# Kensington and Chelsea faces looming £82 million funding shortfall and service cuts



Residents in Kensington and Chelsea, London’s wealthiest borough, are being cautioned about challenging financial years ahead due to significant cuts resulting from Government funding reforms. The council is facing an £82 million shortfall attributed to a new funding formula, driving concern that vital services may need to be drastically reduced. Councillor Emma Will described the situation as “incredibly depressing,” highlighting how the Government continues to impose costly responsibilities on councils, such as in children’s services, adult care, and temporary accommodation, without providing adequate financial support. She criticised the current funding system as “broken,” emphasising that continual legislative demands fail to account for the practical realities of service delivery.

The borough’s leadership is already exploring hard choices to plug the growing financial gap. Possible measures include scaling back council tax relief for vulnerable groups, reassessing Family Hub services, leasing council office space, and potentially cutting support for significant local events like the Notting Hill Carnival. Additionally, the council is implementing a voluntary redundancy scheme that could escalate to mandatory job cuts. Council Leader Elizabeth Campbell acknowledged that while the authority’s robust financial management has placed it in a comparatively stronger position than some others, “a lot of things” will become unaffordable unless there is a fundamental transformation in council operations.

Financial officials warn the budget could shrink by as much as 40% if the funding void is left unaddressed. According to Councillor Cem Kemahli, the scale of the shortfall is “an absolutely enormous figure,” and if the full cut were somehow imposed immediately, residents would face a hypothetical council tax increase approaching £600 per person to balance the books. Recognising this would be unfeasible, he stressed the need for ongoing adaptation and expressed frustration that London as the country’s financial hub is being “punished” through these reforms. The Government’s proposed formula intends to reallocate funding towards more deprived areas, leaving affluent boroughs like Kensington and Chelsea at a disadvantage despite their high service demands.

This funding reallocation mirrors broader trends elsewhere in London. Other wealthy boroughs including Westminster, Wandsworth, Richmond, Hammersmith & Fulham, Islington, Camden, and the City of London are all expected to be hard hit, collectively facing nearly £700 million in cuts across London councils. According to analysis, meeting the gaps in funding via council tax increases alone would require rises as steep as 27% in Kensington and Chelsea, though the council has no plans to impose such a hike. The changes have sparked warnings that huge financial strains will translate into reduced frontline services such as social care, youth clubs, libraries, and homelessness support.

Despite bleak projections, Kensington and Chelsea Council has recently approved a balanced budget for 2024/25 and announced a relatively modest 4% rise in council tax for 2025/26—comprised of a 2% standard increase and a 2% social care precept. This increase translates to under £1 per week for the average Band D household, and is among the lowest planned rises in London. The council has also committed to supporting vulnerable residents through one-off cost-of-living payments, energy bill credits for pensioners in social housing, and free school meals outside term time for eligible families. Investment priorities remain focused on housing, adult social care, and environmental improvements such as making council schools net zero carbon.

However, the council’s leadership is clear that despite these measures, the financial pressures are intensifying. Elizabeth Campbell warned of the necessity to “cut our coat according to its cloth” and undertake a “fundamental transformation” in council services to maintain fiscal balance. The reality is that many aspects of public service delivery will need reshaping, given the continuing reduction in Government funding alongside rising inflation and demand for services. As other London councils face similar crises leading to closures of children’s centres, increased council tax, and social care levies, Kensington and Chelsea’s experience may foreshadow the tough choices to come across the capital.

