

# 2025/26 REVENUE AND CAPITAL BUDGET APPROVAL

## AGENDA ITEM NO **XX**

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**MEETING: POLICY AND RESOURCES**

**DATE: 22<sup>ND</sup> JANUARY 2025**

**REPORT BY: FINANCE MANAGER**

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### **1.0 Purpose of the Report**

- 1.1 The purpose of this report is to seek approval from Members for the setting of the Council's 2025/26 Revenue and Capital Budget.
- 1.2 The approval of the 2025/26 Revenue and Capital Budget at this meeting will enable the 2025/26 Precept and Town Council Tax to be set at the Council meeting next week and will be communicated to and confirmed with Durham County Council following that meeting.

### **2.0 Background to the Report**

- 2.1 Members considered the initial draft Revenue and Capital Budget at the meetings of the Recreation and Environment Committees on 16<sup>th</sup> October 2024 and the Policy and Resources Committee on 23<sup>rd</sup> October 2024.
- 2.2 These reports provided the background to, and the full detail behind, the initial development of the 2025/26 Revenue and Capital Budget and Members may wish to re-read these reports to reappraise themselves of the background to the setting of the budget.
- 2.3 A brief reminder of the key issues from the consideration and approval of the draft 2025/26 Revenue and Capital Budget is set out in the following section of the report for Members' information.
- 2.4 A further budget update, via a briefing note, was provided to Members at a Special Meeting of the Policy and Resources Committee on 13<sup>th</sup> November 2024.
- 2.5 This briefing note advised of a significant further budget pressure as a consequence of the Government decision to increase employer's national insurance contributions, and notified members of the final 2025/26 Council Tax Base and Local Council Tax Reduction Scheme Grant figures from Durham County Council.

### 3.0 2025/26 Draft Revenue and Capital Budget

- 3.1 The draft 2025/26 Revenue and Capital Budget was prepared on the basis of 'business as usual', for the next financial year, based on the five key principles from the Medium-Term Financial Plan of:
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 still being faced by local taxpayers and dealing with the budget pressures faced by the Council in terms of pay awards, inflation and capital investment requirements, and the need to maintain services valued by the local community.
- 3.2 The 2025/26 Revenue Budget is being prepared against a very challenging backdrop of tax increases, increasing inflationary pressures, falls in interest rates, National Living Wage increases, and cuts to the Local Council Tax Reduction Scheme Grant, all of which have made the setting of the budget very challenging.
- 3.3 Members will recall that the draft 2025/26 Revenue Budget continued to include some 'surplus' resources via the inclusion of a small contingency sum and a £75,000 contribution to capital reserves.
- 3.4 This is vitally important in the context of the significant capital investment commitments faced over the coming years 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.
- 3.5 The table below highlights the Council's long term capital commitments from the Asset Management Plan, compared to the Council's current projected year-end balances:-
- |  |                   |
|--|-------------------|
| <i>Capital Investment Commitments 2024/25 to 2033/34</i>         | <i>£3,900,000</i> |
| <i>Projected Year End Balances at 31<sup>st</sup> March 2025</i> | <i>£1,800,000</i> |
| <i>Shortfall</i>   | <i>£2,100,000</i> |
- 3.6 The shortfall between current balances and future capital commitments highlights the need to ensure that balances and reserves continue to be 'topped up' from the Revenue Budget each year.
- 3.7 Members will recall that the initial draft 2025/26 Revenue Budget was prepared, on the basis of a 3.75% increase in the Council Tax, as agreed when the Medium-Term Financial Plan was approved in September.
- 3.8 This increase was made up of a core Town Council increase of 2.13%, with an additional 1.62% increase relating to the cut to the Local Council Tax Reduction Scheme funding by Durham County Council.
- 3.9 A 3.75% increase would have increased the Town Council Tax at Valuation Band A by £7.15 per year from £190.80 to £197.95.

