Budget and Medium Term Financial Strategy

2027/28 to 2029/30



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1. Medium Term Financial Strategy (MTFS)

The document that guides the Council's strategic financial planning and forecasting

1.1 Swale Borough Council's Medium Term Financial Strategy (MTFS) is a strategic document that supports the delivery of the Corporate Plan outcomes and helps ensure a focus on the Council's medium term budget position. The MTFS establishes how the Council's priorities will be achieved by setting out the framework within which resources are available over the medium term and the financial challenges facing the Council in terms of future funding gaps and now includes some provision for devolution agreement and Local Government Reorganisation (LGR). It is the method by which the Council translates its goals into action by considering;

- Where the Council is now
- Where the Council wants to be
- What the Council's plans are to get there

1.2 The MTFS helps to ensure that the Council is 'doing the right thing' while taking account of internal strengths/weaknesses and external threats/opportunities. It also provides a link between the Council's service objectives and its financial capacity, which effectively asks the question 'can the strategic objectives be achieved within the available financial envelope?' The aim should be to provide a framework to support and inform the medium-term planning considerations and the budget setting process. Essentially the MTFS should include consideration of a broad range of factors that influence the Council's financial sustainability, which now includes supporting the transition process for Local Government Reorganisation.

The MTFS Aims to:

- Provide a high-level assessment of the resources available to support the Corporate Plan outcomes, outlining the high-level funding projections for the following three financial years (beyond the current year);
- Explore the financial context in which the Council operates, considering local and national factors. These will include known spending pressures and commitments, along with the implications of Local Government Reorganisation and Devolution, and the impact of the national economic outlook;
- Explore the demands on the capital programme both in terms of ambition and resources along with the impact on the revenue account and reserve levels held by the Council;
- Highlight how the Strategy links in with and supports other Council strategies and policies;
- Assess the risks on which the Plan is based;
- Provide preparatory work for the following year's budget;
- Address the sustainability of the Council's financial position.

1.3 The MTFS is fundamentally linked to the Corporate Plan 2023-2027 that was adopted by full council on 4 April 2024.

1.4 The Council is currently projecting a deficit position from 2027/28 onwards. Forecasting the deficit highlights the growing gap between the Council's expenditure requirements and the income that can be generated. The Local Government Finance Settlement published last year provides certainty around grants that will be received, but with grants falling each year the forecast budget gap continues to grow. The future year projections can be found within Appendix II.

2. Corporate Plan 2023 - 2027

'Learning from the past, focusing on the future'

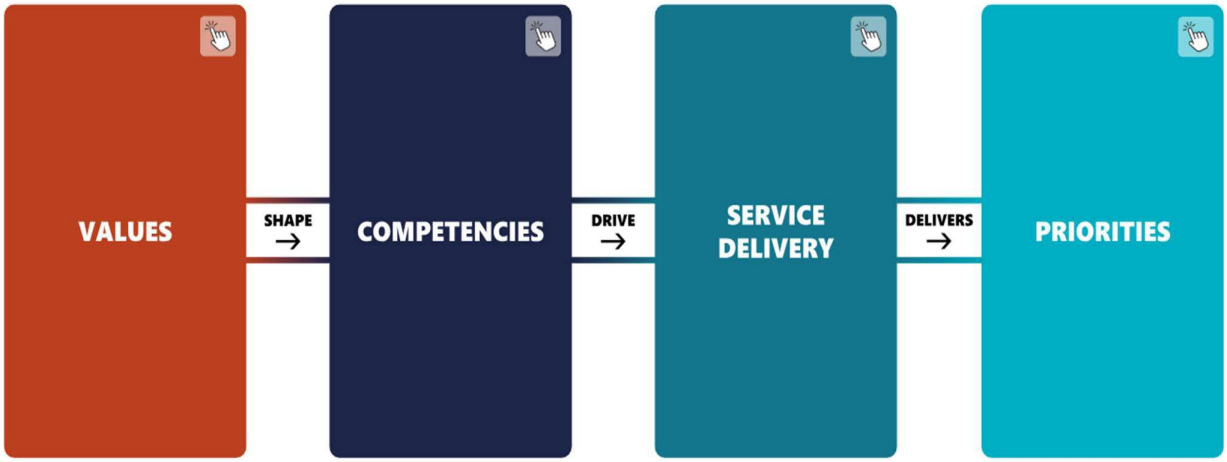
2.1 The corporate plan was adopted in April 2024, following consideration by service and area committees and a public consultation exercise. The plan states the vision of the council to learn from the past and focus on the future. It showcases the achievements of the council over the past few years and documents the priorities for the period to 2027.

2.2 Our priorities

- Community – To enable our residents to live, work and enjoy their leisure time safely in our borough and to support community resilience
- Economy – Working with our businesses and community organisations to work towards a sustainable economy which delivers for local people.
- Environment - Working with our businesses and community organisations to work towards a sustainable economy which delivers for local people.
- Health and Housing - To aspire to be a borough where everyone has access to a decent home and improved health and wellbeing.
- Running the Council - Working within our resources to proactively engage with communities and outside bodies to deliver in a transparent and efficient way

2.3 Our values and competencies

The council has developed a new framework for our values and competencies. These are our guiding principles for delivering excellent service and form the foundation for service delivery and how the strategic priorities are achieved, all of which align to realise the overall vision for the council.



Our Values are the guiding principles that shape the culture and behaviours of the council. They influence decision making and how we interact with others and underpin the development of our competencies. The new values adopted during 2025/26 are as follows:

- **H**onest – Truthful and take responsibility. To act with integrity and keep commitments. Build trust through fairness and transparency.
- **E**mpathetic – Listen actively and with care. To respond with compassion and create a supportive environment for all.
- **A**daptable – Stay open to change. To learn from challenges and adjust with a positive mindset.
- **R**espectful – Treat everyone with fairness and dignity. To listen to diverse perspectives. Create an environment where all voices are heard.
- **T**ogether – Work collaboratively for shared goals. To support one another effectively and build strong and trusting relationships.

2.4 Swale Borough Council will carry out local elections in May 2027, and the new administration will then start work on a new corporate plan.

3. Context

Demographic and landscape issues that set the scene for the budget and financial strategy

3.1 For such a relatively small area, the borough is a remarkably diverse place, including the historic market town of Faversham, the traditional seaside resort of Sheerness and the more industrial market town of Sittingbourne. In recent years Sittingbourne has been the focus of major council-led redevelopment, with current schemes the Levelling Up Fund project, being focused on Sheerness. The Council's urban centres are connected both physically and culturally by the borough's extensive and important rural areas, accounting for around a quarter of the population, which take in several protected wildlife habitats and part of the Kent Downs area of outstanding natural beauty.

3.2 Swale's demographic make-up is no less diverse than its geography, including a mix of affluent and less affluent communities, but in general the area is less well-off than is typical for the south-east, and there are some concentrated pockets of severe socioeconomic disadvantage to be found in locations across the borough. While the causes of this are deep-rooted and complex, the outcome is that a proportion of our residents suffer from entrenched inequality and a lack of opportunities which the council needs to do what it can to address.

