1.0 Purpose of the Report

1.1 The purpose of this report is to seek approval from Members for the Council's 2018/19 Revenue and Capital Budget.

1.2 The approval of the 2018/19 Revenue and Capital Budget at this meeting will enable the 2018/19 Precept and Town Council Tax to then be set at the Council meeting next week.

2.0 Background to the Report

2.1 Members considered and approved the draft Revenue and Capital Budget at the meetings of Recreation and Environment Committee on 18th October and Policy and Resources Committee on 25th October.

2.2 Members also considered a budget update report at the Policy and Resources Committee meeting on 6th December.

2.3 These reports provided the detail behind the development of the 2018/19 Revenue and Capital Budget.

2.4 A reminder of the key issues from the consideration and approval of the draft 2018/19 Revenue and Capital Budget is set out in the following section of the report for Members’ information.

3.0 2018/19 Draft Revenue and Capital Budget

3.1 Members will be aware, from previous reports, the backdrop against which the draft 2018/19 Revenue and Capital Budget was developed.

3.2 Whilst in the medium term the Council faces some significant budget challenges, including substantial increases in staff pay costs and the ongoing cuts to the Council Tax Support Grant funding, it is currently in a strong financial position with a balanced Revenue Budget, continued delivery of savings in the current financial year, capital receipts from land sales, and healthy levels of balances and reserves.

3.3 As such, the Council will not need to make any reductions to services next year, and the draft 2018/19 Revenue Budget was developed in a way that delivered the overriding principle from the Medium Term Financial Plan of maintaining existing levels and standards of services.
3.4 Members will recall that the draft 2018/19 Revenue Budget was approved on the basis of a 1.99% increase in the Town Council Tax.

3.5 This increase was agreed firstly to offset the unavoidable funding cuts and increases in costs faced next year, such as the local government pay award, increasing inflation on running costs, falling usage of leisure facilities, and a further cut to the Council Tax Support Grant.

3.6 However, the increase also recognised the longer term budget pressures faced by the Council, and the need to try to maintain a contingency sum and contribution to capital reserves within the Revenue Budget for as long as possible, in order to provide some scope to offset financial commitments in subsequent years.

3.7 Members will recall that the proposed increase in council tax was set just below the Government limit on council tax increases, at that time, of 2%. This was in light of the fact that the Government was considering implementing referendum principles for larger town and parish councils with effect from 2018/19.

3.8 The decision to increase to the Town Council Tax was not taken lightly, and in agreeing to restrict the increase to 1.99%, the Council would limit the impact on the town council proportion of the council tax bill to less than £3 per year, or 6p per week at Valuation Band A.

3.9 The draft 2018/19 Capital Programme Budget was set at £400,750, with a higher than originally planned level of investment enabling significant further progress to be made in delivering the Council’s Asset Management Plan, by bringing all major building works and replacements of vehicles, machinery, office equipment, street equipment and play equipment ahead of schedule.

3.10 The capital budget will be funded from the Council’s Earmarked Capital Reserves, which have been built up and set aside for this purpose.

3.11 Members will recall that it was stressed at the time the draft budget was approved, that the budget proposals were subject to change in relation to a number of ongoing issues and possible future developments.

3.12 These issues included the final notification of the Council Tax Support Grant and Council Tax Base figures by Durham County Council, the local government pay agreement, and the possible opening of a second pre-school setting. An update on these issues was provided at the December meeting.

3.13 It was highlighted that the Council would need to respond to the final outcome of these issues, and any other unforeseen developments, prior to the final budgets being approved and the Precept being set.

3.14 The following sections of this report will therefore concentrate upon the outcome of these outstanding issues and any other new developments since the draft budgets were approved, and highlight how these have impacted upon the final 2018/19 Revenue and Capital Budget proposals and the required increase in the Town Council Tax next year.
4.0 Final 2018/19 Revenue Budget Proposals

Background and Introduction

4.1 The draft 2018/19 Revenue Budget proposals, as reported to the October cycle of Committee meetings, included detailed commentary on the key budget changes relating to each individual service revenue budget, and it is not intended to repeat any of this information.