- 3.10 However as reported to the Special Meeting of the Policy and Resources Committee in November, the Council is now facing a significant additional Revenue Budget commitment of £56,000 as a consequence of the Government decision to increase employer's national insurance contributions from April. This has been partly offset by an increase in the Council Tax Base and a slightly better than expected final Local Council Tax Reduction Scheme Grant settlement.
- 3.11 The Council agreed, in principle at this meeting, to offset the additional costs faced via a combination of a reduced contingency sum, agreement of the officers' recommendations on fees and charges increases, the better-than-expected Local Council Tax Reduction Scheme Grant settlement, and a higher Council Tax increase.
- 3.12 It was resolved at this meeting that: *"officers be requested to prepare the final 2025/26 Revenue Budget on the basis of a maximum council tax increase of 5%"*.
- 3.13 With regards to the draft 2025/26 Capital Programme Budget, it was agreed that capital investment would continue to be closely scrutinised and controlled to protect the Council's balances and reserves moving forward, and as such only essential capital investment mainly linked to the delivery of the Council's Asset Management Plan was included.
- 3.14 The Council's Asset Management Sub-Committee has undertaken a review of the projects making up the 2025/26 Capital Programme Budget and agreed which projects are considered essential, which need to be included in the budget as provisional sums, which projects can be deferred to a future year, and which projects can be deleted from the programme.
- 3.15 An initial draft 2025/26 Capital Programme Budget totalling £666,600 was reported to the Council in October. Following the agreement of the above review, the following allocation of 2025/26 Capital Budget was agreed:
- *£343,100 to go ahead as essential projects;*
  - *£283,500 to be included as provisional sums;*
  - *£40,000 to be deferred to a future year*
  - *No projects to be deleted from the programme*
- 3.16 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 including:-
- the final notification of the Council Tax Support Grant and Council Tax Base figures;
  - the impact on income and expenditure budgets of the ongoing economic difficulties and cost-of-living crisis;
  - inflationary pressures on the cost of goods and services.
- 3.17 It was highlighted that the Council would need to respond to the latest situation in relation to these issues, as well as any other unforeseen developments, such as the employer's national insurance contribution increase, prior to the final budgets being approved and the Precept being set in January.

- 3.18 The following sections of this report will therefore concentrate upon the latest situation in relation to any outstanding budget issues and new developments since the draft budgets were approved and highlight how these have impacted upon the final 2025/26 Revenue and Capital Budget and the implementation of the resolution that *“the final 2025/26 Revenue Budget is prepared on the basis of a maximum council tax increase of 5%”*.

#### **4.0 Final 2025/26 Revenue Budget Proposals**

- 4.1 The draft 2025/26 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 in this report.
- 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 2025/26 Revenue Budget has been updated to take into account the financial impact of the following issues:-
- Final notification of the Council Tax Support Grant figure for 2025/26 from Durham County Council;
  - Final notification of the 2025/26 Council Tax Base figure from Durham County Council;
  - The impact of the Government’s decision to increase employer’s national insurance contributions and reduce the threshold from which employers become liable to pay national insurance on each employee’s salary from 1<sup>st</sup> April 2025;
  - Any changes to staffing budgets to incorporate any approved staffing changes, staff turnover and recent recruitment exercises;
  - Any additional inflationary pressures;
  - Any approved changes agreed by the Council following the consideration of the draft budgets at the previous meetings;
  - Consideration and incorporation of any feedback received from individual Members following those meetings;
  - Consideration of feedback from the local community 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.
- 4.4 The outcome and final financial 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 A letter was received from Durham County Council dated 5<sup>th</sup> November 2024 confirming the final Council Tax Support Grant figure and Council Tax Base for 2025/26.
- 4.6 The Council's Council Tax Support Grant payment for 2025/26 will be £145,256, which is a reduction of £26,906 or 15.6% on 2024/25.
- 4.7 Whilst this grant cut will have a significant impact on the 2025/26 Revenue Budget, a slight positive is that the final settlement is £5,000 higher than originally indicated at the time the draft budgets were set and this therefore provides some additional resources in the final budget.
- 4.8 The Council Tax Base (the number of properties on which the Council Tax is set) for 2025/26 is 6,909, which is an increase of 9.2 properties on 2024/25. This is marginally higher than the tax base figure of 6,905 originally included when the draft budgets were set, and again provides a small amount of additional resources for the final budget.

## **2025/26 Local Government Pay Award**

- 4.9 The Council's draft 2025/26 Revenue Budget provided for the full impact of the recently agreed 2024/25 pay award as well as an assumed pay increase of 4% for all staff in 2025/26.
- 4.10 There have been no further updates in relation to the pay award for 2025/26, although the recently announced increases in the National Living Wage to £12.21 in April 2025 will create further pressure on the lower end of the Local Government Pay Scale, which may lead to another above inflation increase in local government pay next year, at least at the lower end of the pay scale.
- 4.11 If a higher pay award was subsequently agreed for 2025/26 (in excess of the 4% budgeted), this would need to be funded via use of the contingency sum and, potentially, balances.

