

Report from the Council's Finance Manager

2025/26 Revenue and Capital Budget

1. Introduction

Welcome to the 2025/26 Budget Document which sets out the Town Council's spending plans for the year, as represented by the Revenue and Capital Budgets.

The Revenue Budget sets out how the Council's various services, events and facilities are funded by the council taxpayers of the Parish via the Town Council Precept.

The Precept is the amount that the Council has estimated it will require to be raised from council tax to fund the net cost of the various services that it provides, as represented by the Revenue Budget, and is the figure on which the Town Council proportion of the Council Tax bill is calculated.

The Budget Document provides a detailed breakdown of the Council's 2025/26 Revenue Budget, showing how the resources raised from the council tax have been allocated to each individual service area to meet the expected net running costs.

Revenue Budget summaries have been included to support the budget figures, which provide background information in relation to each service area.

The Budget Document also sets out the Council's 2025/26 Capital Programme Budget which provides for the planned capital investment by the Council in community assets next year, which will be funded from the Council's balances and reserves.

This introductory report from the Council's Finance Manager is intended to provide an executive summary of the 2025/26 Revenue and Capital Budget.

It sets out the background to the budget setting process including the links to the Council's Medium-Term Financial Plan and the current financial situation of the Council, including the financial impact of the ongoing cost of living crisis, summarising the key issues that needed to be taken into account in setting of the 2025/26 Revenue and Capital Budgets, including the key changes between the 2024/25 and 2025/26 financial years, and explains how the approved 2025/26 Revenue and Capital Budget has impacted upon the Town Council proportion of the Council Tax bill.

It is important that the Council strives to improve the quality and suitability of the financial information that it publishes, and we would welcome feedback from readers on the content of the Budget Document.

If you have any suggestions or comments, or any queries in relation to the budget, please contact the Council's Finance Manager, Mrs Tracey Woodhead, on 01325 300700 or by email at Tracey.Woodhead@great-aycliffe.gov.uk. If you would like to view further information on the Council finances, please refer to the Finance Section of the Council website at great-aycliffe.gov.uk.

2. The Council Budget

The Council must, by law, set a Budget every year and the Budget is set in advance of the following financial year.

The Council's financial year runs from 1st April to 31st March each year.

The development of the draft Budget usually takes place between September and December of the preceding year, with the final Budget set in January, in advance of the new financial year.

The Council Budget is essentially an estimate of the resources that the Council will require to fund all of the services, events, and facilities that it provides, invest in community assets, deliver its strategic aims and objectives, and meet community and local taxpayers' needs and priorities.

The Council Budget is made up of a Revenue Budget and a Capital Budget.

The Revenue Budget funds the day to day running costs of the Council's various services, facilities and events and the net cost of running these services, after deducting any income raised from fees and charges, is funded from the Town Council proportion of the Council Tax via the Precept.

The Capital Programme Budget funds major, one-off investment in Council and community assets such as buildings, vehicles, machinery, and play areas, and is funded from the Council's Earmarked Reserves, as well as any external grants and contributions that may be available.

The Revenue and Capital Budget is prepared in line with the overall financial strategy and key principles set out in the Council's Medium-Term Financial Plan.

3. Medium-Term Financial Plan

The production and annual update of the Medium-Term Financial Plan (MTFP) ensures that the Council takes a strategic approach to its financial planning, by putting in place a forward-looking strategy covering a five-year period.

It helps put in place a link between the Council's strategic aims and the priorities of the local community, as set out in the Service Delivery Plan, and the resources likely to be available to fund the delivery and achievement of these over the medium term.

The MTFP establishes the Council's financial principles, considers the national and local situation within which the Council undertakes its financial planning, and highlights the key financial challenges that will face the Council over the five-year period, before putting in place a financial strategy to help the Council plan its Revenue and Capital Budgets over the five-year period.

The current MTFP was prepared on the key principle of maintaining existing services, events, and facilities, investing in assets and delivering the Council's Asset Management Plan, and ensuring a prudent level of balances and reserves, whilst aiming to keep any future increases in the Town Council Tax as low as possible.

The MTFP provides the framework for the planning of the Council's revenue and capital spending via the annual Budget.