3.3 The indices of multiple deprivation are calculated by government based on a range of measures of poverty and associated disadvantage. The latest data we have on deprivation is from the 2025 report. Previously published data from 2019 reported that the borough was the 69th most disadvantaged of the shire districts in England, and the second most disadvantaged in Kent. The 2025 census data ranks Swale as the 59th most disadvantaged, remaining the second most in Kent.

3.4 Over recent decades, Swale has seen a successful diversification of its economy, which now has key strengths in manufacturing and distribution, as well as high-skilled activities including cutting-edge technology and life sciences. However, it remains the case that much of the borough's employment, including employment created in the last few years, is at the lower end of the skills spectrum.

4. Global and National Issues

Some financial pressures are driven nationally and indeed globally and are beyond the control of the Council. Some of these which impact Swale *are shown below*

Global issues

4.1 The Net Zero agenda represents a significant global issue, not just a national or local one and at the present time some of the emerging green technologies, which are undoubtedly the way to go for the future, can be significantly more expensive to deliver at the current time. Energy prices remain high, and this continues to impact on costs for some of our service areas.

Political

4.2 The general election in July 2024 resulted in election of the first Labour led government since 2010. The local government finance policy statement 2025 to 2026 published in late November 2024 laid out the new government's proposals to fundamentally improve the way councils are funded, including a 'reset' of the business rate retention scheme. Details were consulted on early in 2025, with implementation of the reforms beginning through a multi-year settlement for 2026-27. The outcome of the Fair Funding Review and Business Rate reset were published in December 2025.

4.3 July 2026 saw Andy Burnham succeed Keir Starmer as Prime Minister and Leader of the Labour Party. There have been several policy announcements since then, including a pause to the Local Government Reorganisation programme for which we are currently awaiting an update.

Central Government Funding

4.4 The provisional settlement details published in December 2025 include indicative allocations for 2026/27 to 2028/29. This is a helpful change to enable longer term planning, but unfortunately our funding reduces over the period of the multi-year settlement.

4.5 The 2026/27 draft settlement published on 17 December 2025 detailed the central government grant allocations for 2026/27 and provided indicative allocations for 2027/28 and 2028/29. The settlement included the outcome of the Fair Funding Review and the Business Rates Reset. The Fair Funding review consolidated a range of legacy grant allocations (including New Homes Bonus and Employer NIC grants) and rolls in other specific and new burdens funding (including homelessness rough sleeper grant) to the Revenue Support Grant total for 2026/27. This grant is also used to support transition for the loss of business rates growth resulting from the business rates reset. The business rate reset removes all growth seen since the localisation of business and for Swale this is a reduction of £7.4m for business rates.

4.6 The combination of the rate reset, assumptions on council tax income and rolling in of several grant funding streams made it difficult to reconcile the detailed changes for Swale between 2025/26 and 2026/27. Unfortunately, from 2027/28 the Revenue Support Grant reduces by £720,000 and again by a further £780,000 for 2028/29 as the transitional protection for the business rate reset is removed and loss of funding of £1.2m as the one off adjustment support grant is removed There is also a reduction in our Homelessness, Rough Sleeping and Domestic Abuse grant allocation from

2027/28,. We are challenging the loss of grants with MHCLG as the national pot for homelessness is increasing and the loss of our adjustment support grant is a significant reduction in our government funding allocations.

Extract from MHCLG Core Spending Power Table 2026/27 final settlement

Swale

Illustrative Core Spending Power of Local Government:	2026-27 £ millions	2027-28 £ millions	2028-29 £ millions
Fair Funding Allocation1	14.870	14.912	14.896
of which: Baseline Funding Level	6.808	6.965	7.105
of which: Revenue Support Grant2	8.062	7.948	7.791
Legacy Funding Assessment	0.000	0.000	0.000
of which: Legacy Business Rates4	0.000	0.000	0.000
of which: Legacy Grant Funding5	0.000	0.000	0.000
Council tax requirement6,7	10.888	11.356	11.844
Homelessness, Rough Sleeping and Domestic Abuse8,9	1.523	1.413	1.346
Families First Partnership10	0.000	0.000	0.000
Grants rolled in to Revenue Support Grant12	0.000	0.000	0.000
Total Recovery Grant Allocation	0.539	0.539	0.539
of which: Recovery Grant	0.539	0.539	0.539
Adjustment Support Grant	1.223	0.000	0.000
Core Spending Power	**29.043**	**28.2**	**28.6**
Core Spending Power year-on-year change (£ millions)	2.0	-0.8	0.4
Core Spending Power year-on-year change (%)	7.4%	-2.8%	1.4%
Core Spending Power change since 2024 (£ millions)	2.9	2.1	2.5
Core Spending Power change since 2024 (%)	11.0%	7.9%	9.4%
Core Spending Power change since 2025 (%)	7.4%	4.4%	5.9%

4.7 The government confirmed the continuation of the funding stream, of the Extended Producer Responsibility for packaging (pEPR) scheme. As reported in the budget monitoring, the initial grant allocation was confirmed at £1.3m, with subsequent correspondence increasing the allocation to £2.3m, but with no guarantee that this level of grant would be received as it was subject to government recovering fees for packing from producers. The position for 2026/27 was maintained at £1.3m, however based on the amounts received in 2025/26 and 2026/27 to date the assumption for 2027/28 has been made at the increased allocation of £2.3m.

4.8 As a result of the business rate reset the Kent Business Rates Pool was disbanded for 2026/27.The impact of the reset and the lack of growth assumptions in 2026/27 has meant that the benefit of reestablishing the pool for 2027/28 will not be considered at this stage.

Inflation

4.9 Inflation has increased since April 2026 with September CPI sitting at 3.6%. Wage inflation increased in the first few months of the financial year, with a drop seen in August, but it is still trending at a higher rate than CPI. Many of the Council's contracts are linked to inflation indices, so we are having to pay more just to stand still. Given that contracts costs are reviewed annually, it also means there is a lag before the increases are applied. This means that there is a delay in terms of cost increases, but also a delay in seeing the effects of falling inflation.

4.10 This Medium-Term Financial Plan assumes inflation increases at between 3 and 4% for the coming financial year, remaining at 3% from 2028/29. Future year assumptions will be updated annually as part of the review of our plan over the medium term.

4.11 Inflation is difficult to predict in the current situation, and the table below demonstrates the impact that changes in these assumptions for contracts and staffing costs could have on the budget assumptions.

Year	-1%	Estimated increase	1%
2027/28	1,649,637	1,666,300	1,682,963
2028/29	1,689,930	1,707,000	1,724,070
2029/30	1,734,480	1,752,000	1,769,520

Interest Rates

4.12 After a period of steady decreases in interest rates, the base rate has been held at 3.75% for a significant period of time. At the beginning of November the base rate was increased to 4.00%, and current expectations are that rates will increase slightly over the short term, before starting to reduce again. However, the low rate of interest seen for many years is considered unlikely.

4.13 The current level of interest rates is having a positive impact on the council's treasury management position, with interest receipts on cash holdings being higher than the cost of the current borrowing position.