## **Other Revenue Budget Changes**

- 4.12 The Information Technology Budget has been increased to incorporate the increased annual support contract in relation to the upgrade of the sports and golf complex leisure management till and booking system, as reported to and approved by Council at the meeting held on 30<sup>th</sup> October 2024.
- 4.13 Inflation continues to put pressure on expenditure budgets. However, it should also be noted that most additional general inflationary pressures have been absorbed within the final Revenue Budget.
- 4.14 There has been a small increase in the investment income budget as a result of anticipated slowdown in the reduction in interest rates over the forthcoming year.
- 4.15 The increases to fees and charges agreed at the Special Meeting of the Policy and Resources Committee in November have also now been incorporated into the final 2025/26 Revenue Budget, with the exception of the cemeteries fees and football pitch fees which are due to be reconsidered at this meeting.

- 4.16 There have been no other approved Council decisions affecting the 2025/26 Revenue Budget, and there have been no proposed amendments from Members of the Council following their consideration of the draft Revenue Budgets in October.
- 4.17 In relation to the budget survey and the specific questions relating to the 2025/26 budget setting within it, a number of comments and suggestions have been received, whilst there is also some useful feedback on priorities for investment and disinvestment which Members may wish to take into account in considering the final 2025/26 Revenue and Capital Budget proposals. Full details are set out in Section 8 of the report.

### **Revenue Budget Contingency Sum**

- 4.18 In light of the net additional budget pressures provided for in the final 2025/26 Revenue Budget, the contingency sum budget has been reduced from £17,600 to £12,500 to help balance the budget.
- 4.19 The reduced contingency sum provides limited surplus resources to offset any unforeseen costs in 2025/26 including a higher-than-expected pay award or any further inflationary pressures.

### **Council Tax Referendum Limit**

- 4.20 The Government has recently announced that it does not propose to set 'referendum principles' for higher spending parish and town councils in 2025/26', which means the Council is free to increase the Town Council Tax next year without any restrictions.

## Overall Summary of the 2025/26 Revenue Budget

- 4.21 A full copy of the final 2025/26 Revenue Budget broken down by each committee, and showing the individual budgets for each service area, is attached at **Appendix 1**.
- 4.22 In addition, a detailed breakdown and explanation of the changes made to the Revenue Budget, since the consideration and approval of the draft budgets in October, is attached at **Appendix 2**.
- 4.23 The final 2025/26 Revenue Budget set out in this report and the attached appendices is largely based on the previously approved draft 2025/26 Revenue Budget and the agreement, in principle, to increase the Revenue Budget in line with the overall reduction in Council Tax Support Grant and increase in employers' national insurance costs, and updated to take into account the various changes referred to in previous sections of this report.
- 4.24 A summary of the overall 2025/26 Revenue Budget is set out below:-

Budget 2024/25 £	Budget Description	Inflation and Committed Growth £	Investment in Services £	Savings and Increased Income £	Budget 2025/26 £
893,100	Policy and Resources	128,850	-	(84,900)	937,050
942,000	Recreation	129,050	-	(115,750)	955,300
223,350	Environment	20,100	-	(2,700)	240,750
13,500	Contingency Sum	-	-	(1,000)	12,500
75,000	Contribution to Reserves	-	-	-	75,000
(172,177)	Less Council Tax Grant	26,927	-	-	(145,250)
<b>1,974,773</b>	<b>Council Precept</b>	<b>304,927</b>	<b>-</b>	<b>(204,350)</b>	<b>2,075,350</b>
<b>Calculation of Town Council Tax:</b>					
<b>1,974,773</b>	<b>Precept</b>				<b>2,075,350</b>
<b>6,899.8</b>	<b>Council Tax Base</b>				<b>6,909</b>
<b>£286.21</b>	<b>Band D Council Tax</b>				<b>£300.38</b>
<b>£190.80</b>	<b>Band A Council Tax</b>				<b>£200.26</b>
<b>4.38%</b>	<b>% Increase / (Decrease)</b>				<b>4.95%</b>
<b>Calculation of Town Council Tax excluding LCTRS grant reduction</b>					
<b>1,942,039</b>	<b>Precept</b>				<b>2,048,423</b>
<b>6,899.8</b>	<b>Council Tax Base</b>				<b>6,909</b>
<b>£281.46</b>	<b>Band D Council Tax</b>				<b>£296.49</b>
<b>£187.64</b>	<b>Band A Council Tax</b>				<b>£197.66</b>
<b>2.65%</b>	<b>% Increase / (Decrease)</b>				<b>3.59%</b>