The Council approved its current MTFP in September 2024 and the Plan covers the five-year period from 2024/25 to 2028/29.

The current MTFP reviewed the ongoing impact of the challenging and uncertain economic times on the Council's finances and budgets, and highlighted that the Council continues to face a challenging financial situation both at the present time and looking ahead to next year and the medium-term for a number of reasons including:

- The ongoing economic uncertainty and the residual impacts of the cost-of-living crisis as well as the new Government's spending and taxation plans e.g. public sector spending cuts, tax increases, rising inflation, reducing interest rates and reduced consumer spending power;
- The ongoing cuts to the Council Tax Support Grant funding by Durham County Council;
- The continuing pressure on expenditure budgets from inflationary increases on some goods and services;
- The pressure on local government pay from increases in the National Living Wage and action by local government unions.
- Significant capital investment commitments linked to the Council's many assets which will mean that balances and reserves will fall significantly over the next few years, if and when these commitments are funded.

The MTFP set the scene for and provided the overriding strategy and principles for the setting of the Council's 2025/26 Revenue and Capital Budgets.

4. Current Financial Situation

The ongoing economic difficulties and cost-of-living crisis continued to have an impact on the Council's Revenue Budget last year and with further pressures faced this year and beyond. These include cuts to the Council Tax Support Grant funding, inflationary increases still being experienced across a number of expenditure budgets, pressure on staffing budgets linked to National Living Wage increases and trade union demands, and impacts on the usage of some services resulting in pressure on income budgets.

However, despite this, the Council has, via prudent financial management, a number of one-off positive budget developments, increased usage of services and income generation, and the contingency sum and planned contribution to capital reserves, delivered a significant saving against its 2024/25 Revenue Budget of £305,000.

The Council therefore remains in good financial health at the present time with a balanced Revenue Budget in place, delivery of significant savings in the 2024/25 financial year, and a healthy level of balances and reserves, although the budget pressures highlighted above continue to have an adverse impact on the Revenue and Capital Budgets.

The 2024/25 Revenue Budget saving has been transferred to the Council's balances and earmarked reserves, helping to replenish those balances at a time when the Council's Medium-Term Financial Plan continues to forecast significant capital investment commitments and diminishing reserves over the longer term.

This is a positive achievement in these challenging times and an endorsement of the prudent management and planning of the Council's finances over many years.

In relation to the Council's 2024/25 Capital Programme Budget, final spending was £134,701 against a total budget of £515,865.

This significant underspend was due a number of factors, with a key reason being the Council's policy to focus on essential investment only, and the fact that many of the projects included in the 2024/25 Capital Programme Budget were 'provisional' sums and which did not go-ahead last year. Additionally, some projects were delayed into the early part of this year, and the final costs on a number of other projects were also less than budgeted.

As a consequence of the above, a number of projects have been carried forward into the new 2025/26 financial year, with a total of £366,900 moved forward to meet the cost of deferred and delayed capital projects and provisional sums.

As highlighted above, the saving on the 2024/25 Revenue Budget was transferred to the Council's Balances and Reserves at the end of the year. After accounting for this higher-than-expected surplus and the lower-than-expected financing of the Capital Programme, Council Balances and Reserves increased by £233,861 over the course of the year from £1.993 million to £2.227 million.

It is important to note that net year-end balances; after taking into account the funding of the delayed capital projects and ongoing revenue commitments would fall to around £1.8 million.

However, this level of balances is significantly better than forecast in the Council's current Medium-Term Financial Plan and this has strengthened the Council's financial position despite the budget challenges faced.

5. 2025/26 Budget Framework

The 2025/26 Budget Framework and Timetable was approved in September 2024.

The Budget Framework and Timetable set out the key principles to be applied and the budget setting methodology that would be used for the setting of the 2025/26 Revenue and Capital Budgets, and the timeframe for the setting of the budgets.

Implementation of the Budget Framework ensures that the Council sets a timely, prudent, realistic and transparent budget that clearly identifies the costs and income associated with the provision of all Council services, facilities and events and required investment in council and community assets and puts in place prudent budgetary provision within the financial resources available to fund these.