4.2 This report will concentrate instead on the outcome of the various outstanding issues, as well as any new developments since the draft budget was approved, and the changes that have subsequently needed to be made to the draft revenue budget.

4.3 The final 2018/19 Revenue Budget has been updated to take into account the financial impact of the following issues:-
  - Final notification of the Council Tax Support Grant funding figure for 2018/19 from Durham County Council;
  - Final notification of the 2018/19 Council Tax Base figure from Durham County Council;
  - The financial impact of the final 2018/19 local government pay offer from the National Joint Council for Local Government Services;
  - The financial impact of the approved opening of a second pre-school setting to provide twelve places for two year olds;
  - The financial impact of ensuring that the Council complies with the new General Data Protection Regulations (GDPR), and, in particular, the additional information technology and consultancy costs that may need to be incurred;
  - Any approved changes agreed by the Council following the consideration of the draft budgets at the October meetings;
  - Consideration of any other feedback received from individual Members following those meetings;
  - Consideration of feedback from the local community at the budget consultation event, and in response to the online budget survey;
  - Adjustments to the budget figures to take account of the latest income and expenditure projections for the current financial year;
  - Adjustments to budget figures to take account of any other new developments;
  - Any new or changed capital programme budget proposals; and
  - The implications for the Revenue Budget, following confirmation from the Government that referendum principles will not be applied to the council tax increases of larger town councils in 2018/19.

4.4 The outcome and final impact of each of the above issues is provided in the following section of the report.
Council Tax Support Grant and Council Tax Base

4.5 As reported in the Budget Update Report in December, the final Council Tax Support Grant and Council Tax Base figures were confirmed by Durham County Council in November.

4.6 The Council Tax Support Grant figure is worse than originally notified, resulting in a further cut of £5,650 to the figure included in the draft Revenue Budget. The total year on year cut to the Council Tax Support Grant funding in 2018/19 will now be £18,750 or 10%.

4.7 However, the Council Tax Base figure is much improved on that initially notified, with an additional 66 properties now included. This reflects the new housing development which is ongoing at Cobblers Hall, Woodham Way, and other areas of the Parish.

4.8 These additional properties will raise £15,000 in additional council tax income in 2018/19, when compared with the Council Tax Base included in the draft Revenue Budget.

4.9 This additional council tax income more than offsets the higher than expected cut to the Council Tax Support Grant, and will provide a net £10,000 in additional resources in the final 2018/19 Revenue Budget.

Local Government Pay Award

4.10 The Government Budget confirmed that the National Living Wage will increase by 33p to £7.83 per hour in April 2018.

4.11 Since then, the National Joint Council for Local Government Services has made a final pay offer to the local government unions covering the 2018/19 and 2019/20 financial years.

4.12 The 2018/19 pay offer would implement a minimum local government pay rate of £8.50 per hour, with an increase of 2% for on salary points 20 and above, and proportionately higher increases at the lower end of the salary scale ranging from 3.7% at salary point 19 to 9.2% at point 6.

4.13 The draft 2018/19 Revenue Budget only assumed a 1% pay award on salary points 18 and above, with proportionately higher increases at the lower end of the salary scale in line with an assumed minimum rate of £8.25 per hour. These assumptions were based on the increases made in the 2017/18 local government pay settlement.

4.14 Clearly, this latest pay offer will result in higher increases in the Council’s staffing costs than originally budgeted. The overall impact on the Council’s staffing budget is a 4.6% year on year increase in staffing costs, amounting to £64,500 per year.

4.15 Whilst most of this increase had already been budgeted for in the draft budget, an additional £10,000 will need to be provided for in the final 2018/19 Revenue Budget to meet the cost of the higher pay offer.