- 4.25 In overall terms, **agreement of the final 2025/26 Revenue Budget** as set out above and attached in detail at Appendix 1, **would result in a 2025/26 Council Precept of £2,075,350**, which is an increase of £100,577 or 5.1% on the 2024/25 Precept.
- 4.26 Based on the final Council Tax Base figure, as notified by Durham County Council of 6,909, which represents a year-on-year small increase of 9.2 properties, **this level of Precept would result in a 4.95% increase in the Town Council Tax.**
- 4.27 **However, it is important to draw members attention to the fact that if the cut in the Council Tax Support Grant had not been agreed by Durham County Council, the Revenue Budget would be showing a reduced increase in Council Tax for next year at 3.59%. Likewise without the Government Employers' National Insurance increase the Council Tax increase would have been even less and likely below the current rate of inflation.**
- 4.28 The final 2025/26 Revenue Budget continues to include a contribution to capital reserves of £75,000 in order to help to replenish the Council's earmarked capital reserves each year.
- 4.29 As highlighted earlier, the contingency sum has been reduced to £12,500. The contingency sum provides limited surplus resources which could be used next year to fund any unforeseen budget issues such as a higher than budgeted pay award, inflationary pressures, or income losses.
- 4.30 The 2025/26 Revenue Budget makes prudent provision for the various changes in income and expenditure and will enable the Council to maintain all services, facilities and events next year, whilst finding a balance between making efficiency savings and increasing fees and charges and increasing the Precept and Town Council Tax.
- 4.31 However, it is important to stress that following on from previous budget setting exercises, when significant savings were identified and implemented to offset the significant inflationary pressures faced during the cost-of-living crisis, most Council budgets have now been stripped down to the bare minimum with little scope in the Revenue Budget for absorbing any further increases in costs or falls in income if there are any further unforeseen budget pressures. There is therefore a risk that some of the assumptions made, and the budget provision subsequently put in place may not be sufficient next year.
- 4.32 It is also considered unlikely, in the current financial circumstances, that any significant savings will be achieved in the Revenue Budget next year, beyond the resources set aside in the contingency sum and contribution to capital reserves, and this will make the full replenishment of the Council's balances and reserves moving forward increasingly difficult.
- 4.33 In light of the medium-term challenges faced in relation to inflationary pressures, continued increases in the National Living Wage and local government pay, further cuts or even withdrawal of the Local Council Tax Reduction Scheme Grant, and the need to replenish council balances and reserves, no additional budget has been put in place for further investment in existing services or for the development of any new services next year.

- 4.34 Any additional investment, if this was agreed by the Council, would need to be funded from the contingency sum, reducing the contribution to capital reserves, the implementation of a higher council tax increase, or by identifying savings or cuts in existing budgets.
- 4.35 The update of the Council's Medium Term Financial Plan later in the year will continue to be crucial in forecasting the longer-term impact on the Council's finances of the ongoing economic difficulties and will seek to shape the Council's financial strategy for the coming years.

## **5.0 2025/26 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.
- 5.3 The Tax Base is a calculation of the number of 'chargeable' properties in the Great Aycliffe Parish for council tax calculation purposes.
- 5.4 The total number of properties in the Parish is adjusted to take account of the number of households in receipt of council tax support, discounts, and exemptions, as well as empty properties, and the council tax collection rate.
- 5.5 The Town Council Tax is calculated by dividing the Council Precept by the Tax Base figure. This provides the Band D Council Tax figure.
- 5.6 The Council's 2024/25 Tax Base figure was 6,899.8 properties.
- 5.7 The final Council Tax Base figure for 2025/26 has been notified by Durham County Council at 6,909.
- 5.8 This is a very small increase of 9.2 properties.
- 5.9 The Council's 2025/26 Precept, as based on the 2025/26 Revenue Budget attached at Appendix 1, would need to be set at £2,075,350.
- 5.10 **Based on the final 2025/26 Tax Base figure of 6,909 properties, setting the Council Precept at £2,075,350 would result in a Band D Town Council Tax of £300.38.**
- 5.11 **This is an increase of £14.17 per year, which equates to £1.18 per month or 27p per week.**
- 5.12 **This represents a 4.95% increase in the Town Council Tax.**
- 5.13 **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 be at £200.26. This represents an increase of £9.46 per year or 79p per month or 18p per week.**
- 5.14 **However, it is important to point out that the 2025/26 Revenue Budget includes the £26,927 reduction by Durham County Council in the Council Tax Support Grant.**