4.14 However, the downside to the higher interest rates is that is has meant assumptions on the cost of financing our capital programme have increased, and we need to keep this position under review to ensure that capital schemes remain affordable. Any changes that impact on the budget framework will be reported to committee for further decisions to be taken on whether to continue with the current scheme.

Local Government Reorganisation

4.15 Following the publication of the English Devolution White Paper in December 2024, all councils in Kent and Medway were invited in February 2025 by the Secretary of State to submit proposals for Local Government Reorganisation (LGR) for the region of Kent.

4.16 On 19 November 2025, Full Council met to consider the options for Local Government Reorganisation (LGR) with the preferred unitary council option submitted to government on 28th November for submission to government on 28th November.

4.17 In July 2026 the government announced the decision on councils for Kent. However, in September 2026 Local Government Reorganisation was paused to allow the government to review the decisions. A further announcement was made on 28 October on the final stages of agreeing new devolution agreements. For Kent and Medway the proposed agreement will be Mayoral if the area's Local Government Reorganisation outcome is compatible with this and a Foundation if not.

4.18 This budget reports the position for Swale Borough Council for the next few years in the run up to the proposed reorganisation changes. As a new vesting day is not yet known, the budget has been calculated up to and including 2029/30. Any changes in assumptions or known information will be updated in future budget reports.

5 Local Pressures

These arise from local circumstances and demand for services. The financial effects of these must be dealt with by the Council, as there is often no external funding

Local Economic changes

5.1 Swale derives significant sums of income from fees and charges for services such as car parking and planning. These will be affected by factors outside the Council's control, such as consumer confidence, the general health of the economy and the cost-of-living crisis.

Waste Management

5.2 As Members will be aware the new waste contract started in March 2024. The budget position includes provision for the new contract price and the capital financing of the vehicle fleet.

5.3 The government introduced funding through the Extended Producer Responsibility initiative that aims to transfer the cost of collecting and disposing of recycling waste to the organisations that are responsible for producing it. Local authorities have been in receipt of payments since 2025/26. Minimum grant guarantees were received, but Swale Borough Council has been receiving funding above this level so far. However, as the position regarding any new burdens resulting from the scheme are still to be determined, the excess grant received has been transferred to reserve so far. The current budget proposals suggest building in the grant at the level received from 2028/29 onwards.

Temporary accommodation

5.4 The council has a duty to provide emergency/temporary accommodation (TA) for homeless households whilst assessing their case and/or ahead of securing more permanent accommodation. A range of accommodation is currently used to cover this duty: some units owned by Swale, some units owned by housing associations, nightly let self-contained and shared accommodation and rooms in hotels/bed and breakfast accommodation.

5.5 Whilst some of the costs of this accommodation are covered by housing benefit this is only payable up to 90% of the 2011 Local Housing Allowance (LHA) which is the amount set by government that can be covered by housing benefit. The difference between the actual cost and housing benefit levels is borne by the council. This has been increasing over recent years, with growth having been built into the current budget

assumptions. Officers are working hard to reduce the requirement for temporary accommodation with the number of households in TA as at the end of September 2026 being 377 compared to 282 at the end of September 2025. Despite the work of the team, approaches have increased as affordability in the area is difficult with limited move on options, the impact of the Renters Rights Act from May and the impact of higher interest rates is being seen in significant price increases from landlords.

5.6 As well as the costs to Swale, demand for TA in Kent is exceptionally high and often there are limited options, placements regularly occur outside the Borough. Many of the current TA options are not ideal for what are vulnerable households, accommodation that is not self-contained, not within Borough and is used for increasingly lengthy periods (we currently have 74 households that have been in TA for over 2 years).

5.7 Members agreed a project for the Council to purchase a number of properties that can be used to house those in need of TA. This will help to control the spiraling costs, although it is not a panacea for this problem. The project has delivered 53 properties to support temporary accommodation.

Supported Accommodation

5.8 A further pressure to the budget position is the loss of housing benefit subsidy on placements in certain types of supported accommodation. Where the placement is made to a landlord that is not a registered charity or a registered social landlord, the council is only able to reclaim 60% of the housing subsidy awarded to tenants. The growing number of placements in this type of accommodation is adding significant pressure to the budget.

Local Council Tax Support Schemes (LCTS)

5.9 The LCTS scheme was implemented in April 2013 as a replacement to Council Tax Benefit. This change was part of wider welfare reforms to reduce expenditure, giving responsibility of the replacement scheme to Local Councils. LCTS schemes should encourage people into work and be based on the ability to pay. Previously the Council Tax Benefit scheme was 100% funded through subsidy paid to the Council from the Department for Work and Pensions (DWP).

5.10 From April 2013 each billing authority was given the discretion to set their own scheme, although at the outset the government did stipulate that the scheme would not change the 100% maximum support for low-income pensioners i.e. they would receive the same level of support as they did under the system of Council Tax Benefit. Funding for LCTS is no longer received as a separate subsidy grant but is now within the overall Local Government Funding system as non ring-fenced funding within the Revenue Support Grant (RSG) and baseline funding level. The local scheme (for Swale) has changed several times since the introduction of LCTS in 2013/14.

5.11 In April 2023 the Council introduced a banded council tax reduction scheme which aimed to simplify the understanding and processing of the previous scheme. For 2026/27 the council agreed a change to the scheme to increase support to 100% for those that met the criteria.

Lower Medway Internal Drainage Board Precept

5.12 The Internal Drainage Board Levy has been estimated for 2027/28 with an increase of £37,000 which covers inflation plus a property adjustment. The levy position is just over £1m for Swale, and the Council has no control over the setting of this levy. Following significant lobbying from local government colleagues, the impact of

increases to internal drainage board levies was acknowledged by the Government in 2023/24 with the introduction of the Internal Drainage Board Levies grant. This grant was awarded to 15 local authorities to provide additional and exceptional one-off funding to councils most affected by increases in Internal Drainage Board Levies. Swale has received varying amounts of this grant each year, ranging from zero to £40k. Government have indicated that there is no additional grant funding available to support the cost of Drainage Board Levies, but the level of funding may be maintained.

5.13 Government is now recognising that the pressure these levies apply to collection authorities is an ongoing issue and MHCLG are working with DEFRA and the local government sector to implement a long-term solution, although no plans have yet been released. The Leader and the Director of Resources continue to represent Swale on an LGA Special Interest Group that are hoping to change the way that the current drainage board levy precept process impacts on the local government financial position.

Workforce

5.14 We recognise that our staff are our most important resource at the heart of the services we provide. We currently have around 254 full time equivalent posts and 282 actual members of staff. Our pay bill is our most significant area of direct spend and stands at £15.3 m including pension contributions of £2.m as per the 2026/27 budget. The pension fund is administered by Kent County Council (KCC), employee contribution rates are set by Government and range from 5.5% to 12.5%. The fund actuary Barnett Waddingham sets the employer contribution rate, currently 16.4%, plus an annual fixed sum.

5.15 The Fund is valued once every three years and the valuation as at 31 March 2025 disclosed a net deficit of £5.66m on Swale's share of the fund, a reduction of £2.8m from the 2022 valuation deficit of £8.46m. The change in contribution rates because of the March 2025 valuation took effect from 1 April 2026. The contribution rate decreased from 20.5% to 16.4% and the back funding element also decreased..