4.16 The additional resources available from the growth in the Council Tax Base will help to offset these additional costs.
**St Oswald’s Pre-School**

4.17 Members will be aware that the Council has agreed to open a second pre-school setting within the office building at St Oswald’s Park to provide a total of twelve places for two year old children.

4.18 A detailed report regarding this issue was presented to the Pre-School Sub Committee on 29th November and subsequently agreed by the Policy and Resources Committee on 6th December 2017.

4.19 Additional budget provision has been made in the pre-school budget for the running costs and likely income in respect of the opening of this second setting, and providing for the possible net cost that may result in the event that all twelve places are not taken up.

4.20 However, these additional costs have been largely offset by the additional funding income that will now be received at the main pre-school setting following an increase in the numbers attending.

4.21 In overall terms, the net cost on the pre-school budget has increased by £3,750 on that reported in the draft budget.

**General Data Protection Regulations (GDPR)**

4.22 Members will be aware from a previous report to the Policy and Resources Committee by the Town Clerk, that the new General Data Protection Regulations (GDPR), which are due to be implemented in May 2018, are likely to have far reaching consequences for the Council in relation to how it processes and retains personal data.

4.23 Officers, supported by the Council’s information technology company; Technology Services Group and a specialist data management consultant; Evolve North East, are currently assessing the impact of GDPR on the Council, with a view to implementing an action plan.

4.24 It is highly likely that there will be additional financial implications, both in terms of the external consultancy support that will be required, as well as the enhancements and upgrades likely to be required to the Council’s information technology infrastructure.

4.25 Additional revenue and capital budget resources have therefore been put in place to ensure that the Council can fully comply with these new regulations, and mitigate the risk of data breaches and fines.

4.26 An additional £5,000 has been added to the information technology revenue budget to provide for the likely enhancements to security and data management software. Additional budget provision had already been made in the consultancy budget included in the draft budget proposals, to provide for external support and advice e.g. data audits.

4.27 There will also be capital budget implications linked to GDPR, including the purchase of new software and shredding equipment, and these costs are highlighted in Section 6 of the Report.
Other Revenue Budget Changes

4.28 There have been no other changes to the Revenue Budget as a result of approved decisions by the Council since October, and there have been no proposed amendments from Members of the Council following their consideration of the draft revenue budgets.

4.29 There were also no specific changes requested to the draft budget at the budget consultation event held with the Customer Panel in November, or in responses to the online budget survey.

4.30 There will however be a number of further amendments required to the Revenue Budget to take account of the latest income and expenditure projections for the current financial year, as reported in the 2017/18 Expected Outturn Report, as well as some new developments since the draft budgets were approved in October.

4.31 For example, business rates increases next year will be higher than budgeted, even after taking into account the recent Government announcement that increases will be capped to ‘CPI ‘next year. Bank charges are also likely to increase following notification from Barclays of the removal of the Council’s ‘notional allowance’, while there have been further falls in sports complex and golf complex income.

4.32 On the positive side, employers’ pension contributions will be less then provided for in the Medium Term Financial Plan, which has freed up some savings in the staffing budget, while there will be a significant saving on sports complex gas costs following the end of the current contract, and the transfer of the account to Durham County Council’s North East Purchasing Organisation contract rates.

Council Tax Referendum Limit

4.33 The Government has recently confirmed in the provisional 2018/19 Local Government Finance Settlement, that the proposed extension of council tax referendum principles to parish and town councils will now be deferred for three years i.e. until the end of the 2020/21 year.

4.34 However, this decision is conditional upon “the sector taking all available steps to mitigate the need for council tax increases, including the use of reserves where they are not already earmarked for other uses or for ‘invest to save’ projects which will lower ongoing costs”, and the Government “seeing clear evidence of restraint in the increases set by the sector as a whole”.