- 5.15 **If this cut in grant had not gone ahead, the level of 2025/26 Precept would have reduced to £2,048,400, which would have resulted in a lower Council Tax Increase next year of 3.59%.**
- 5.16 This would have represented an increase of £10.28 per year of 86p per month on the Band D Town Council Tax to £296.49 per year, or a £6.86 per year or 57p per month increase on the Band A Council Tax to £197.66 per year.
- 5.17 Even though the 2025/26 Revenue Budget includes a number of cost increases and falls in income as a result of the economic situation, it is important to stress that the Revenue Budget will still enable the Council to maintain all services, facilities and events next year, whilst retaining a £12,500 contingency sum and a £75,000 contribution to capital reserves.
- 5.18 This will assist the Council in partially replenishing its earmarked capital reserves at a time when they are likely to be depleted financing capital investment over the medium to long term, whilst also ensuring that some surplus resources are available to fund any additional or unforeseen budget commitments.
- 5.19 For information, if the Council chose to freeze the Town Council Tax next year in recognition of the ongoing cost-of-living crisis being faced by local taxpayers, a total of £97,900 in additional savings would need to be found in the 2025/26 Revenue Budget.
- 5.20 Ultimately, the Council needs to try and achieve a balance between its own financial needs, both now and in the future, and the financial pressures faced by its local taxpayers.
- 5.21 All things considered, bearing in mind the ongoing economic situation, high inflation, and uncertainty around future staffing pay awards and the future of the Council Tax Support Grant, it is recommended that the 4.95% increase to the Town Council Tax is implemented.
- 5.22 **It is therefore requested that Members approve the 2025/26 Precept at £2,075,350 and the 4.95% increase in the Town Council Tax.**
- 5.23 This will enable the Precept and Council Tax to be formally set at the Council Meeting next week.

## 6.0 Final 2025/26 Capital Programme Budget

- 6.1 The Council's approved Asset Management Plan and Medium-Term Financial Plan provide the main drivers for the development of the Council's Capital Programme Budgets over the medium and long term.
- 6.2 The Asset Management Plan sets out the capital investment likely to be required to ensure that all of the Council's fixed assets i.e. its land, buildings, plant, vehicles, machinery, play areas, street equipment and office equipment, continue to effectively meet the Council's strategic aims and the operational requirements of its services over the long term.
- 6.3 The Medium-Term Financial Plan highlighted a risk that the Council faces some potentially significant capital investment commitments in relation to its assets over the coming years, linked to the delivery of the Asset Management Plan, and that the funding of this investment will see a deterioration in the level of the Council's balances and reserves over the medium term.
- 6.4 In light of this, the Council has previously agreed that future capital investment will continue to be closely scrutinised and controlled with only essential expenditure being incurred during these challenging economic times in order to protect and preserve Council balances and reserves.
- 6.5 As such, the 2025/26 Capital Programme Budget has been prepared on the basis of essential investment only, mainly linked to the delivery of the Council's Asset Management Plan.
- 6.6 To be clear, it is *not* being recommended that *all* capital investment is restricted, more that investment should be focussed on those projects that contribute towards delivery of the Asset Management Plan, such as essential building works, replacement of vehicles and machinery at the end of their useful life, information technology, essential footpath and play area safety surface repairs and Ash tree dieback disease works.
- 6.7 The Council's Asset Management Sub-Committee has undertaken a review of the projects making up the 2025/26 Capital Programme Budget and agreed which projects are considered essential, which need to be included in the budget as provisional sums, which projects can be deferred to a future year, and which projects can be deleted from the programme.
- 6.8 This review was agreed by the Policy and Resources Committee in October.