6. Inflation

Inflation is the rate prices for goods and services that the Council buys are expected to rise.

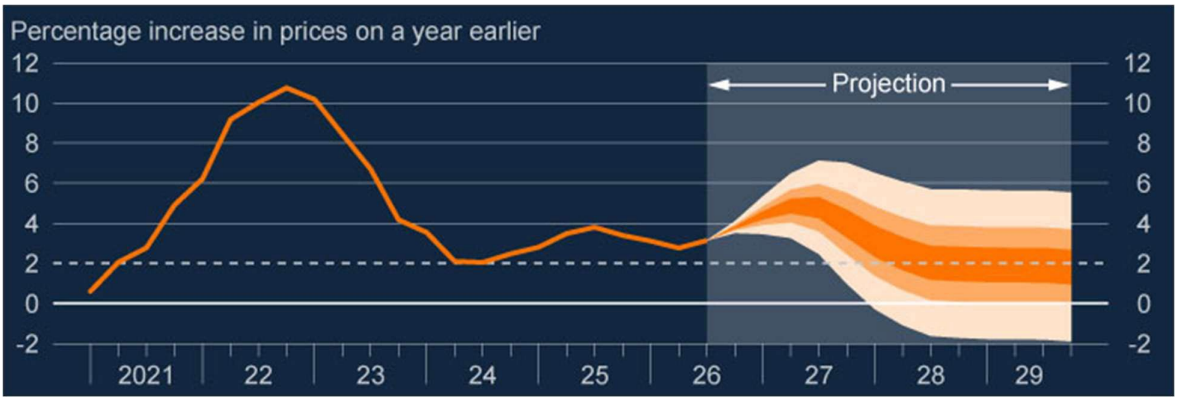
6.1 Inflation has significantly eroded the Council's spending power over the past few years. Although inflation has stabilised, with the last 3 months to September 2026 reporting CPI at 3.6% there is a long-lasting impact from the high levels of inflation experienced over the recent years. The current position of 3.5% is in excess of the increase that can be levied on council tax and so costs continue to outpace our tax raising power.

6.2 The Bank of England's Monetary Policy Committee (MPC) has recently raised the base rate of interest to 4.00%, after holding steady at 3.75% for a considerable time, as the volatility in energy prices due to the Middle East conflict have persisted. The longer energy prices stay high, the greater the risk of more persistent inflation.

6.3 The Council assumes in this financial strategy that inflation will broadly follow the pattern in the graph below as outlined by the Bank of England with general price increases being assumed at around 3-4% for 2027/28.There are also some areas and contracts, such as the waste contract, which use different indices to calculate annual increases, and these are taken account of where appropriate.

Chart 1 – MPC Forecasts November 2026

Bank of England CPI projection TBC



Source: Bank of England Monetary Policy Report November

6.4 *Staff Pay* – The Council is not part of a National Joint Council (NJC) national pay agreement, so any increases are set and agreed locally in negotiation with the Union. The current financial plan makes provision for a pay award next financial year and pay negotiation discussions with the union have begun. The budget also includes provision for turnover savings (for staff leaving and temporarily vacant posts etc) of 2%. As a guide a 1% increase equates to approximately £153,000 annually.

6.5 *Income (fees and charges)* – As in the previous year, increases in the fees and charges for 2027/28 are being recommended for an increase in line with our inflationary and cost of living increases.

7 Funding changes

Local Government is currently going through a significant period of change in terms of the way it is funded and the way the funding elements are to be calculated for the future

Local Government Funding Settlement Funding

7.1 The settlement is issued by the Ministry of Housing, Communities and Local Government (MHCLG) and for Swale comprises several elements including Revenue Support Grant (RSG), Baseline Funding Level (via the Business Rates Retention Scheme) and Council Tax (through the setting of referendum principles). The Fair Funding Review has reset the business rate position and rolled in specific service and new burdens grants in the Revenue Support Grant. The settlement has for the first time in ten years provided funding levels for a three year period.

7.2 As part of the settlement Swale continues to receive Recovery Grant, and also received an Adjustment Support Grant in 2026/27. However, the Adjustment Support Grant was intended for one year only, resulting in a loss of £1.3m for this one grant alone, with Revenue Support Grant also reducing over the funding period.

District Council Band D Increases

7.3 The previous settlement saw increases to the core Band D threshold remaining at 2.99%. The £5 cash threshold will also still apply, although this is now lower than the

2.99% increase allowed for most authorities.

7.4 The forecasts within this MTFP assume council tax increase of 2.96% for modelling purposes and coupled with growth forecasts in the tax base result in income projections of around £11.289m for 2027/28, which is growth of £433k based on the 2026/27 position. This charge equates £219.06 for an average Band D property, which is an increase of just over 12p a week for Swale's element of the council tax. It should be noted that, while this information would be used at this point for modelling purposes now, the council tax will not actually be agreed and set until the Full Council budget setting meeting in February 2027.

7.5 Lower tier councils continue to highlight the need to increase the cash limit, as the £5 increase is now lower than the percentage increase for almost all authorities, and as such is becoming irrelevant.

8 Income

The Council derives a limited amount of funding from Central Government, the main sources of income are locally raised taxes, fees and charges and specific grants. This section focuses on how the Council is funded and how this will continue to change over the coming years

Business Rates Retention

8.1 Since the 2013/14 financial year, local government has been able to retain 50% of the growth in the local business rates income to support services. The long awaited reset of the business rate system was consulted on over the summer with the results published alongside the Fair Funding Review in December 2025.

8.2 The income from the current system is shared based on 50% being returned to Central Government, 40% being retained by Swale with 10% going to the County. However, while technically Swale's share is projected to be around £33m, after the tariff and levy payments are made the net income to Swale reduces to £6.8m for 2026/27. Business Rates growth has now been built into the funding settlement, with the reset removing the growth seen over the past.

