

# 2025/26 REVENUE AND CAPITAL BUDGET YEAR-END OUTTURN POSITION

## AGENDA ITEM NO. 10

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**MEETING:** POLICY AND RESOURCES COMMITTEE

**DATE:** 3<sup>RD</sup> JUNE 2026

**REPORT BY:** FINANCE MANAGER AND TOWN CLERK

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

- 1.1 The purpose of this report is to provide Member's with details of the year-end outturn position on the Council's approved Revenue and Capital Budgets for the 2025/26 financial year.
- 1.2 The report also outlines the year-end position on the Council's balances and reserves, loans, investments and debtors.
- 1.3 The Council's 2025/26 Accounting Statements, which are part of the 2025/26 Annual Governance and Accountability Return (AGAR), are due to be presented to the Council on the 10<sup>th</sup> June 2026.

### **2.0 Summary of the Year-End Financial Position**

- 2.1 **The Council set a Net Revenue Budget for the 2025/26 financial year, as represented by the Precept, of £2,075,350.**
- 2.2 The ongoing economic difficulties continue to put pressure on the Council's Revenue Budget, both in the current year and looking ahead, with high 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.
- 2.3 However, as previously reported, there have been a number of positive Revenue Budget developments during the 2025/26 financial year.
- 2.4 The 2025/26 Local Government Pay Award resulted in an underspend on budgeted pay costs, as the increase agreed was 3.2% compared to the 4% budgeted. There have been further underspends on staffing costs as a result of vacant posts and effective management of overtime and staff cover budgets by managers.
- 2.5 Gas and electricity costs have been another key budget pressure in recent years. However prices have stabilised and fallen back compared to the very high costs experienced in 2022/23, at the height of the cost-of-living crisis. Members will be aware that gas and electricity supplies are procured on the Council's behalf by Durham County Council Energy Management Team. Unfortunately over recent times they have provided limited information and data on current and future costs. Since the December outturn position was reported in January the overall underspend at the 31<sup>st</sup> March 2026 against electricity costs was £26,550, and £21,531 on gas costs.

- 2.6 The Council also significantly exceeded its investment income target as interest rates and levels of invested balances remained higher than expected, resulting in increased income compared to what was anticipated when the budget was finalised in January 2025.
- 2.7 High Needs Special Educational Needs (SEN) funding, at the pre-school, significantly exceeded the income target due to the number of children attending the setting who had been assessed as needing additional support. Although some of this additional income has been utilised to engage agency staff to cover SEN provision. Staff turnover and vacancies have also added to the pre-school underspend. These underspends have been partly offset by a reduction in core Early Years Funding as a result of a reduction in the overall number of children attending the pre-school, particularly since September. Although numbers have improved, this has not been to the level budgeted for, and this situation will need to be monitored closely moving forward. There has also been a reduction in the income received from fees and charges due to the 30 free (funded) hours now being available to parents in both settings.
- 2.8 The Sports Complex shows an underspend on the staffing budget, in addition to the aforementioned underspends from the final pay award. Much of the underspend relates to the prudent management of staffing budget by the Sports Complex Manager, linked to the trial and subsequent changes to opening hours, as well as various staff vacancies. The forthcoming Sports Complex staffing review, which will be reported to the Personnel Sub Committee in due course, is expected to highlight potential for permanent savings to be made on the staffing budget
- 2.9 Golf Complex membership income has increased significantly compared to budget reflecting the substantial growth in membership numbers over the 2025/26 financial year. Green fee income has also exceeded budget. This is linked to the closure of a neighbouring golf course and the very dry weather during the spring and summer.
- 2.10 These issues, taken alongside the planned inclusion in the Revenue Budget of the £12,500 contingency sum, which was unused during the year, and the planned £75,000 contribution to capital reserves, has meant that the Council is continuing to achieve a level of net spending which is well below the level of Precept set.
- 2.11 **Actual final spending for the year was £1,680,067, which resulted in a year-end underspend of £395,284, equating to 19% of the Precept.**

