliver capital investment in the centres to focus on reducing operating costs and reducing the carbon footprint.

2.14 All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing and Private Finance Initiative). The funding of the capital programme is also included in Appendix VI.

2.15 Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as Minimum Revenue Provision (MRP). MRP is a charge to the revenue budget which then accrues on the Balance Sheet; it is not an external payment. Alternatively, capital receipts may be used to replace debt finance. The Council's policy on MRP is set out in Appendix VIII.

2.16 Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Council's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing. For most Councils their cash flow level is much larger than their reserves as they take in funds through sources such as Business Rates and Council Tax which they hold before making payments to other bodies such as Kent County Council (KCC). The Council's daily cash balances averaged £16m in the 6 months to 30 September 2025. Where a Council is investing in a capital project, it can fund this capital investment from cash flow and this is known as internal borrowing. Internal borrowing defers the financial commitment to external borrowing. MRP still has to be made. The Finance Department closely monitors cash flow to ensure that there is no adverse impact

2.17 For any significant investment the Council will supplement the expertise of Members and Officers with appropriate external specialist advice to ensure that proposals are fully tested, and risks considered.

2.18 The Director of Resources believes that the Capital Strategy and Capital Programme proposed are sustainable

3 Proposals

Medium Term Financial Plan

3.1 The updated Medium Term Financial Strategy is attached in Appendix I, and the detailed revenue budget proposal is attached in Appendix II.

Balanced Budget Proposals

3.2 The 26 November Policy and Resources report showed a balanced position with £677k being used from reserves within 2026/27 to achieve that position.

3.3 Along with the changes from the local government settlement, the results of the Fair Funding Review and the outcome of the business rates reset, there have been a number of other variations since the 26 November report. These changes have had a positive impact on the budget of £205k. The budget remains balanced by using reserves to the extent of £459k.

3.4 Detailed revenue budget proposals are attached in Appendix II

3.5 An analysis of the budget risks is detailed in Appendix IX.

Council Tax

3.6 The proposals assume an increase of £6.12 (2.96%) in the Band D Council Tax to £212.76 for the year.

3.7 The Collection Fund forecast and Council Tax base are set out in Appendix IV.

3.8 The Council Tax Base was set at 51,023.68 by the Director of Resources.

3.9 Parish precepts are shown in Appendix V (at the time of writing we are still awaiting confirmation of the precept for Leysdown Parish Council, it is expected to be received in time to update the Full Council Meeting on 18 February).

3.10 As agreed in February 2024, the council continues to levy premiums between 100% and 300% for properties empty for more than a year and a premium of 100% for second homes.

Fees and Charges

3.11 Proposed fees and charges were set out as part of the draft budget report on 26 November 2025, and the proposed charges are set out in Appendix XI.

3.12 New charges have been added to the schedule for the Building Safety Levy , a tax on new residential buildings which the government is planning to introduce from 1 October 2026. Charges have been set by the government for each local authority based on local house prices and will be a charge to developers on certain building control applications. The levy rates are set per square metre and the charge is calculated on the floorspace of the development. There are two rates chargeable with a discount applied for developments that meet the definition of “previously developed”.

3.13 Delegated authority is sought for the Director of Resources to adjust charge out rates to ensure full cost recovery where fees are linked to internal costs and where legislation changes are made to centrally set charges in year.

Capital Programme

3.14 The capital programme budget is attached in Appendix VI.

3.15 The capital programme has been updated to include the funding allocations from Pride in Place grants.

Robustness of Estimates and Adequacy of Reserves

3.16 The estimated use of reserves is shown in Appendix VII which shows the budget forecast, but all in-year changes will be reflected in closedown and in the Council’s financial accounts.

3.16 The key principles for the management of reserves moving forward are:

- Maintain reserves to support the Council's budget position and to deal with unexpected one-off events;
- Funding the Council's strategic priorities; and
- Fund one-off items of expenditure to support service delivery.

3.17 When the Council is considering its budget requirement, Section 25 of the Local Government Act 2003 requires the Chief Financial Officer (Section 151 Officer) to report formally on the adequacy of proposed reserves and the robustness of the estimates when setting a budget.