Kent Business Rates Pooling Arrangements

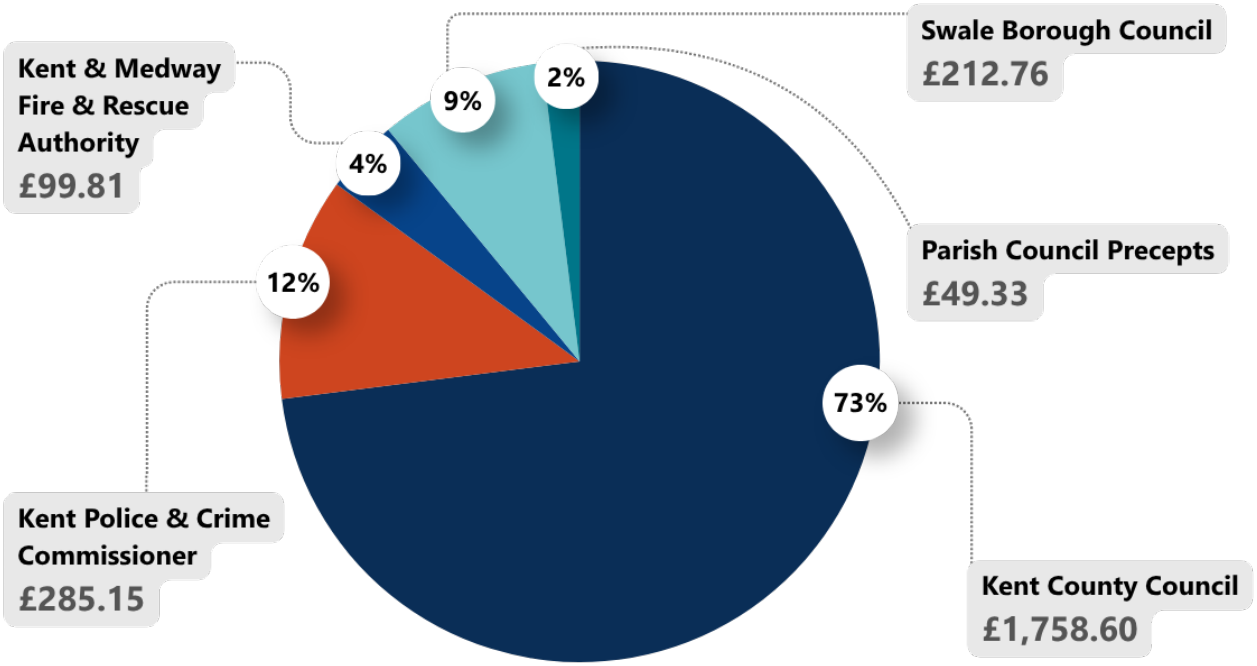
8.3 Local authorities can enter arrangements with other Councils to pool their business rates. Legislation allows councils to voluntarily enter a business rates retention pool. Councils within a pool are treated as a single entity with tariffs and top ups netted off and a single levy rate applied. In two tier areas this creates the potential for the levy paid by Borough Councils being reduced thus retaining more resources in the local area. As a result of the Fair Funding Review and the reset of business rates the Kent Pool ceased to exist in 2026/27. The position will be reviewed annually to assess the benefit of restarting a Kent pool, with the assessment for 2027/28 being that it was not beneficial to set up the pool for next year.

Council Tax

8.4 Swale is the billing authority for the borough, this means that Swale send out the Council Tax bills to residents and collect the Council Tax, but most of this is then distributed to the County Council and Kent Police Authority with a further element then going to town and parishes councils. The relative splits are shown within the chart below.

8.5 The charge on a Band D property which is retained by Swale is currently £212.76 (£206.64 2025/26) based on a tax base of 51,023.68 (50,518.20 2025/26). Any increases on this amount are restricted by a cap put in place by the Government, but as discussed above this amount is 3% or £5, whichever is the greater, without undertaking a referendum on the proposals. This generates an extra £433k (including tax base growth assumptions) over the 2026/27 income levels.

8.6 ***Chart 2 – Council Tax split 2026/27***



8.7 Within the MTFS, it is assumed that Swale will increase its precept by 2.96% annually from next year This table highlights the impact of the assumed increases within the charts below.

Table 1 – Projected council tax income growth

Council Tax	2027/28	2028/29	2029/30
Tax Base	51,533.92	52,049.26	52,569.75
Band D Council Tax	£219.06	£225.55	£232.23
Council Tax	**£11.289m**	**£11.740m**	**£12.208m**

Fees and charges

8.8 The Council has limited means to charge for some of the services it provides. Some of these charges are set by central government, but the Council has discretion over the levels of others. Of the income budgeted for 2026/27, the most significant areas include waste and recycling (£1.6m) which includes things such as garden bins and bulky waste collection, car parking income (£3.7m), commercial rents (£2.8m) and planning and building control income (£2.3m). It should however be noted that there are also significant costs associated with generating some of this income, such as the car park maintenance and enforcement, the waste contract etc.

8.9 As part of the Council's drive to close the budget gap fees and charges have been reviewed. Where feasible, and within our control, inflationary increases have been applied. However, where it is felt that market forces allow, there are some above inflation increases proposed. A more comprehensive review will take place to ensure that we are covering our costs where possible.

8.10 It is important that the fees and charges are structured in such a way that they support the sustainability of the budget position in the medium to long term, and protect the vital frontline services.

9 Links to other strategies

The MTFS is fundamentally linked to and underpins several of the Council's key strategy and policy documents

9.1 The most significant linkage with the MTFS is with the Council's Corporate Plan and this is discussed in detail above. There are however several other strategies and policies supported by the MTFS.

Capital Strategy

9.2 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, within which the Council will work in formulating the strategies for individual services. It is a primary document for all capital decision making, together with the Corporate Plan and other strategies.

9.3 The Strategy is reviewed on an annual basis to reflect the changing needs and priorities of the Council including residents, businesses and places. The aim of the Strategy is to provide a framework within which the Council's capital investment plans will be prioritised and delivered. The Strategy is the foundation of proper long-term planning of capital investment and how it is to be delivered.

9.4 The Strategy's principal objective is to deliver an affordable programme that is consistent with the Council's priorities and objectives. This Strategy is intended to be used by all stakeholders to show how the Council prioritises and makes decisions on capital investment and how this investment supports the Council's priorities and ambitions.

9.5 The capital programme approved by Full Council in February 2026 included investment of £31.4m 2026/27 and £3.4m in 2027/28. This is funded through a mixture of capital receipts and reserves, internal/external borrowing and s106 contributions and other grants. The timing of projects will be monitored, and the budget reprofiled as appropriate at the end of each financial year.

9.6 The capital programme for 2026/27 includes the continuation of the Sheerness Revival project which is being primarily funded by the Levelling Up Fund, and Affordable Housing Project at Cockleshell Walk. Any revenue implications of these are already included in the MTFS assumptions for 2026/27 and future years as appropriate.

The key principles of the Strategy are;

- Investing in sustainable, affordable and social housing to increase overall supply,
- Using the ability to borrow at low 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.

Treasury Management Strategy Statement 2026/27

9.7 The Council's Treasury Management Strategy Statement is intrinsically linked with the Capital Strategy and the capital programme, the 2026/27 strategy was approved by Audit committee in January 2026. The strategy manages the Council's investments, cash flows, banking, money market and capital market transactions.

9.8 The treasury management budget supports the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations and understands the revenue implications of all capital decisions.

9.9 This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. When it is prudent and economic, any debt previously incurred may be restructured to meet the Council's risk or cost objectives.

9.10 The Council receives and approves reports throughout the year;

- Before the start of the financial year, the updated Treasury Management Strategy Statement which includes the Minimum Revenue Provision (MRP) policy statement; how investments and borrowings are to be organised (including prudential indicators); and an Investment Strategy;

- Quarterly treasury management assurance reports to update Council with the progress of the capital position; adherence to the treasury management strategy and whether any policies require revision and;

- At the end of the financial year, a treasury management outturn report to provide details of actual indicators compared to the estimates within the strategy.

Property Asset Strategy

9.11 The Property Asset Strategy is set within the wider context on the Council's strategic priorities and seeks to align and review the asset base with the Council's corporate goals and objectives. The current Strategy was approved by Regeneration and Property Committee on 14 November 2023. The strategy can be found here agenda item 5 on page 5.