4.35 Clearly this announcement is positive news, and provides the Council with some flexibility in setting its Precept over the next three years, to raise additional Revenue Budget resources without any restraint from the Government, should there be a need to do so.

4.36 The Government has set a revised ‘core referendum limit’ of 3% for principal councils for 2018/19 and 2019/20, in line with the current rate of inflation, and it is recommended that the Council uses this limit as a guide as to what is currently considered to be a ‘reasonable’ increase.
Overall Summary of the 2018/19 Revenue Budget

4.37 A full copy of the final 2018/19 Revenue Budget broken down by each committee, and showing the individual budgets for each service area, is attached at Appendix 1.

4.38 In addition, a detailed breakdown and explanation of all of the changes made to the Revenue Budget, since the consideration and approval of the draft budgets in October, is attached at Appendix 2.

4.39 An overall summary of the 2018/19 Revenue Budget is set out below:

<table>
<thead>
<tr>
<th>Budget 2017/18</th>
<th>Committee / Budget Description</th>
<th>Inflation / Unavoidable Growth £</th>
<th>Investment in Services £</th>
<th>Savings / Increased Income £</th>
<th>Budget 2018/19 £</th>
</tr>
</thead>
<tbody>
<tr>
<td>£</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>769,000</td>
<td>Policy and Resources</td>
<td>154,750</td>
<td>-</td>
<td>(145,900)</td>
<td>777,850</td>
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<tr>
<td>677,750</td>
<td>Recreation</td>
<td>98,400</td>
<td>-</td>
<td>(57,550)</td>
<td>718,600</td>
</tr>
<tr>
<td>164,750</td>
<td>Environment</td>
<td>2,550</td>
<td>-</td>
<td>(10,750)</td>
<td>156,550</td>
</tr>
<tr>
<td>33,750</td>
<td>Contingency Sum</td>
<td>-</td>
<td>-</td>
<td>(12,750)</td>
<td>21,000</td>
</tr>
<tr>
<td>25,000</td>
<td>Contribution to Reserves</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>25,000</td>
</tr>
<tr>
<td>(191,750)</td>
<td>Less Council Tax Grant</td>
<td>18,750</td>
<td>-</td>
<td>-</td>
<td>(173,000)</td>
</tr>
<tr>
<td>(25,000)</td>
<td>Less Funding of Election</td>
<td>-</td>
<td>-</td>
<td>25,000</td>
<td>-</td>
</tr>
<tr>
<td>1,453,500</td>
<td>Council Precept</td>
<td>274,450</td>
<td>-</td>
<td>(201,950)</td>
<td>1,526,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>18.9%</td>
<td>(13.9%)</td>
</tr>
<tr>
<td>6,550.5</td>
<td>Council Tax Base</td>
<td></td>
<td></td>
<td></td>
<td>6,743.3</td>
</tr>
<tr>
<td>221.89</td>
<td>Band D Council Tax</td>
<td></td>
<td></td>
<td></td>
<td>226.30</td>
</tr>
<tr>
<td>147.93</td>
<td>Band A Council Tax</td>
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<td>150.87</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1.99%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>% Increase / (Decrease)</td>
<td></td>
<td></td>
<td>1.99%</td>
<td></td>
</tr>
</tbody>
</table>

4.40 In overall terms, agreement of the final 2018/19 Revenue Budget as set out above and attached in detail at Appendix 1, would result in a 2018/19 Council Precept of £1,526,000, which is an increase of £72,500 or 5% on the 2017/18 Precept.

4.41 Members will note that this is also an increase of £14,850 on the Precept of £1,511,150 which was indicated in the draft 2018/19 Revenue Budget.

4.42 However it is important to stress that the Council is able to set a higher level of Precept in the final Revenue Budget as a result of the higher than originally notified growth in the Council Tax Base as notified by Durham County Council, as highlighted in paragraph 4.8.
4.43 This higher level of the Precept reflects the higher than expected local government pay offer, the greater than originally notified cut to the Council Tax Support Grant, the additional information technology costs linked to GDPR, the increased pre-school budget linked to the opening of the two year old setting, rising inflation on running costs, and further falls in sports and golf complex income.