The key aim of the 2025/26 Budget Framework and the associated budget setting process was to consider the challenges and risks highlighted in the Medium-Term Financial Plan in more detail, and, using the most up to date information available, assess the impact on the Council's Revenue and Capital Budget and to determine what level of Precept and Town Council Tax would be required in 2025/26.

The 2025/26 Revenue and Capital Budget was prepared in line with the five key principles from the Medium-Term Financial Plan, which are:-

1. Continuing to provide all Council services, facilities and events and maintaining current standards of service.
2. Identifying and delivering efficiency savings where possible.
3. Delivery of the Asset Management Plan via the Capital Programme Budgets.
4. Safeguarding a prudent level of balances and reserves.
5. Implementing an increase in council tax that finds a balance between the cost-of-living difficulties being faced by local taxpayers and dealing with the budget pressures faced by the Council in terms of pay awards, inflation, and the need to maintain services valued by the local community.

6. 2025/26 Revenue Budget

The 2025/26 Revenue Budget was prepared against a very challenging backdrop of tax increases (employers' national insurance), increasing inflationary pressures, falls in interest rates, National Living Wage increases, and cuts to the Local Council Tax Reduction Scheme Grant, all of which made the setting of the budget challenging.

It was also very important in setting the 2025/26 Revenue Budget to maintain a contribution to capital reserves, in the context of the significant capital investment commitments faced over the coming years linked to the Council's many assets and the ensuing fall in balances and reserves as and when these commitments are funded.

In setting the budget the Council had to find a balance between delivering value for money to local taxpayers, whilst ensuring that all services, facilities and events can continue to be provided to the standards expected by residents, maintaining a firm foundation and some surplus resources to meet the budget challenges that lie further ahead, allowing continued investment in community assets via the Capital Programme Budget and delivery of the Council's Asset Management Plan, and enabling the continued replenishment of balances and reserves.

The setting of the 2025/26 Revenue Budget needed to take into account the likely changes in the costs and income of Council services between the two years.

Additional budget provision needed to be made for the following issues:-

- *The 15% cut to the Council Tax Reduction Scheme Grant*
- *A forecast 4% 2025/26 local government pay award*
- *The increase in the employer's national insurance contribution rate and lowering of the threshold at which the contributions are paid*
- *Unavoidable increases in non-commodity electricity charges*
- *Unavoidable inflationary increases in running costs*
- *Increasing information technology and cybersecurity costs*
- *A fall in cemeteries income*

These increases were partly offset via the identification of efficiency savings, increased income in many service areas and reduction of under-utilised budgets.

Despite initially planning to limit the increase in the Precept and restrict the Town Council Tax increase to around 2%, unfortunately, in order to offset the additional budget pressures created by the Government decision to increase Employer's National Insurance Contributions and Durham County Council's decision to cut the Council Tax Support Grant, the Council was left with no choice but to implement a further increase.

In overall terms, the Council's 2025/26 Net Revenue Budget, as represented by the Precept was set at £2,075,350 which is an increase of £100,577 or 5% on 2024/25.

7. 2025/26 Town Council Tax

The Town Council Tax is calculated using the Council Tax Base for the Parish.

This is the total number of chargeable properties in the area for council tax purposes and is calculated by Durham County Council as the council tax billing authority.

The Tax Base calculation takes the total number of properties in the Parish and adjusts this to reflect property values in the area, as well as the number of households in receipt of council tax benefits, exemptions and discounts, and the council tax collection rate achieved by the County Council.

The Precept divided by the Tax Base provides the Band D Council Tax figure.

Durham County Council notified the Council that the Council Tax Base for 2025/26 has increased by 9 properties from 6,899.8 to 6,909.

The 2025/26 Council Precept of £2,075,350 divided by the 2025/26 Tax Base of 6,909 resulted in a 2025/26 Band D Town Council Tax of £300.38 per year.