6.9 An initial draft 2025/26 Capital Programme Budget totalling £666,600 was reported to the Council in October, and this included 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 the renewal of the A167 street lighting 10-year commuted sum;
- Provision for movement of the Rapid Response CCTV Cameras;
- Bus shelter repairs; and
- The ongoing programme of footpath repairs

6.10 Following the review of the budget by the Asset Management Sub-Committee and Policy and Resources Committee in October, the following allocation of 2025/26 Capital Budget was agreed:

- *£343,100 to go ahead as essential projects;*
- *£283,500 to be included as provisional sums;*
- *£40,000 to be deferred to a future year*
- *No projects to be deleted from the programme*

- 6.11 Detailed information on each of above projects was included within the draft 2025/26 Capital Programme Budget was set out in the Committee Budget Reports and has not therefore been repeated in this report.
- 6.12 The only amendments to the draft 2025/26 Capital Programme Budget have been following approved decisions at the Environment Committee in November and the Policy and Resources Committee in December as follows:-
- An additional budget provision of £750 to the Bus Shelter Repairs Capital Budget to provide for the installation of viewing windows
  - The removal of the £60,000 provision for the renewal of the A167 street lights service level agreement following the Council decision not to renew this agreement.
- 6.13 The final proposed 2025/26 Capital Programme Budget now totals £567,350, broken down as follows:
- *£343,850 to go ahead as essential projects;*
  - *£223,500 to be included as provisional sums;*
- 6.14 A full breakdown of the 2025/26 Capital Programme Budget is attached at Appendix 3.
- 6.15 It is also likely that that a large number of capital projects, mainly relating to provisional sums and deferred capital works, from the current financial year will be carried forward to 2025/26, as identified in the Expected Outturn Report as at 30<sup>th</sup> September 2024, at a total of £210,850. These projects include various roofing and building works, information technology infrastructure investment, works at the golf complex and various building works at the sports complex.
- 6.16 The proposed 2025/26 Capital Programme will ensure the continued delivery of the Council's Asset Management Plan and will keep all essential building works and replacements of vehicles, machinery, office equipment, street equipment and play equipment on schedule.
- 6.17 The budget will be funded from the Council's Earmarked Capital Reserves which have been built up and set aside for this purpose.
- 6.18 The Council will continue to seek opportunities to secure external capital grants or contributions such as Section 106 Agreement monies, Durham County Council Members Initiative Fund contributions and funding from the new Local Network, and any external funding that is secured would provide resources over and above those set aside in the draft 2025/26 Capital Programme Budget.
- 6.19 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.
- 6.20 In accordance with the Council's Standing Orders for Contracts and Procurement, all capital projects identified in the 2025/26 Capital Programme over the value of £5,500, will be subject to the obtaining of competitive quotes, and approval by the appropriate spending Committee and Council, before going ahead.

## 7.0 Council Balances and Earmarked Reserves

- 7.1 The Council's Balances and Earmarked Reserves are expected to stand at around £1.8 million at the end of March 2025.
- 7.2 This level of balances is better than anticipated in the Medium-Term Financial Plan and this is because of higher-than-expected savings on the 2024/25 Revenue Budget and the lower-than-expected outturn on the 2024/25 Capital Programme Budget.
- 7.3 After accounting for the funding of the essential projects and provisional sums from the 2025/26 Capital Programme Budget totalling £567,350, as well as the ongoing capital projects expected to be carried forward from 2024/25 totalling £210,850, and the funding of the 2025 Elections, from the Council's Earmarked Reserves, and taking into account the £75,000 top up of balances from the contribution to capital reserves, no use of the £12,500 Revenue Budget contingency sum next year, and the assumption of no savings next year on the 2025/26 Revenue Budget, **Council Balances and Earmarked Reserves would fall to around £1.037 million by the end of the 2025/26 financial year.**
- 7.5 Whilst this represents a fall in the Council's balances and reserves over the coming year, this is still considered to be a reasonably healthy level of balances.
- 7.6 This is welcome as it comes at a time when the Medium-Term Financial Plan continues to forecast significant capital investment commitments and diminishing balances and reserves over the medium to long-term and, as highlighted in paragraph 3.5, when there is a significant shortfall between the balances held and the capital commitments faced over the long-term.
- 7.7 **The level of balances and reserves held is a significant achievement in these unprecedented times and a positive endorsement of the prudent management and planning of the Council's finances over a long period of time,** including the actions taken to set aside contingency resources in the Revenue Budget, restrict capital expenditure, and protect and replenish the Council's balances and reserves.
- 7.8 These balances would be higher if additional savings are achieved on the Revenue Budget next year, although it must be borne in mind that most budgets have now been stripped down to the bare minimum. It is therefore considered unlikely, in the current financial circumstances, that any savings will be achieved in the Revenue Budget next year, beyond the resources set aside in the contingency sum and contribution to capital reserves.
- 7.9 This will make the full replenishment of the Council's balances and reserves in the medium to long term increasingly difficult.
- 7.10 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.
- 7.11 A full analysis of the likely movement on the Council's Balances and Reserves as a result of the proposed 2025/26 Revenue and Capital Budget is attached at **Appendix 4.**

- 7.12 The 2025/26 Precept Setting Report due to be reported to Full Council on 29<sup>th</sup> January will include a dedicated section providing ‘assurance on the adequacy of the Council’s balances’, providing a summary of best practice guidance on local authority reserves, and explaining how the Finance Manager comes to a view on the Council’s Balances and Reserves Policy.