4.44 In overall terms, the proposed 2018/19 Revenue Budget is considered to be a robust and prudent budget that will ensure that all services can continue to be provided to the standard expected by the residents of Great Aycliffe next year, whilst continuing to provide a firm foundation, and some surplus resources, to meet the increasing costs and cuts to funding that lie further ahead.

4.45 However, Members will be aware that in light of the medium term challenges faced, no additional budget has been put in place for further investment in existing services, provision for new services, or for possible further devolvement of services from Durham County Council.

4.46 Any additional investment, if this was required by Members, would need to be funded from the contingency sum or contribution to capital reserves, the implementation of a higher council tax increase, or by identifying further savings in existing budgets.

4.47 The final 2018/19 Revenue Budget includes a contingency sum of £21,000 and a contribution to capital reserves of £25,000. However, it is important to point out that this level of contingency is £15,750 less than the £36,750 contingency sum included in the draft budget.

4.48 The level of contingency resources to be included in the final Revenue Budget will be a key consideration for the Council in determining the final level of Precept and council tax increase next year.

5.0 2018/19 Town Council Tax

5.1 The Town Council Tax is calculated using the Tax Base figure for the Great Aycliffe Parish.

5.2 The Tax Base is calculated by Durham County Council, as the Council Tax Billing Authority, for every Parish in the County, and is an assessment of the number of ‘chargeable’ properties in the Great Aycliffe Parish for council tax calculation purposes.

5.3 The total number of properties in the Parish is adjusted to take account of the numbers of households in receipt of council tax benefits, discounts and exemptions, as well as any empty properties, and the council tax collection rate.

5.4 The Town Council Tax is calculated by dividing the Council Precept by the Tax Base figure. This provides the Band D Council Tax figure.

5.5 The Council’s final 2018/19 Tax Base figure has been notified by Durham County Council at 6,743.3 properties, which is an increase of 193 properties on the 2017/18 Tax Base figure. This increase has been driven by new housing development in the Parish.
5.6 The Council’s **2018/19 Precept**, as based on the 2018/19 Revenue Budget attached at Appendix 1, would need to be set at £1,526,000.

5.7 Based on the final 2018/19 Tax Base figure of 6,743.3 properties, **setting the Council Precept at £1,526,000 would result in a Band D Town Council Tax of £226.30, which is an increase of 1.99%**.

5.8 This is in line with the increase agreed when the draft 2018/19 Revenue Budget was approved in October.

5.9 The **Town Council Tax at Valuation Band A**, which is the valuation band within which nearly 60% of the properties in the Parish are currently valued, **would increase by £2.94 per year to £150.87**.

6.0 **2018/19 Revenue Budget Setting Options**

6.1 As highlighted in paragraphs 4.33 to 4.36, the Council could, in the absence of referendum principles, consider making a higher increase in the Council Tax next year, if this was considered necessary.

6.2 As highlighted in paragraph 4.48, a key consideration for the Council in setting the final 2018/19 Precept will be the level of contingency sum that is required to be included in the Revenue Budget, particularly bearing in mind the financial pressures faced in future years.

6.3 The 2018/19 Revenue Budget attached at Appendix 1 includes a reduced contingency sum of £21,000. This compares to the contingency sum of £36,750 which was included in the draft budget.

6.4 The reduction in the contingency sum is due to the funding of the additional budget commitments referred to in this report including the local government pay award, GDPR and second pre-school.

6.5 **The Council may therefore wish to consider implementing a slightly higher level of Precept and therefore council tax increase, in order to accommodate an increased contingency budget.**

6.6 The benefit of holding a higher level of contingency sum is firstly to provide protection against any unforeseen budget pressures next year, secondly as a means of topping up the Council’s balances and reserves, but most importantly, to provide surplus resources within the Revenue Budget which can then be utilised in subsequent years to offset some of the ongoing budget pressures faced.