2.12 There are a number of reasons for this underspend and the key explanations are summarised below:-

- The budgeted contribution to capital reserves of £75,000;
- No use of the £12,500 contingency sum;
- An underspend on members allowances as a result of member vacancies and one member not claiming their allowance;
- An underspend on internal audit costs due to the reduced coverage this year, as previously reported;
- Receipt of insurance claim money to assist in funding staff cover and additional costs;
- Substantially higher than budgeted investment income as a result of interest rates not reducing as expected and higher than expected balances, due to lower than expected capital spending;
- A reduction in bank charges as a result of reduced card payment machine fees since changing provider;
- Underspends on gas and most electricity budgets due to a reduction in wholesale costs (now increasing again);
- Underspend on fuel costs due to low prices during most the financial year (now increasing again);
- Underspend on staffing costs following the agreement of the 2025/26 Local Government Pay Award, as the increase across all pay points was 3.2%, compared to the 4% budgeted;
- Underspend in staffing costs as a result of effective management of overtime budgets, vacancies at the Sports Complex and the frozen administration assistant vacancy in the council offices (this has now been permanently deleted in the 2026/27 budget);
- An underspend on underutilised office budgets relating to the increasing move to paperless office and electronic communications;
- Underspend on the senior citizens excursions event as a result of non-attendance due to issuing cash to all trip venues this year rather than providing a non-refundable, pre-booked sit-down lunch;
- Further underspends on the Events Budget in relation to the Santa Tours changes, a small unused balance on the Large Community Events Budget, and additional income from the new Elevate event and from pitch hire at the Fun In the Parks events;
- Higher than budgeted SEN funding income at the pre-school;
- A substantial increase in golf membership numbers and income and green fee income;
- An increase in income at the driving range and a reduction in the costs for replacement range balls due to a significant reduction in balls being lost to plugging following drainage improvements;
- An underspend on the sports complex bar stock expenditure budget reflecting the relationship between costs and income over the previous three years (this has now been adjusted for in the 2026/27 budget); and
- Underspends across some maintenance budgets, which can vary year on year depending on repairs and maintenance required throughout the year. These budgets are always projected to fully spend when reported throughout the year.

- 2.13 It should be noted however that a proportion of the underspend has been offset by overspends and income shortages as follows:
- Unavoidable inflationary pressures on some running costs;
  - Agency costs for pre-school SEN staff and finance cover;
  - Falls in golf shop sales;
  - Significant falls in the numbers of cemetery burials and advance purchases;
  - A reduction in early years funding and fees income at the pre-school due to reduced attendance numbers;
  - An overspend on golf equipment maintenance as a result of increased repair costs due to the age of the machinery;
  - A reduction in income at the sports complex;
  - An overspend on the golf course maintenance budget, linked to the rerating of the course in the year; and
  - An overspend on the parks play equipment maintenance budget.
- 2.14 It is important to point out that a significant proportion of the underspends in 2025/26, as previously reported, relate to issues that have been accounted for during the setting of the 2026/27 Revenue Budget and are therefore unlikely to be an ongoing underspend e.g. reductions in running costs, including gas and electricity, increases in investment income, staff vacancies, increases in sports and golf complex income etc.
- 2.15 Additional underspends and increased income, since the expected outturn position reported in January include:
- Lower than anticipated internal audit fees due to the limited internal audit coverage;
  - Increased investment income;
  - Insurance receipt following a successful claim towards staffing costs following an employee accident;
  - Higher than anticipated electricity and gas underspends;
  - Higher than anticipated income at the Pre-School following an increase in attendance;
  - Limited spend on some maintenance budgets, maintenance budgets which are always projected to fully spend during the year; and
  - Higher than anticipated income at the golf complex.
- 2.16 The Revenue Budget underspend has been transferred to the Council's balances and reserves at the end of the year, 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.
- 2.17 In light of the ongoing financial pressures and challenges faced by the Council in setting the 2026/27 Revenue Budget, and as highlighted in the Medium-Term Financial Plan, including the Council Tax Support Grant withdrawal, it is unlikely, moving forward, that there will be such significant underspends on the Revenue Budget in future years to contribute towards the replenishment of balances and reserves.
- 2.18 This transfer to reserves, coupled with the receipt of various capital grants during the year, and the ongoing restriction of capital spending to essential projects only, has helped the Council to marginally increase its level of balances and reserves and strengthen its financial position despite the budget challenges faced. This is a positive achievement in these challenging times.