### 📌 Reference Map:

* Paragraph 1 – [[1]](https://www.mylondon.news/news/west-london-news/london-richest-borough-warned-hard-32557582), [[3]](https://www.standard.co.uk/news/politics/council-tax-rise-london-funding-reforms-kensington-westminster-wandsworth-b1236830.html), [[4]](https://moneyweek.com/personal-finance/tax/wealthier-areas-set-to-pay-more-council-tax)
* Paragraph 2 – [[1]](https://www.mylondon.news/news/west-london-news/london-richest-borough-warned-hard-32557582)
* Paragraph 3 – [[1]](https://www.mylondon.news/news/west-london-news/london-richest-borough-warned-hard-32557582)
* Paragraph 4 – [[1]](https://www.mylondon.news/news/west-london-news/london-richest-borough-warned-hard-32557582), [[3]](https://www.standard.co.uk/news/politics/council-tax-rise-london-funding-reforms-kensington-westminster-wandsworth-b1236830.html), [[4]](https://moneyweek.com/personal-finance/tax/wealthier-areas-set-to-pay-more-council-tax)
* Paragraph 5 – [[1]](https://www.mylondon.news/news/west-london-news/london-richest-borough-warned-hard-32557582), [[3]](https://www.standard.co.uk/news/politics/council-tax-rise-london-funding-reforms-kensington-westminster-wandsworth-b1236830.html), [[4]](https://moneyweek.com/personal-finance/tax/wealthier-areas-set-to-pay-more-council-tax)
* Paragraph 6 – [[5]](https://www.rbkc.gov.uk/newsroom/kensington-and-chelsea-set-balanced-and-fair-budget-low-tax-and-support-residents), [[6]](https://www.rbkc.gov.uk/newsroom/cost-living-support-and-investment-school-buildings-council-sets-balanced-budget)
* Paragraph 7 – [[1]](https://www.mylondon.news/news/west-london-news/london-richest-borough-warned-hard-32557582), [[3]](https://www.standard.co.uk/news/politics/council-tax-rise-london-funding-reforms-kensington-westminster-wandsworth-b1236830.html), [[5]](https://www.rbkc.gov.uk/newsroom/kensington-and-chelsea-set-balanced-and-fair-budget-low-tax-and-support-residents), [[6]](https://www.rbkc.gov.uk/newsroom/cost-living-support-and-investment-school-buildings-council-sets-balanced-budget), [[2]](https://www.standard.co.uk/news/london/london-council-cuts-children-services-taxes-b1216170.html)

