

TO – All Elected Members of the Royal Borough of Kensington and Chelsea

DATE – 19.12.25

BRIEFING FOLLOWING THE DRAFT LOCAL GOVERNMENT FINANCE SETTLEMENT 2026/27 - 2028/29 issued on the 17 December 2025.

1. Summary

1.1. On the afternoon 17 December 2025 the government published the draft local government finance settlement for the period 2026/27-2028/29. This draft settlement is a three year settlement and includes the outcome of the recent Fairer Funding Reform consultation that took place over the summer.

1.2. As detailed in the government's policy statement briefing in late November there are protections for those councils where funding levels are being significantly reduced as result of the Fair Funding Reform including Kensington and Chelsea. This is known as the funding floor protection and has limited our financial loss to 5% (after a 5% Council tax increase) in 2026/27. This has improved our financial position for 26/27 compared to that reported to Leadership Team in November when we expected the loss to be limited to 7% in 2026/27.

However, despite the policy statement stating that our losses over the three years would be limited to 5% in 2026/27 and then flat for the following two years, this limit is now based on assuming that the Council increase council tax by 5% plus £150 (band D equivalent) per household. This assumption is also the case for 5 other boroughs with low council tax. This has worsened our budget position for 2027/28 and 2028/29.

1.3. The government have not confirmed funding levels in 2029/30 as this is outside of the current settlement review period. Our assumption has to be therefore that the transitional funding will fall away in 2029/30, and be based purely on the underlying formula. In that case, when the transitional protection ceases the reduction in government funding for Kensington and Chelsea over the next four years will have changed from our previous estimate of £82.2m to £108.5m.

1.4. Table 1 below shows the loss of government funding.

Table 1 Loss of Government Funding

£'000	2026/27	2027/28	2028/29	2029/30	Grand Total
	Published	Published	Published	Estimate (assumes no more transitional protection)	
Loss of Government Funding announced 17.12.25	17,857	21,131	22,340	47,150	108,478

1.5. The Government settlement stipulates the Council can increase Council Tax for 2027/28 and 2028/29 by any amount without the need for a referendum. Increasing Council tax by a lower amount than assumed by Government will mean we need to deliver more savings or generate additional income from elsewhere to deliver a balanced budget.

1.6. Table 2 below shows the revised budget gap over the three year period based on the figures published this week and the budget assumptions previously presented to Leadership Team in November 2025.

Table 2 Budget Gap 2026/27-2029/30

£'000	2026/27	2027/28	2028/29	2029/30	Grand Total
	Published	Published	Published	Estimate (assumes no more transitional protection)	
Reduction in Government Funding published 17.12.25	17,857	21,131	22,340	47,150	108,478
Draft Budget Gap before any decisions on Council Tax based on RBKC budget consultation figures	13,510	27,501	31,183	62,437	134,631

5% increase in Council Tax	(5,429)	(5,744)	(6,060)		(6,394)	(23,627)
Reduction in Local Council Tax Support Scheme	(441)	0	0		0	(441)
Introduction of Second Homes Premium	(7,916)	0	0		0	(7,916)
Draft Budget Gap	(276)	21,757	25,123		56,043	102,646

1.7. A more detailed report will be presented to January Leadership Team.