## 8.0 2025/26 Budget Consultation Survey

8.1 Consultation on the Council’s draft 2025/26 budget proposals was undertaken this year via an online Budget Survey which was widely publicised on the Council website, in the local press, and on the Council’s social media channels. Hard copies of the survey were also placed in a number of community locations including the library and community centres.

8.2 A total of 65 responses were received, which is in line with the 64 responses received last year.

8.3 The responses to the survey questions along with any specific comments and suggestions received are set out in detail in Appendix 5. Please note that not all respondents answered every question.

8.4 A summary of the key feedback is set out below:-

1. Having considered all of the services provided by the Town Council and the investment that we make in the Parish of Great Aycliffe do you feel that the current Town Council Tax of £190.80 (Band A) per year provides value for money?

<b>Yes</b>	<b>59</b>	<b>90.8%</b>
No	6	9.2%

2. Looking ahead to next year, all things considered, are you in support of the proposed increase in the core Town Council Tax (equating to £4.06 per year or £0.34 per month at Council Tax Band A)?

<b>Yes</b>	<b>59</b>	<b>90.8%</b>
No	6	9.2%

3. In respect of the cut to Local Council Tax Reduction Scheme Grant by Durham County Council in 2025/26, are you in support of the proposed additional increase in the Town Council Tax to offset this; equating to an additional £3.09 (total £7.15) per year or £0.26 (total £0.60) per month at Council Tax Band A?

<b>Yes</b>	<b>58</b>	<b>89.2%</b>
No	7	10.8%

4. In relation to the additional substantial increase in the Council’s employer’s national insurance costs announced in the recent Government Budget, would you be in support of the Council’s proposed approach of offsetting these additional costs by reducing the contingency budget, increasing fees and charges for services, and implementing a maximum Council Tax increase of 5%, in order to maintain current services, facilities and events?

<b>Yes</b>	<b>52</b>	<b>82.5%</b>
No	11	17.5%

5. Which Council's services are most important to you i.e. where budget cuts should not be made and where any future investment should be targeted?

**Top 10 Most Important Services in Priority Order**

<b>Service Area</b>
Environment, Nature Parks and Open Space
Parks and Play Areas
Cemeteries
Fun In the Parks
Santa Tours
Fireworks Display
Senior Citizens' Trips
Litter and Dog Bins
Allotments
Christmas Lights

6. Which Council services are least important to you i.e. where budget cuts, if they are required in the future, should be targeted?

**Top 10 Least Important Services in Priority Order**

<b>Service Area</b>
Councillors
Civic Events and the Office of Mayor
Corporate Management and Administration
Senior Citizens' Trips
Large Community Events such as the Big Brass Bash
Fireworks Display
Oakleaf Golf Course and Driving Range
Fun in the Parks
Oakleaf Sports Complex
Financial Management

- 8.5 In overall terms, a majority of survey respondents (82.5%) were in support of the overall draft budget proposals and proposed increase in the Town Council Tax next year, which includes the additional increases to fund the cut in Council Tax Support Grant by Durham County Council and Government decision to increase employer's national insurance costs. This increased to 90.8% of respondents supporting the core increase in the Council Tax next year. A total of 90.8% of respondents also felt that the Council is currently delivering value for money.
- 8.6 The feedback received in relation to priorities for investment and disinvestment will be useful moving forward, as the Council deals with increasing financial pressures and the possible need to review and prioritise the services that it provides to the community.
- 8.7 Finally, a number of specific comments were received in relation to the Council's budget plans, areas where the Council could make investment and suggestions for areas in which the Council could save money.

- 8.8 It is requested that Members consider the feedback received in the budget survey and consider what, if any, changes the Council should make to its 2025/26 Revenue and Capital Budget, or future budget setting exercises in response to the comments received.

## **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 2025/26 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 Environment, Biodiversity and Climate Change Implications**

- 14.1 None.