6.7 **Four alternative budget setting options** are set out below for Members’ consideration, these being based around 2.5%, 2.99%, 3.99% and 4.99% increases in the Town Council Tax.

6.8 **A 2.5% increase in the Town Council Tax** would result in additional contingency resources of £7,750, resulting in a total **contingency sum of £28,750**, and would require the **2018/19 Precept** to be set at £1,533,750.

6.9 **This would result in a Town Council Tax at Valuation Band A of £151.63 per year**, which is an increase of £3.70 per year.
6.10 A 2.99% increase in the Town Council Tax would result in additional contingency resources of £15,000, resulting in a total contingency sum of £36,000, and would require the 2018/19 Precept to be set at £1,541,000.

6.11 This would result in a Town Council Tax at Valuation Band A of £152.35 per year, which is an increase of £4.42 per year.

6.12 A 3.99% increase in the Town Council Tax would result in additional contingency resources of £30,000, resulting in a total contingency sum of £51,000, and would require the 2018/19 Precept to be set at £1,556,000.

6.13 This would result in a Town Council Tax at Valuation Band A of £153.83 per year, which is an increase of £5.90 per year.

6.14 Finally, a 4.99% increase in the Town Council Tax would result in additional contingency resources of £45,000, resulting in a total contingency sum of £66,000, and would require the 2018/19 Precept to be set at £1,571,000.

6.15 This would result in a Town Council Tax at Valuation Band A of £155.31 per year, which is an increase of £7.38 per year.

6.16 It is requested that Members consider the above budget options and agree the preferred level of 2018/19 Precept and increase in the Town Council Tax at tonight’s meeting.

7.0 Final 2018/19 Capital Programme Budget

7.1 The draft 2018/19 Capital Programme Budget was set at £400,750 and included provision for the following projects:

- Council offices automatic doors motor replacement and LED lighting upgrades;
- Depot automatic gate replacement;
- Replacement of St Oswald’s Pre-School flooring and installation of a window to the manager’s office;
- Various replacement works vehicles and machinery, comprising a pick up vehicle, seven gang mowing unit and golf tees mower;
- New works equipment comprising a mini tractor, flail and power harrow, football pitch seeding machine and leaf vacuums;
- Office computer replacements and software upgrades;
- Website development;
- Office photocopier replacement;
- The ongoing programme of replacement festive lighting;
- The ongoing programme of play area surfacing replacement;
- Replacement of the Town Park skate park equipment;
- Replacement of Aycliffe Village junior play area;
- Driving range drainage improvements;
- Golf shop improvements including new furniture, redecoration and replacement internal lighting;
- Replacement of three golf buggies;
- Replacement of the function room roof at the sports complex;
- Provision for ongoing drainage repairs at the sports complex;
- Artex removal works to the ceilings in the female changing rooms at the sports complex;
- Replacement of the bowls hall carpet at the sports complex;
- Hedge removal and replanting at Stephenson Way Cemetery;
- Replacement of St Oswald’s Allotments perimeter fence;
- Replenishment of litter and dog bins and public seating stocks;
- The ongoing programme of footpath repairs;
- Replacement of the rose beds at Sheila’s Garden;
- Footpath improvements in the Woodham Burn area; and
- Agnew 5 improvements including footpath installation and scrub management works; and
- Aycliffe Angels memorial seating replacement.

7.2 Detailed information on each of above projects, included within the draft 2018/19 Capital Programme Budget, was set out in the Committee Budget Reports, and has not therefore been repeated in this report.

7.3 The draft 2018/19 Capital Programme Budget proposed a higher level of capital investment than has been the case in recent years, and this was made possible as a result of the better than forecast level of balances and reserves at the end of the current financial year.