9.12 The Strategy provides the framework that will guide the Council's future strategic property decisions and ensure there is a consistent way of managing the Council's land and assets. The Strategy is likely to make recommendations regarding the rationalisation of the property portfolio, and to secure additional investment income from the let estate and property investments, and future budgets will reflect this.

Commissioning and Procurement Policy

9.13 The Commissioning and Procurement Policy establishes the Council's strategic

approach to procurement. The Policy should be read in conjunction with the Finance Code of Practice, Contract Procedure Rules and Scheme of Delegation within the Council's Constitution. It emphasises the increasing importance of using procurement to support wider social, economic and environmental objectives, in ways that offer real long term benefit.

9.14 The Council recognises the importance of a strong and vibrant local economy and the role it can play in stimulating local markets. The website has been developed to provide potential suppliers with a host of information in relation to the Council's procurement processes, which includes a portal advertising all current tender opportunities. To deliver an agile service the Council uses an electronic tendering system.

9.15 The strategy provides a corporate focus for procurement, embracing the Council's commitment to strategic procurement and its alignment with corporate objectives and values. The document is not intended to be a "user manual", although the principles contained within the strategy should be applied to all facets of procurement activity. Additional detail regarding the Council's procurement processes can be found within the Contract Procedure Rules and there are user guides available on the intranet.

9.16 Social value is the positive impact an organisation has further to the activities it carries out. These can be economic, social and environmental impacts. The Council recognises that Social Value can significantly help it in meeting its priorities and aspirations for the borough by supporting good jobs, better incomes and wellbeing, increased skill levels, higher value economy and higher productivity levels. The Commissioning and Procurement Policy is one of the underpinning strategies that supports the Council's priorities.

9.17 The Commissioning and Procurement policy has been updated to reflect the new Procurement Act, which became law in February 2025. The new policy was approved by the Policy and Resources committee in November 2024.

10 Looking forward

In the context of these pressures and reduced funding, the Council has produced a forecast for spend for Capital and Revenue purposes and anticipated use of Reserves

10.1 The resources position has been updated with the best information currently available against the previous budget forecasts below.

Table 2 – Deficit forecasts as per the 2026/27 budget

Updated funding forecasts November 2026	**2026/27**	**2027/28**	**2028/29**	**2029/30**
	£'000	£'000	£'000	£'000
Internal Drainage Board Levy	1,051	1,051	1,051	1,051
Base budget & reserve contributions	28,918	29,960	31,476	32,976
Revenue Support Grant (RSG)	(8,062)	(7,948)	(7,791)	(7,791)
Extended Producer Responsibility Grant	(1,349)	(2,364)	(2,364)	(2,364)
Business Rates	(7,319)	(7,489)	(7,664)	(7,664)
Recovery Grant	(539)	(539)	(539)	(539)
Adjustment Support Grant	(1,303)	0	0	0
Council Tax	(10,856)	(11,289)	(11,740)	(12,208)
Projected use of reserves/savings	**541**	**1,382**	**2,429**	**3,461**

10.2 The additional cost pressures in 2026/27 relate mainly to inflationary pressures on pay and contracts, as well as increases in demand on our services. This is partly offset through savings proposals, increased income forecasts, and use of reserves. The savings breakdown can be found within Appendix III.

10.3 Officers have previously undertaken high level analysis of the cost of the statutory and non-statutory functions which the Council undertakes. Statutory functions include things such as waste collection and the payment of benefits, non-statutory areas include things such as the provision of public conveniences and leisure facilities. Very roughly the cost of statutory services is matched by the Council's grants and income from business rates, council tax etc.

Reserves

10.4 The Council holds several 'usable' reserves both for revenue and capital purposes which fall within one of the following categories:

- General Reserve
- Earmarked Reserves
- Ringfenced Reserves
- Capital Receipts Reserve

10.5 The *General Reserve* is held for two main purposes:
- to provide a working balance to help cushion the impact of uneven cashflows and avoid temporary borrowing and;
- a contingency to help cushion the impact of unexpected events or emergencies.

10.6 As part of setting the budget each year the adequacy of all reserves is assessed along with the optimum level of General Reserve that we should hold. The optimum level of the General Reserve considers a risk assessment of the budget and the context within which it has been prepared.

10.7 *Earmarked Reserves* provide a means of building up funds to meet known or predicted liabilities and are typically used to set aside sums for major schemes, such as capital developments or asset purchases, or to fund restructuring. A number of contingency reserves are also held by the Council to reduce the impact on Council Tax payers of future uncertain events such as business rate appeals or claw back of benefit subsidy.

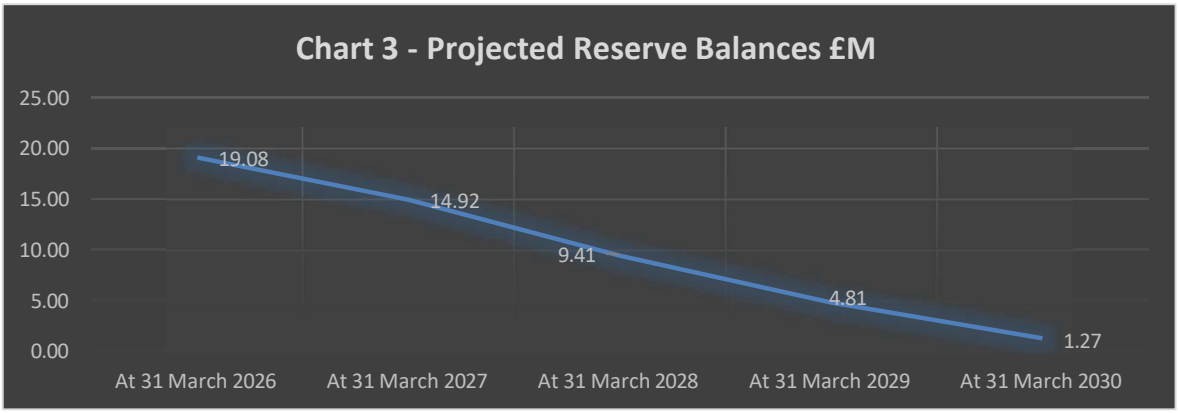
10.8 *Ringfenced Reserves* are reserves where funding is allocated for a specific or technical accounting purpose and can only be spent in line with the purpose of that funding and cannot be used to support wider council expenditure unlike our earmarked reserves.

10.9 All reserves, general and earmarked, are reviewed and balances rationalised as part of setting the budget. The review of reserve balances is an ongoing process as reserve funded projects are progressed.

10.10 Use of reserves to balance a budget provides only a short-term solution as the funds can only be used once. They can however be used to smooth the impact of funding gaps over the short to medium term and to allow for planning and implementing projects and work streams that will deliver a longer-term financial benefit through reduced costs and/or additional income.

10.11 The available earmarked reserves balance, excluding the General Fund, as at 1 April 2026 stood at £19.1m, the planned use of reserves for the 2026/27 financial year is £4m which leaves a forecast balance as at 1 April 2027 of £14.9m. Based on the current medium term budget projections the Council will not have sufficient reserves to help

address the budget gap and maintain the minimum level of general fund reserve after 2029/30.