- 2.19 More detail on the overall Revenue Budget position, as well as commentary on the underspends achieved in each Committee area, is set out in Sections 3 and 4 of the Report.
- 2.20 A total of £24,969 has been identified in respect of on-going revenue budget commitments, for which it is requested that a proportion of the 2025/26 Revenue Budget underspends are carried forward in the Revenue Budget Support Reserve to support the 2026/27 Revenue Budget.
- 2.21 In relation to the Community Support Fund, a total of £15,539 had been spent up to 31<sup>st</sup> March 2026, from the reserve of £50,000. From the remaining balance of £34,461, a total of £32,280 will be carried forward to 2026/27. Further detail on the use of the Community Support Fund is set out in Section 5 of the Report.
- 2.22 **The Council's final 2025/26 Capital Programme Budget was £1,082,245**, having been increased from £567,350 to provide for the carry forward of a significant number of on-going commitments from 2024/25 and additional budget approvals during the year.
- 2.23 **Final spending on the 2025/26 Capital Programme Budget totalled £435,404** (including £24,088 funded by VAT Windfall Reserve, Budget Support Reserve and Community Support Fund), and this has been funded partly from external grant funding received towards specific projects, VAT Windfall Reserve, Budget Support Reserve, Community Support Fund and the Council's Earmarked Capital Reserves which are set aside for this purpose, as follows:-
- |                            |                 |
|----------------------------|-----------------|
| Earmarked Capital Reserves | £332,648        |
| Capital Grants             | £78,668         |
| VAT Windfall Resources     | £10,000         |
| Budget Support Reserve     | £5,200          |
| Community Support Fund     | £8,888          |
| <b>Total</b>               | <b>£435,404</b> |
- 2.24 Net of the use of capital grants and other reserves, final spending on the 2025/26 Capital Programme Budget was therefore significantly under budget by £741,551.
- 2.25 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 2025/26 Capital Programme Budget are 'provisional' sums and which did not go ahead this year. The final costs on a number of other projects were also less than budgeted.
- 2.26 In addition, some capital projects were delayed into the early part of this year and did not therefore take place in 2025/26 as planned. Some of these projects were ongoing at the end of the year. It is the intention of the Corporate Management Team to work with service managers in the early months of the new financial year to ensure progress on the delivery of these delayed projects.
- 2.27 As a consequence of the above, a number of capital projects will need to be carried forward into the new 2026/27 financial year as a result, and **it is requested that a total of £690,050 is carried forward to meet the cost of deferred and delayed capital projects and provisional sums.**

- 2.28 More detail on the 2025/26 Capital Programme Budget year-end position and the carry forward to 2026/27 is provided in Section 6 of the Report.
- 2.29 As highlighted earlier, the underspend on the 2025/26 Revenue Budget was transferred to the Council's Balances and Reserves at the end of the year. After accounting for the higher-than-expected Revenue Budget surplus and the lower-than-expected financing of the Capital Programme as highlighted above, **Council Balances and Reserves increased by £45,768 over the course of the year from £2.227 million to £2.272 million.**
- 2.30 This level of balances is better than forecast in the Council's current Medium-Term Financial Plan and this has strengthened the Council's financial position.
- 2.31 This improved financial situation has been achieved via a combination of reasons, including the better-than-expected Revenue Budget underspend, the Capital Programme Budget spending restrictions, provisional sums, deferred projects and delayed completion of a number of projects.
- 2.32 **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 referred to above, and the ongoing revenue commitments, **would fall to around £1.5 million**, with a further fall in balances to around **£1.3 million by the end of the financial year** if the full 2026/27 Capital Programme Budget goes ahead.
- 2.33 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.
- 2.34 This will be particularly important bearing in mind the challenges faced in the years ahead in relation to the ongoing pressures on staffing costs linked to the National Living Wage and pay awards, and the fact that balances and reserves are projected to be on a downward trajectory moving forward as assets age and significant longer term capital commitments are financed.
- 2.35 The forthcoming update of the Council's Medium-Term Financial Plan will aim to assess the financial impact of these challenges and develop a financial strategy for the five-year period 2026/27 to 2030/31, highlighting how the Council's Revenue and Capital Budget may need to change to respond to the difficulties that lie ahead. This is due to be reported to the Council in the early autumn ahead of the 2027/28 budget setting process.