3.18 What is required is the professional advice of the Director of Resources on these two areas. This responsibility is discharged by way of a certified Statement which can be found at Appendix III (Section 25 Statement). Members are recommended to read the statement thoroughly in order to understand the council's position and to have due regard to the contents when making decisions about the proposed budget.

3.19 The Council currently hold a balance of £3.1m as its General Fund balance. Whilst this is currently considered to be appropriate, this does need to increase over time to a target of £4m, representing two months spend. An assessment will be made at the year end to review whether an additional contribution can be made to the general fund Balance to move towards the £4m target balance. The Council holds earmarked reserves for specific purposes and the remaining unallocated funds form the General Reserve. The Director of Resources' view is that the level of reserves and balances held by the Council are at a reasonable level overall, and will remain so throughout 2026/27. However, a robust savings plan will need to be established to ensure that the council continues to be able to deliver a sustainable balanced budget from 2026/27 onwards. Earmarked reserves have been rationalised to transfer uncommitted balances to the budget contingency reserve to support a balanced budget position for future years, alongside a deliverable savings programme.

3.20 Reserve balances have been reviewed as part of this budget round with some earmarked reserves rationalised and uncommitted balances transferred to the budget contingency reserve to support the assumptions in the Medium Term Financial Strategy. Where 2025/26 expenditure is committed but remains unspent at the end of the financial year, the committed amounts will be allowed to slip into future years.

3.21 It is recommended that this committee recommend the draft budget and associated policy statements to full council for approval.

4 Alternative Options Considered and Rejected

4.1 Do nothing – this is not recommended as the Council is legally required to set a balanced budget.

5 Consultation Undertaken or Proposed

5.1 The budget proposals were reported to Policy and Resources Committee on the 26th of November 2025.

5.2 An online budget consultation exercise took place from 27th November 2025 to 8 January 2026,. This year's consultation received 458 responses which was a significant increase compared to previous years' consultations. Most responses focussed on the proposed changes to car parking charges, a summary of the responses can be found in Appendix X.

5.3 In addition to the budget consultation the Off Street Parking Places Order (variation 9 regarding new tariffs) (OSPPO) consultation was conducted between 12 December 2025 and 12 January 2026. There were a limited number of responses to this consultation with 4 objections to the increase in charges and one comment.

6 Implications

Issue	**Implications**
Corporate Plan	The budget proposals support the achievement of the Council's corporate priorities.
Financial, Resource and Property	The report sets out the Council's resourcing position.
Legal, Statutory and Procurement	The Council is required to set a Council Tax and a balanced budget.
Crime and Disorder	Any potential implications will be addressed by service managers in their budget proposals.
Environment and Climate/Ecological Emergency	The proposals support the Climate Change and Ecological motion previously agreed.
Health and Wellbeing	Any potential implications will be addressed by service managers in their budget proposals.
Safeguarding of Children, Young People and Vulnerable Adults	Any potential implications will be addressed by service managers in their budget proposals.
Risk Management and Health and Safety	Any potential implications will be addressed by service managers in their budget proposals.

Equality and Diversity	Any potential implications will be addressed by service managers in their budget proposals.
Privacy and Data Protection	Any potential implications will be addressed by service managers in their budget proposals.
Local Government Reorganisation	Provision has been made in this budget to fund the work required by Swale in preparation for local government reorganisation. No provision has been made for the transitional costs to support the creation of the new unitary council.

7 Appendices

7.1 The following documents are to be published with this report and form part of the report:

- Appendix I: Medium Term Financial Plan
- Appendix II: Detailed Revenue Budget Proposals
- Appendix III Director of Resources Section 25 Statement
- Appendix IV: Collection Fund and Council Tax Base
- Appendix V: Parish Precepts
- Appendix VI: Capital Programme and Funding
- Appendix VII: Estimated Use of Revenue Reserves 2025/26 – 2028/29
- Appendix VIII: Minimum Revenue Provision Statement
- Appendix IX: Budget Risks
- Appendix X: Budget Consultation
- Appendix XI: Fees and Charges
- Appendix XII: Proposed Changes Schedules

8 Background Papers

Policy and Resources papers 26 November 2025