7.4 This level of investment will enable significant further progress to be made in delivering the Council’s Asset Management Plan, and bring all major building works and replacements of vehicles, machinery, office equipment, street equipment and play equipment ahead of schedule.

7.5 There have been a number of additions to the draft 2018/19 Capital Programme Budget since the draft budget was approved, totalling £44,000. These additions provide for the following new requirements:-

- GDPR software enhancements and a new GDPR compliant shredding machine, at a total cost of £7,000;
- the installation of a diesel fuel tank and dispenser at the depot at a cost of £11,000, in order to generate revenue budget savings in the region of £2,500 per year through the bulk buying of fuel;
- the installation of a fire alarm system at the pre-school at a cost of £3,000;
- the installation of a hard standing staging area and path upgrade at the Town Park at a cost of £7,000;
- replacement bar furniture at the Oak Leaf Sports Complex at a cost of £10,000 and repairs to the bar ramp at £2,500;
- building repairs to Simpasture pavilion at a cost of £3,500; and
- improvement works at the former Elmfield School site if this site is transferred to the Council (budget to be determined).

7.6 The final proposed 2018/19 Capital Programme Budget now totals £444,750, and a full breakdown is attached at Appendix 3.

7.7 The 2018/19 Capital Programme Budget will be funded in full from the Council’s Earmarked Capital Reserves, which are set aside for this purpose.
Any external grants and contributions that can be secured next year would provide resources over and above those set aside in the 2018/19 Capital Programme Budget. For example the Cobblers Hall Park development project will be supported by up to £75,000 in external grant funding.

The Council does not currently need to consider any further borrowing in light of the Earmarked Capital Reserves currently available, although the option of leasing capital assets will be considered where relevant.

In accordance with the Council’s Standing Orders for Contracts and Procurement, all capital projects identified in the 2018/19 Capital Programme over the value of £5,000, will be subject to the obtaining of competitive quotes, and approval by the appropriate spending Committee and Council, before going ahead.

Council Balances and Earmarked Reserves

The Council’s Balances and Earmarked Reserves are expected to stand at around £1.184 million at the end of March 2018.

This is around £200,000 better than anticipated in the current Medium Term Financial Plan and is as a result of higher than expected savings on the 2017/18 Revenue Budget, a lower than expected outturn on the 2017/18 Capital Programme.

After accounting for the funding of the 2018/19 Capital Programme Budget as set out in this report from the Council’s Earmarked Reserves, as well as the capital projects expected to be carried forward from 2017/18, the top up of balances via the annual contribution to capital reserves, and assuming no use of the Revenue Budget contingency sum in 2018/19 and 5% savings on the 2018/19 Revenue Budget, Council Balances and Earmarked Reserves would fall to around £725,000 by the end of 2018/19.

However, balances would likely be greater than this if a higher level of Precept and therefore contingency budget is agreed at tonight’s meeting.

These balances would also be higher if additional savings are achieved on the Revenue Budget next year, as they have been in recent years, although it must be borne in mind that the Council’s Medium Term Financial Plan concluded that savings on the Revenue Budget are likely to diminish significantly over the next few years.

The projected total of Council Balances and Earmarked Reserves is considered to be a prudent level to support future capital spending commitments as set out in the Council’s Medium Term Financial Plan and Asset Management Plan over the medium term, although additional borrowing is likely to be required in the longer term to replenish balances and reserves.

This issue will be considered in more detail in the forthcoming update of the Council’s Medium Term Financial Plan.
8.8 A full analysis of the likely movement on the Council’s Balances and Reserves as a result of the proposed 2018/19 Revenue and Capital Budget is attached at Appendix 4.

9.0 Policy Implications

9.1 Conforms to Aim 2 of the Council’s Strategic Aims and Targets – “To manage the Council’s finances and assets in a responsible manner”.

10.0 Staffing Implications

10.1 All Revenue and Capital Budgets have been agreed by the relevant Service Managers and the Performance Management Group.