### **3.0 2025/26 Year-End Revenue Budget Position**

- 3.1 A detailed breakdown of the financial position on the Council's Revenue Budget, broken down by each Committee, and by individual service areas, is attached in **Appendix 1** to the report.
- 3.2 The attached figures set out the following information:-
- The approved annual budget for each service area;
  - The actual income and expenditure for the year as recorded in the Council's financial management system;
  - The variance between the approved annual budget and the actual outturn for the year;
  - An explanation of any significant variances between approved budgets and actual outturn i.e. underspending or overspending.
- 3.3 It should be noted that some of the budget figures set out in the original approved 2025/26 Revenue Budget were adjusted following the 2025/26 year end closedown process.
- 3.4 Support Service and works section recharges were recalculated based on actual hours worked during last year, as recorded on staff timesheets.
- 3.5 Insurance costs have also been adjusted in line with the premium breakdown provided by the Council's insurance broker in order to more accurately reflect the apportionment of these costs.
- 3.6 However it is important to stress that while these adjustments have changed some of the individual service budget totals, there is no impact on the overall Revenue Budget total or the level of the precept.
- 3.7 The table on the following page provides a summary of the final year-end outturn position on the Council's Revenue Budget for 2025/26.

<b>Budgets by Committee and Service Area</b>	<b>2025/26 Approved Budget £</b>	<b>Final Outturn £</b>	<b>(Underspend) / Overspend £</b>
<b><u>Policy and Resources</u></b>			
Members and Civic	81,850	75,060	(6,790)
Finance Service	105,200	101,827	(3,373)
Administration Service	95,500	65,901	(29,599)
Corporate Service	305,124	293,425	(11,699)
St Oswald's Pre School	65,000	30,171	(34,829)
Works	185,000	160,425	(24,575)
Depot	39,450	36,155	(3,295)
Capital Financing	(12,500)	(62,807)	(50,307)
<b>Sub-Total</b>	<b>864,624</b>	<b>700,157</b>	<b>(164,467)</b>
<b><u>Recreation</u></b>			
Special Events	222,750	206,033	(16,717)
Sports Complex	397,650	330,224	(67,426)
Sports Pitches	29,650	29,913	263
Golf Course	108,700	58,860	(49,840)
Driving Range	(1,200)	(15,913)	(14,713)
Parks	190,000	188,573	(1,427)
Play Areas	100,650	95,648	(5,002)
<b>Sub-Total</b>	<b>1,048,200</b>	<b>893,338</b>	<b>(154,862)</b>
<b><u>Environment</u></b>			
Environment	109,950	108,218	(1,732)
Street Equipment	8,800	5,927	(2,873)
Allotments	28,300	27,529	(771)
Cemeteries	69,400	85,327	15,927
Church Works	7,900	8,900	1,000
<b>Sub-Total</b>	<b>224,350</b>	<b>235,901</b>	<b>11,551</b>
<b>Contingency Sum</b>	12,500	-	(12,500)
<b>Transfer to Reserves</b>	75,000	-	(75,000)
<b>Less LCTSS Grant</b>	(145,250)	(145,256)	(6)
<b>Less Use of Elections Reserve</b>	(4,074)	(4,074)	-
<b>Precept / Net Spending</b>	<b>2,075,350</b>	<b>1,680,067</b>	<b>(395,284)</b>

- 3.8 As can be seen in the above summary, there was an overall year-end underspend on the Council's 2025/26 Revenue Budget, including the budgeted contribution to reserves, of £395,284 or 19%. Please note that this underspend reduces to £320,284 or 15%, excluding the planned transfer to capital reserves.
- 3.9 As highlighted earlier, these underspends have been achieved despite the ongoing economic difficulties and pressure on the Council's Revenue Budget last year from the cuts to the Council Tax Support Grant, inflationary increases 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.

- 3.10 As highlighted earlier, and as the next section of the report confirms, there have been genuine reasons for many of the underspends, and a significant proportion have already been accounted for (removed) in the setting of the 2026/27 Revenue Budget.
- 3.11 The Revenue Budget underspend has been transferred to the Council's balances and reserves, helping to replenish and increase 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.
- 3.12 Detailed commentary on the 2025/26 Revenue Budget position, broken down by each committee, and highlighting the specific underspends made, is provided in the following section of the Report.