Capital

10.12 The capital programme (Appendix IV) shows what the Council intends to spend on purchasing new assets and improving its existing ones over the next three years. As capital expenditure is incurred, a source of finance must be identified through capital receipts, grants and other revenue resources or alternatively through borrowing.

10.13 Any expenditure that is financed through borrowing increases the Council's 'Capital Financing Requirement' (CFR). Each year a revenue charge called the Minimum Revenue Provision (MRP) is made to reflect the funding of the CFR by the taxpayer, it is required to be set aside to cover the repayment of debt caused by the need to borrow for capital purposes. As the need to borrow increases, the CFR and MRP also increase. If the Council has sufficient cash resources to meet the expenditure, it will not be necessary to borrow externally, and cash balances can be used to cover the expenditure. This is referred to as 'internal borrowing' and attracts an MRP charge in the same way that external borrowing does.

10.14 New projects, which are included in the programme in the future, will need to be financed by MRP if no capital resources such as capital grants or capital receipts from future asset sales are available. Alternatively existing revenue reserves could be used to finance these projects through a revenue contribution to capital (RCCO) which would avoid the need to make an MRP charge.

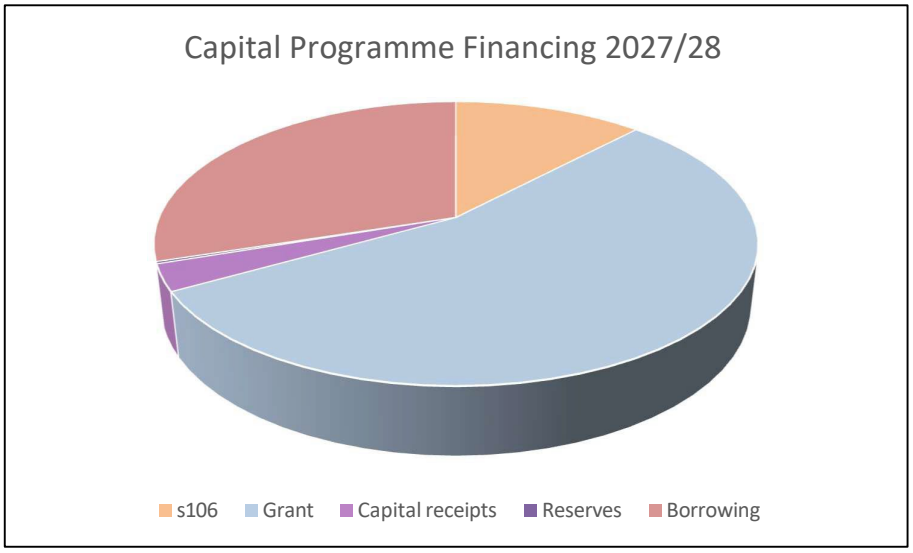
10.15 External borrowing is assumed to finance a portion of the waste vehicle fleet purchase and also the funding for the Cockleshell Walk housing provision. The cost of borrowing has increased significantly over recent years, and although the position has stabilised recently, borrowing rates remain high and are forecast to only reduce slowly and to a higher level than recent years. What this does mean is that any business cases which include borrowing will need to be fundamentally reviewed before any borrowing takes place to ensure the schemes remain affordable and still able to deliver the anticipated benefits. This includes schemes that have previously been assessed as affordable based on earlier costs of borrowing. The current and next year's budget is shown below (£3.4m) along with the forecasts for 2028/29.

10.16 The council is the accountable body for the Pride in Place (PiP) funding awarded to Sheppey East. The PiP board is responsible for the managing the programme, and so the funding allocation is shown here for information only.

10.17 **Capital Programme 2026/27 to 2028/29**

Service Area	2026/27 £'000	2027/28 £'000	2028/29 £'000
Housing & Community Services	8,855	8,252	2,725
Regeneration & Economic Development	4,839	0	0
Environment & Leisure	2,129	0	114
Resources Total	150	20	20
Grand Total	**15,973**	**8,272**	**2,859**

10.18 **Chart 5 – Capital Programme Funding 2027/28**



11. Closing the Budget gap

The Council's strategy for reducing the budget gap covers several work streams as outlined below.

11.1 Due to the budget pressures being experienced for not only the 2027/28 financial year but also the years following, the Council has had to fundamentally review what services it provides and how they are provided to try and identify savings to help achieve a balanced sustainable budget in future years. The main workstream areas are summarised below.

Efficiency Review

11.2 As part of the production of these forecasts service budget reviews continue to identify efficiencies and additional income to help support frontline services and to balance the Council's financial position. For next year these savings and additional non grant income total around £973k (Appendix II), however based on current forecast growth as well, this still leaves a total deficit of £1.4m which will need to be supported from reserves. An Equality Impact Assessment (EQIA) will be undertaken on the proposals where relevant and the council will consult on the draft budget proposals throughout December 2026.

11.3 Once the budget position is approved, work will commence on delivering savings

proposals at the earliest opportunity.

11.4 The efficiencies and savings identified have come from a number of areas and include the following;

- Increased fees and charges
- Reductions in some 3rd party grants
- Review of contract and establishment costs to identify savings across service areas
- Service review of historic budgets
- Various operational savings – minor budget lines

Fees & Charges Review

11.5 A further review of the existing fees and charges was carried out as part of the budget build process for 2026/27 budget report. As detailed above this strategy is recommending an inflationary increase as a minimum in line with the increase in costs that the council is experiencing.

11.6 During 2023/24 the council produced a Parking Policy. This was subject to public consultation, and final proposals recommend by the Community Committee. The Policy agreed the principles under which the parking service will operate with fees and charges continuing to be reviewed annually as part of the budget setting process. A further report was taken to the Environment & Climate Change Committee in October 2026. Proposed changes included in the report were a review of the evening charging policy, introduction of dedicated stop and shop parking bays and a review of charges across car parks. The current budget assumes a 10p per hour tariff uplift, as well as income being received the introduction of coach parking bays and residents off peak parking permits. Other proposed changes included in the budget consultation, as recommended by Environmental Services and Climate Change committee in October 2026.

11.7 Proposals for higher increases to some fees and charges have been included where the underlying cost to the council has significantly increased; where previous charges have been below the statutory maximum charge or where market conditions indicate a higher charge. The proposed fees and charges for 2027/28 can be found within Appendix V.

Financial sustainability

11.8 Financial sustainability and reducing reliance on central government grants is one of the five key themes within the existing Corporate Plan (Running the Council) and is fundamental to this strategy and setting balanced budgets in future years. One of the initiatives will include a review of the way we currently budget for fees and charges structures to ensure we are fully covering our costs. The aspiration is to have a balanced medium-term budget which does not rely on reserves to balance the position.

Our investment approach

11.9 There is an ever increasing need for Councils to take a more commercial and business-like approach to all elements of their business. A more commercial approach will directly support the Council's objective of becoming financially sustainable. Part of the strategy development process will involve the identification and prioritisation of a number of internal and external projects which will consider income generation, efficiency and doing things differently. The focus will be on making every pound count for our residents, improving efficiency, investment and increasing social value.