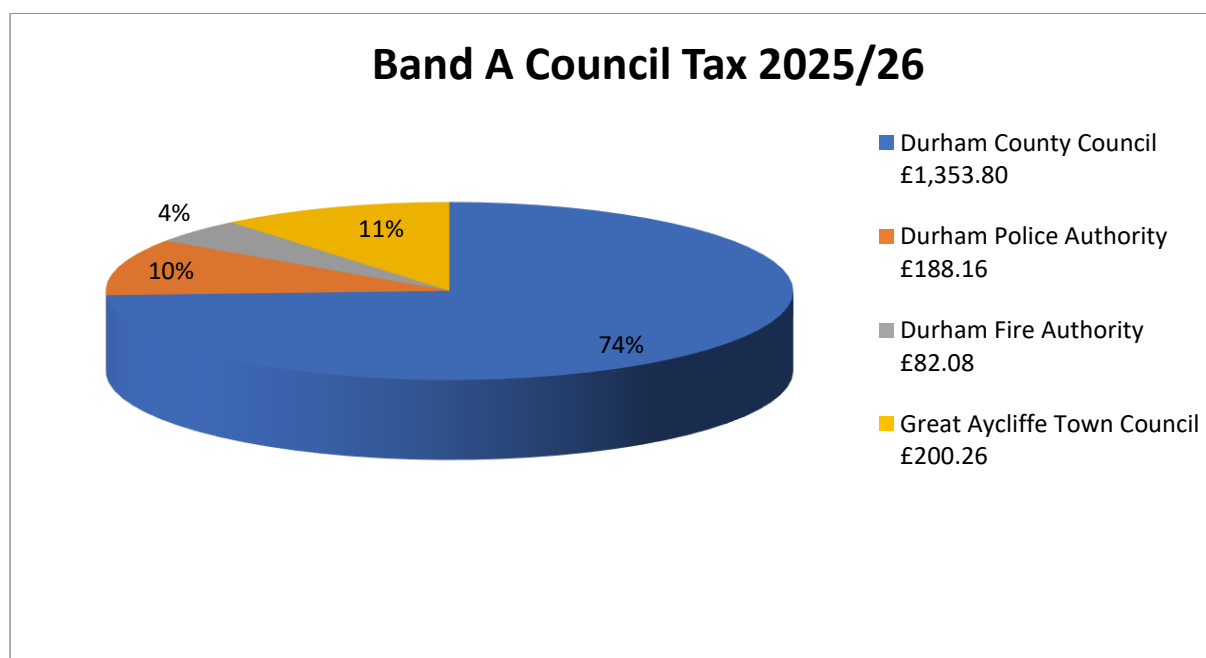
This represented a 4.95% increase in the Town Council Tax.

However, it is important to note that this increase was made up of a core Town Council increase in the region of 2%, with the remaining increase a direct consequence of the cut in the Council Tax Support Grant by Durham County Council and Government decision to increase employers' national insurance contributions.

It is also important to note that nearly six out of ten of the properties in Great Aycliffe fall within Council Tax Band A and therefore pay only two thirds of the Band D Council Tax.

The 2025/26 Band A Council Tax increased to £200.26 per year which equates to around £16.69 per month or £3.85 per week.

A breakdown of the 2025/26 Council Tax is shown below demonstrating that 11p in every £1 of the total Council Tax comes to the Town Council:-



8. 2025/26 Capital Programme Budget

The Capital Programme Budget provides for major one-off investment in Council and community assets such as buildings, play areas, vehicles, and machinery.

In line with the recommendations made in the Council's MTFP, future capital investment will continue to be closely scrutinised and controlled in order to help protect and sustain the Council's balances and reserves moving forward.

As such, the Capital Programme Budget was prepared on the basis of essential investment only, linked to the delivery of the Council's Asset Management Plan.

The 2025/26 Capital Programme Budget was set at £567,350 and includes provision for the following projects:-