## **15.0 Risk Assessment**

- 15.1 The 2025/26 Revenue Budget has been prepared in accordance with the key financial principle of prudence.
- 15.2 The 2025/26 Revenue Budget includes a small £12,500 contingency sum and £75,000 contribution to reserves, while the 2025/26 Capital Programme Budget has been restricted to essential expenditure only to help preserve Council Balances and Reserves.
- 15.3 Whilst the 2025/26 Revenue Budget makes provision for the various cost increases and falls in income faced next year and will still enable the Council to maintain all services, facilities, and events in line with the key principle from the MTFP, a large number of savings have already been identified and incorporated with many budgets stripped down to the bare minimum, and with only a small contingency sum now available.
- 15.4 This will leave very little scope to absorb further increases in costs if inflation remains high, there are further cuts to the Council Tax Support Grant, there are further falls in income if the cost-of-living crisis continues, or if there are any further unforeseen budget pressures.
- 15.5 There is therefore a risk that some of the assumptions made, and the budget provision subsequently put in place may not be sufficient.

- 15.6 There is also a risk of a serious deterioration in the level of Council balances and reserves over the medium to long term as capital commitments are funded, and this will need to be considered in future updates of the MTFP to ensure that a strategy is put in place to protect and replenish balances.
- 15.7 A risk assessment has been undertaken in relation to the setting of the 2025/26 Revenue Budget, and this has identified a number of potential risks that could result in actual costs or income being materially different to those budgeted. These risks are as follows:-
- The ongoing economic difficulties causing further revenue losses and additional costs into the 2025/26 financial year e.g. via higher inflation;
  - A higher than budgeted local government pay award;
  - Non-take up of places and falls in attendance levels adversely affecting pre-school funding income;
  - Increased pressures on pre-school staffing as a result of further increases in the number of special educational needs children;
  - Poor weather conditions adversely affecting usage of the golf complex;
  - Any other unforeseen budget pressures adding to the running costs or reducing the income of Council services; and
  - Reduced replenishment of reserves and balances due to revenue budgets having been reduced to the bare minimum.
- 15.8 The budget includes provision for a 4% 2025/26 local government pay award, and also makes provision for inflationary increases in running costs and possible falls in income.
- 15.9 The Revenue Budget includes a contingency sum of £12,500 to protect against any unforeseen spending commitments, such as a higher pay award, and a £75,000 contribution to capital reserves, which provides added protection, as well as a means of partially replenishing the Council's balances and reserves.
- 15.10 Council Balances and Reserves are projected to stand at £1.8 million at the end of this financial year, and the proposed 2025/26 Revenue and Capital Budget would result in estimated balances and reserves of £1.037 million being available at the end of 2025/26.
- 15.11 This is considered a satisfactory level of reserves to support future capital investment, as set out in the Council's Asset Management Plan, at least over the medium term, as well as providing some protection against any unforeseen revenue budget pressures, particularly bearing in mind the £75,000 'top up' to reserves that is built into the Revenue Budget.
- 15.12 However, it must be noted that it is considered unlikely, in the current financial circumstances, that any savings will be achieved in the Revenue Budget next year, beyond the resources set aside in the contingency sum and contribution to capital reserves, and this will make the full replenishment of the Council's balances and reserves moving forward very difficult.
- 15.13 The Council Tax Support Grant will be reduced further in 2026/27 however there remains a risk that it could be cut further or withdrawn in its entirety.

15.14 This risk is identified within the Medium-Term Financial Plan and Risk Register and arrangements have been made to continue the Council's programme of service reviews, with a view to identifying possible savings, in the event of this funding being lost in the future.

15.15 The update of the Council's Medium Term Financial Plan later in the year will be crucial in forecasting the longer-term impact of these risks on the Council's finances of the ongoing economic difficulties and will seek to shape the Council's financial strategy for the coming years.

## **16.0 General Data Protection Regulations (GDPR)**

16.1 There is no personal or sensitive data required for this proposal which may have any implications for GDPR.

## **17.0 Recommendations**

17.1 It is recommended that Members:-

- a) Receive the final 2025/26 Revenue and Capital Budget proposals and note the changes made to the draft budget;
- b) Receive the feedback from the 2025/26 Budget Survey;
- c) Approve the Council's 2025/26 Revenue and Capital Budget as set out in the report and the attached appendices;
- d) Approve the 2025/26 Precept at £2,075,350 and agree the proposed increase of 4.95% to the Town Council Tax.