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## Bibliography

1. <https://www.mylondon.news/news/west-london-news/london-richest-borough-warned-hard-32557582> - Please view link - unable to able to access data
2. <https://www.standard.co.uk/news/london/london-council-cuts-children-services-taxes-b1216170.html> - Ealing Council has announced plans to close children’s centres, increase council tax, hike the social care levy, and raise the premium on empty and second homes. These measures are aimed at making £42.3 million savings by 2029. The council voted overwhelmingly in favour of the budget at a full council meeting on Tuesday, March 4. The local authority has also confirmed plans to invest in temporary accommodation as demand for housing increases. Budget documents indicate a cumulative deficit of £57.7 million by 2029, something the council suggests highlights the need for cuts. The department facing the largest cuts is children’s services. The council aims to save £27.8 million, with £11.8 million of this expected over the next 12 months.
3. <https://www.standard.co.uk/news/politics/council-tax-rise-london-funding-reforms-kensington-westminster-wandsworth-b1236830.html> - A London borough has revealed that council tax would have to rise by at least 27% to fill a black hole from Government reforms to local government funding. The Royal Borough of Kensington and Chelsea has calculated that the controversial shake-up will inflict a blow of £82.7 million over the three years from 2026/27 to 2028/29 to its finances. Seven other London boroughs facing being hard hit are believed to include Westminster, Wandsworth, Richmond, Hammersmith and Fulham, Islington, Camden and the City of London. Ministers have not given any details of how individual councils will be impacted by the reforms which aim to channel funding into more deprived areas and are set to benefit the North and Midlands. But a paper to be discussed by the Kensington and Chelsea leadership on Wednesday reveals how London is in the firing line from the shake-up. “Initial estimates have suggested the changes proposed will reduce the Council’s funding by £82.7m over the period 2026/27-2028/29 as the Government has suggested it is minded to phase in the new formulae over the next three years, meaning that this £82.7m reduction would be phased in as £23.7m in 2026/27, £29.0m in 2027/28, and £30.1m in 2028/29.” It adds that a one per cent increase in council tax would raise £1.1 million. So, a £30.1 million annual shortfall could in theory be filled by a 27% rise in council tax. The town hall has no intention of imposing such huge rises and is due to hold talks on Friday with senior Government officials on the reforms. Westminster, Wansworth, Richmond, Hammersmith and Fulham, Islington, Camden and the City of London have also been invited by the Government to the meeting. Cllr Elizabeth Campbell (Victoria Jones/PA) PA Archive “Across London, councils face cuts of nearly £700 million. In Kensington and Chelsea, that means losing £82.7 million over three years,” said Kensington and Chelsea leader Cllr Elizabeth Campbell. “With inflation and rising demand, the financial gap reaches £112 million. These aren’t abstract figures, they mean lost social care workers, closed youth clubs and libraries, fewer options for the homeless.” Under the reforms, a local authority’s funding will be driven by an assessment of an area’s “needs” and “resources,” the Kensington and Chelsea briefing document explains, with the latter being partly based on a council tax of around £2,000.
4. <https://moneyweek.com/personal-finance/tax/wealthier-areas-set-to-pay-more-council-tax> - Major reforms to English council funding could see wealthy areas with lower-than-average council tax rates paying much higher bills, a think tank has warned. The government is mulling an overhaul of the council tax system to allocate more money to deprived areas. A consultation into local authority funding ... ). Under the proposed plans, people living ... ). The IFS says the changes would ... "winners" and "losers" over the next three years, ... . Kate Ogden, a senior research ... "sting" for those councils that are assessed ... . Which areas could pay more council tax? Inner London, particularly its western parts ... . Camden, Hammersmith & Ful ... . Outside London, councils in the South ... %. Areas that have kept council tax low ... . Which areas could do well from the ... ? Outer London will fare much better than ... . Indeed, several outer London boroughs ... .
5. <https://www.rbkc.gov.uk/newsroom/kensington-and-chelsea-set-balanced-and-fair-budget-low-tax-and-support-residents> - Kensington and Chelsea Council has approved its final budget for 2025/26, keeping taxes low for households in the borough. Council tax will go up by four per cent, one of the lowest announced increases in London. This is made up of two per cent for council tax and two per cent for the social care precept. An average Band D property (excluding Garden Squares) will see an increase from £1,037.58 to £1,079.08, an increase of £41.50 from last year. This increase is less than one pound a week and one per cent less than the maximum of 4.99 per cent with the majority of councils around the country expected to raise their council tax to the maximum. Despite budget pressures within local government, the Council has managed to set a balanced budget and is offering support to around 15,000 residents on low incomes with a one-off £50 support payment in spring this year to help with the rising cost-of-living. Pensioners in social housing who narrowly missed out on the national winter fuel payment have received a £200 credit from the Council to help with their energy bills. Kensington and Chelsea families will also benefit from free school meals for eligible pupils outside term time and help for over 13,000 low-income residents with their council tax bills. Cllr Elizabeth Campbell, Leader of Kensington and Chelsea Council said: “Whilst many councils are on the verge of bankruptcy, I am very proud that we have set a balanced budget and kept taxes low for our residents. Times are tough for local government, and we are no exception with £40 million to save over the next four years. By transforming our services, we are saving £16 million this coming year. Meanwhile we are focusing investment in what really matters to our communities - keeping our streets clean, improving our homes, and creating more amazing public spaces.”
6. <https://www.rbkc.gov.uk/newsroom/cost-living-support-and-investment-school-buildings-council-sets-balanced-budget> - Kensington and Chelsea Council has approved a balanced budget for 2024/25 at a Full Council meeting on Wednesday 28 February. Housing, supporting the most vulnerable and keeping the borough green and clean remain top priorities for Council finances. Despite a challenging financial landscape for local government, the Council will offer around 16,500 low-income households a one-off £100 support payment, to support with the cost-of-living. Across local government there are financial challenges due to increasing demand for services, rise in inflation costs and cuts from government funding. Increased costs in delivering services such as adult social care, children’s services and housing means councillors have taken the decision to increase Council Tax. The Council has agreed a modest increase this year – with the Council’s own precept increasing by 2.99% and social care contributions increasing by 2%. This 4.99% increase means an average Band D property (excluding garden squares) will rise from £988.26 to £1,037.58, an increase of £49.32 from last year. This increase is less than £1 per household per week for a Band D property. Cllr Johnny Thalassites, Lead Member for Finance, Customer Delivery and Net Zero said: “There are financial headwinds in Kensington and Chelsea, as there are across London. Despite that, we are working hard to become the best for a borough that is greener, safer and fairer. That includes a £3.5 million cash injection to make every Council school net zero, £10 million to improve adult social care services in North Kensington – and £100 back in 16,500 households’ pockets across the borough to help with the cost-of-living.”