- Various works at the Council Offices including window replacement, redecoration and toilet refurbishment;
- Various works at the Depot including window and door replacement and heating system replacement;
- Window and door replacement at the Pre-School 'Tots in the Park';
- Periodic roofing surveys;
- Annual felt roof inspections;
- Replacement of a works vehicle and ride on mower;
- Ongoing purchase of electrical works machinery;
- Ongoing computer replacements and website development;
- The ongoing programme of replacement festive lighting;
- Simpasture Pavilion building works including door and window replacement and internal refurbishment of the changing rooms;
- Simpasture Playing Fields drainage improvements;
- Town Park public toilet refurbishment and replacement doors and windows;
- The ongoing programme of play area surfacing replacement;
- Routine maintenance of the Skate Park;
- Refurbishment of Aycliffe Village Play Area;
- Replacement driving range utility vehicle;
- Driving Range bay dividers and targets;
- Works to the golf shop changing rooms;
- Provision for ongoing repairs to the golf course irrigation system;
- Replacement golf buggies;
- Replacement golf course greens top dresser machine;
- Various works to the sports complex building including window replacement, flooring and carpet replacement, disabled access lift and catering lift works, automatic door replacement, alarm and emergency lights system replacement, fridge/freezer replacement, replacement floor cleaner and drainage repairs;
- Provision for the Sports Complex Solar Panel System;
- Second phase of the development of the woodland burial site;
- Moore Lane Eco Centre building works including flooring replacement and internal and external decoration;
- Stephenson Way Cemetery window and door replacement and drainage improvements;
- West Cemetery drainage improvements;
- Kendrew Close Bridge works;
- Ash Tree Dieback Disease works;
- Provision for movement of the Rapid Response CCTV Cameras;
- Bus shelter repairs.
- The ongoing programme of footpath repairs

As highlighted earlier, a large number of delayed capital projects have been carried forward from the 2024/25 financial year and added to the 2025/26 Capital Budget.

These projects total £366,900 and include the flooring and alarm system at the Council Offices, electrical repairs, provision for the replacement of the alarm system at the depot, roof replacement and shutter works at St Oswald's Pre School, information technology infrastructure investments, roof replacement works on Moore Lane and Simpasture Pavilions, play area safety surfacing works, various works at the golf complex and driving range, various works at the Sports Complex including roofing replacement and sports hall flooring, works to the public toilets at West Cemetery, Ash Tree Dieback and tree works, and bus shelter repairs.

The total 2025/26 Capital Programme Budget is therefore a substantial one totalling nearly £1 million.

Whilst a significant proportion of the earmarked budgets are provisional sums, that will only be spent if absolutely necessary, there is still likely to be a significant level of capital spending in 2025/26.

This will be funded from the Council's Earmarked Capital Reserves, which have been built up and set aside for this purpose.

Any external grants and contributions that are secured next year would provide resources over and above those set aside in the 2025/26 Capital Budget.

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.

9. Council Balances and Earmarked Reserves

The Council's Balances and Earmarked Reserves stood at £2.227 million at the end of March 2025.

This level of balances is significantly better than forecast in the Council's current Medium-Term Financial Plan and this has strengthened the Council's financial position.

This improved financial situation has been achieved via a combination of the substantially better than expected Revenue Budget savings, and the lower-than-expected Capital Programme Budget spending as a result of deferred and delayed projects.

Net uncommitted year-end balances and reserves, after taking into account the funding of the ongoing Revenue Budget commitments and deferred and delayed capital projects, **would fall to around £1.8 million**, with a further fall in balances by the end of the financial year as the 2025/26 Capital Programme Budget is funded.

This is considered to be a healthy level of balances, particularly bearing in mind the challenges faced as a result of the ongoing economic difficulties and cost-of-living crisis, and is a positive endorsement of the prudent management and planning of the Council's finances over the last few years.

The forecast level of balances and reserves over the longer term remains a key financial issue for the Council and will be assessed and reviewed in the forthcoming update of the Medium-Term Financial Plan.

10. Loans and Investments

The Council currently has one loan outstanding totalling £57,067 as at 1st April 2025.

This loan was taken out in 2004 and used to part fund the construction of the Town Park.

The Council's outstanding loan balance will fall to £45,498 by 31st March 2026.

The Council's Balances and Earmarked Reserves are currently invested in a Business Premium Account with the Council's bank and in the Public Sector Deposit Fund.

Interest receivable on these investments is credited to the Council's Revenue Budget and is expected to total around £41,500 in 2025/26.

11. Land, Property and Other Assets

The Council currently holds fixed assets i.e. land, buildings, plant, vehicles, machinery and play equipment to a value of around £9.9 million.

This is not an open market valuation, as Council assets are generally regarded to be 'specialised', in that they will very rarely be sold on the open market and are therefore held on the asset register at their value in existing use or historic cost.

Mrs Tracey Woodhead C.P.F.A
Finance Manager