11.0 Financial Implications

11.1 The financial implications for the Council in terms of the setting of the 2018/19 Revenue and Capital Budget are fully set out in the report.

12.0. Crime and Disorder Implications

12.1 None.

13.0 Equal Opportunities Implications

13.1 None.

14.0 Environmental Implications

14.1 None.

15.0 Risk Assessment

15.1 The 2018/19 Revenue Budget has been prepared in accordance with the key financial principle of prudence, and the individual service revenue budgets and level of contingencies included within the overall Revenue Budget are considered to be adequate.

15.2 A risk assessment has been undertaken with regard to the setting of the 2018/19 Budget, and this has identified a number of potential risks in relation to the Revenue Budget that could result in actual costs or income being materially different to those budgeted.

15.3 These risks are:-

- Further pressure to take on services at risk of being cut or withdrawn by Durham County Council;
- Union action resulting in even higher than expected increases in local government pay;
- Non-take up of places, changes to funding arrangements and falls in attendance levels adversely affecting pre-school funding income;
- On-going austerity and economic difficulties resulting in further reductions to consumer spending power and even lower demand for leisure services;
- Poor weather conditions adversely affecting usage of the golf complex; and
- Any other unforeseen budget pressures adding to the running costs of Council services.

15.4 However, having considered the above risk factors, it is still considered that the 2018/19 Revenue Budget has been prudently set, and offers sufficient protection against their potential impact.

15.5 The budget includes full provision for the 2018/19 local government pay award, National Living Wage increases, business rates increases, inflation on running costs, the Council Tax Support Grant cut, and falls in income, as well as providing a contingency sum which provides further protection against any unforeseen spending commitments.

15.6 In addition, the Revenue Budget includes an annual contribution to capital reserves of £25,000 which could also, if required, be used to support the Revenue Budget.

15.7 Council Balances and Reserves are projected to stand at around £1.184 million at the end of this financial year, and the proposed 2018/19 Revenue and Capital Budget would result in balances of at least £725,000 being available at the end of 2018/19.

15.8 This is considered to be an adequate level of reserves to support future capital investment, as set out in the Council’s Asset Management Plan, at least for the medium term, as well as provide some protection against any unforeseen revenue budget pressures.

15.9 Clearly, there also remains a risk in future years that the Council Tax Support Grant will be cut further or withdrawn in its entirety. This risk is identified within the Medium Term Financial Plan and arrangements have been made to continue undertaking service reviews, with a view to identifying possible savings, in the event of this funding being lost.

15.0 Recommendations

15.1 It is recommended that Members:-

a) Consider the final 2018/19 Revenue and Capital Budget proposals and in particular the changes made to the draft budget;

b) Approve the Council’s 2018/19 Revenue and Capital Budget as set out in the report and attached appendices; and

c) Agree the final level of contingency sum and therefore Precept and Council Tax increase from the following five options:-

1. **Set the Precept at £1,526,000, which would result in an increase in the Town Council Tax of 1.99%,** in line with the increase agreed when the draft budget was approved, but which will result in a lower level of contingency budget at £21,000 being included in the Revenue Budget; or
2. Set the Precept at £1,533,750, which would result in an increase in the Town Council Tax of 2.50%, and which would result in a contingency budget of £28,750 being included in the final 2018/19 Revenue Budget; or

3. Set the Precept at £1,541,000, which would result in an increase in the Town Council Tax of 2.99%, and which would result in a contingency budget of £36,000 being included in the final 2018/19 Revenue Budget; or

4. Set the Precept at £1,556,000, which would result in an increase in the Town Council Tax of 3.99%, and which would result in a contingency budget of £51,000 being included in the final 2018/19 Revenue Budget; or

5. Set the Precept at £1,571,000, which would result in an increase in the Town Council Tax of 4.99%, and which would result in a contingency budget of £66,000 being included in the final 2018/19 Revenue Budget.