11.10 The Local Government Association (LGA) are encouraging Councils to move towards a more commercial culture as a way of developing sustainable self-funding streams that

reflect Council's individual priorities and place shaping aspirations. Consequently, the Council needs to think about how it can maximise revenue and efficiencies moving forwards. Swale can already evidence its commercial approach through the delivery of the Bourne Place development and will continue to develop these opportunities.

Property Investment and New Ways of Working

11.11 Opportunities for investment in property, whether direct or indirect, continue to be considered to achieve either a direct income stream from the asset or improved returns on investment. A programme of asset valuations and condition surveys has taken place and the results will help us better understand the challenges faced in terms of maintaining and improving our asset base over the medium to long term to ensure that it remains fit for purpose, delivering income for the Council where appropriate.

11.12 Opportunities for the most efficient utilisation of the Council's assets and maximising returns where appropriate are vital. Indirect property investments via treasury instruments, such as the purchase of pooled property funds, can potentially provide a return in terms of a regular income and growth in the value of the investment. Under the Treasury Management Strategy, the Council has made the LAMIT Pooled Property Fund, which invests exclusively in various property assets with the aim of achieving a regular income and growth in the value of the investment.

11.13 The Council can choose to use its capital resources to finance a programme of asset investment which aims to deliver long-term revenue streams for the Council and work on an ongoing basis is required to identify the most appropriate projects. This strategy of direct property investment can ensure a secondary benefit to the district as it is possible to generate an economic growth benefit when the investment is located within the borough. This is, however, more resource intensive to manage than externalising these investments.

11.14. With the development of hybrid working, we have taken the opportunity to rationalise office space. Work is ongoing to rent out our surplus office space and work with other partner organisations and indeed the private sector. There may also maybe opportunities to work with other partners under the government's One Public Estate agenda.

Digital Transformation

11.15 The Council needs to consider how digital transformation can support the business in the future and deliver more for our residents, identifying changes to service delivery from the implementation of new technology and changes to business processes. It is anticipated that the overall programme will be delivered over a number of years and as projects are rolled out there will be changes to working practices which will help to deliver efficiencies.

11.16 The key to this work in the future should really focus on 'putting our customers at the heart of everything we do'. This will undoubtedly lead to efficiencies and potential cashable savings but the direction of travel should be to improve our services for our customers first and foremost because that's the right thing to do. It will also mean that staff can spend longer prioritising 'added value activities' rather than getting bogged down with inefficient paper-based processes.

Shared Services, collaboration and selling services

11.17 Creating efficiencies through shared services or joint working continues to be a consideration. Identifying such opportunities must therefore continue at a local level, ensuring that

realistic and deliverable benefits can be achieved. Again this is an avenue which Swale is already heavily involved in, including activities like the joint waste procurement but could involve a range of other joint procurement opportunities.

Growing Business Rates

11.18 Swale has seen a significant growth in Business Rates since the introduction of the localised scheme in 2023/14 and working as part of the Kent Business Rate Pool has maximised the retention of business rate growth across the county. The business rate reset has now removed growth from district councils, resetting our baselines and changing the levy process for future growth. Business rate growth will continue to have a direct impact on the income that is retained locally, although expectations are the growth will be lower than seen since the introduction of the scheme.

Council Tax

11.19 The council approved a revised council tax reduction scheme for 2026/27. It is not proposed to make any changes to the policy for 2027/28 other than the usual changes arising from inflation assumptions and benefit changes.

New opportunities

11.20 Given the current uncertainties around the cost-of-living crisis, global events and the economy in general, as well as the current landscape of local councils reporting financial difficulties, Local Government funding and funding mechanisms are overdue for review and the outcome from this remains a significant risk for the Council's medium term financial assumptions. It will be essential to identify new opportunities to either increase income, increase efficiency through the redesign of services, explore new partnership models for service delivery etc and this will be one of the main challenges over the medium term.

11.21 While the Council's reserves do provide some level of comfort over the short term and could be used to address budget deficits this is not a sustainable financial strategy for the medium to long term. As mentioned earlier within the report the reserves are forecast to be depleted by 2029/30 so this would not even be an option.

Lobbying and consultation

11.22 The Council will continue to lobby central government in terms of increased funding allocations and continued relaxation/increased flexibility in terms of the council tax referendum principles which will be one of the things required if income raising and decision making is ever to be truly local. We will also continue to respond to all relevant consultations and surveys, in particular in relation to the business rates and local government finance reform.

11.23 Members will need to support the efficiency agenda in future years and support officers to deliver a balanced budget position over the medium term as use of one-off reserves to balance the budget deficit is not sustainable.

12. Conclusions

How will this help shape our future budget and financial projections?

12.1 While the Council's reserves do provide some level of comfort over the short term and could be used to address budget deficits this is not a sustainable financial strategy for the medium to long term, and as mentioned earlier within the report the earmarked

reserves will not sustain the budget past 2029/30 if ongoing savings are not found for the base budget.

12.2 Previous budget forecasts were made at a time of significant uncertainty in terms of future Government finances due to the Fair Funding and Business Rates Review. This uncertainty has been removed with the publication of the multi-year settlement that provided a confirmed settlement for 2026/27 and indicative budget allocations for years 2 and 3.

12.3 The MTFS and budget forecasts include the latest information available and it should however be noted that some of the assumptions will need to be updated to reflect any movements in inflation or interest rates.

12.4 As part of the production of these forecasts a detailed budget review has taken place over previous months to identify efficiencies and additional income to help support frontline services and to balance the Council's financial position. For next year these total around £973k (Appendix II), and are supported by a number of increases to fees and charges (Appendix V), however based on current forecasts this still leaves a deficit of £1.4m which will need to be supported from reserves.

12.5 The Council is still projecting a deficit position from 2027/28 onwards but due to the business rate funding changes, forecasting the future years deficits remains difficult. Use of reserves does however allow the Council time to plan mitigating actions more effectively, meaning we are more likely to be successful, however this is not a sustainable position if permanent savings are not identified.

12.6 A comprehensive financial risk assessment is undertaken for the revenue and capital budget setting process to ensure that all risks and uncertainties affecting the Council's financial position are identified as far as is reasonably practical. These are reviewed each year as part of the refresh of the MTFS and future year's budget forecasts and are included within Appendix VI.

12.7 At the current time the key messages are as follows;

- Estimated budget gap of £1.4m for 2027/28 even with current savings and fee increases
- We can deliver our statutory services with current income levels but nothing more
- To fund non-statutory services we need to find more income/savings/reserves
- Our reserves will help set a balanced budget for the next few years, but is not sustainable.
- Funding from reserves is not a sustainable way to manage our budget
- We need to identify more efficiencies and income to make the budget sustainable
- The current projections are based on a number of assumptions which can and do change

12.8 In conclusion, it is still not clear how the various reviews, devolution options and the ongoing economic pressures will impact on local government funding, but officers will continue working on the forecasts between now and the point at which the council tax is set in February 2027.