## **4.0 Commentary on Revenue Budget Position by Committee**

### **4.1 Policy and Resources Committee**

**There was an underspend of £164,467 or 19.02% on the Policy and Resources Committee Revenue Budgets during 2025/26.**

The main factors contributing towards this underspend are as follows:-

- An underspend on members allowances due to a member not claiming their allowance and vacancies during the year;
- An underspend on the cost of civic functions and hospitality;
- An underspend on insurance premiums;
- An underspend on the approved local government pay award as the increase across all pay points was 3.2% against a budget of 4%;
- An underspend on the administration staffing budget due to the frozen Administrative Assistant vacancy, which has now been deleted from the 2026/27 budget;
- Increased Feed In Tariff income from the solar panels at the Council Offices due to the prolonged sunny weather during the summer;
- Underspends on a number of administration supplies and services budgets due to the move to paper light office and electronic communications (postage, stationery, and printing);
- Underspends on most gas and fuel costs due to the reduction in wholesale costs;
- An underspend on internal audit costs due to the reduced internal audit coverage in the year, as previously reported;
- An underspend on the pre-school staffing budget due to a vacant position during the year;
- A significant increase over budget in pre-school income due the numbers of children in receipt of Special Educational Needs income;
- A refund on CCTV running costs following the Council decision to cancel the Service Level Agreement with Durham County Council;
- Underspends on business rates due to the rateable value being frozen at the depot and council offices;
- An underspend on telephone budgets following the move to a new contract and the cancellation of discontinued lines;
- An underspend from staff turnover in the Works Department;
- An underspend on the bank charges budget as a result of reduced card machine transaction fees since changing provider;
- A significant increase in investment income as a result of higher than budgeted interest rates and levels of invested balances; and
- Limited use of the consultancy budget during the year;

These underspends have been partly offset from the following overspends or income losses:-

- Increased staff costs at the pre-school in relation to temporary SEN staffing. However it must be noted that these additional costs are at a reduced level due to the significant difficulties in recruiting fixed term staff, and have therefore been more than offset by the SEN funding;
- Unbudgeted agency staff costs at the pre-school to cover staff absences and SEN provision, again more than offset by the SEN funding;
- Unbudgeted agency staff costs in the Finance Section to cover staff absence;
- Increased electricity costs due to the increase in non-commodity charges and electric vehicle charging at the depot;
- Lower than budgeted core early years funding at the pre-school due to the numbers of children attending the main setting being lower than budgeted for (particularly since September);
- Lower than budgeted fees and charges income at the pre-school due to the expansion of the 30 funded hours at in the two-year-old setting; and
- Increased expenditure at the pre-school on equipment and learning materials (fully offset by Pupil Premium and DAF funding and grants from Durham County Council).

## **4.2 Recreation Committee**

**There was an underspend of £154,862 or 14.8% on the Recreation Committee Revenue Budgets during 2025/26.**

The main factors contributing towards these underspends are as follows:-

- An underspend on insurance premiums;
- An underspend on gas and electricity costs due to the reduction in prices;
- An underspend on the senior citizens excursions event as a result of non-attendance due to issuing cash to all trip venues this year rather than providing a non-refundable, pre-booked sit-down lunch;
- An underspend on the Santa Tours budget, as a result of the changed format of the event;
- An underspend on the Large Community Events budget, as a result of a reduced number of additional and one-off events this year;
- Underspends in staffing costs as a result the approved local government pay award, as the increase across all pay points was 3.2% compared to a budgeted 4%;
- Savings due to the effective management of overtime and staff cover budgets at the Sports and Golf Complex;
- Increased events income as a result of increased pitch hire income at the Fun in the Parks events and charges implemented at the new Elevate youth event;
- An underspend on bar stock budget reflecting the relationship between costs and income over the previous three years (this has now been adjusted for in the 2026/27 budget);
- A significant increase in golf membership income linked to the closure of a neighbouring golf course;
- An increase in golf green fee income due to the very dry weather during the spring and summer;

- An increase in golf buggy and equipment hire linked to the increased membership numbers;
- An increase in driving range income;
- An increase in hot beverages, bottle and confectionery income at the driving range; and
- An underspend on the driving range ball stocks budget as sufficient stocks are currently held as a result of the successful drainage improvement scheme and dry spring and summer, which has seen a much-reduced number of balls not been lost to plugging.

These underspends have been partly offset from the following overspends and income losses:

- A reduction in Sports Complex income as it would appear that some usage figures, and therefore income budgets have reached their capacity;
- An overspend on the Sports Complex building maintenance budget due to works required on the entrance doors and boiler repairs;
- An increase in the golf course maintenance spend associated with the additional costs of the course re-rating.
- An increase in golf subscription costs due to increased membership numbers, which is fully offset by increased membership income;
- A reduction in sports pitch hire income following the move by some of the junior teams to alternative venues, and the write off of the AJX Academy outstanding debt;
- A reduction in golf shop sales; and
- An overspend on the play equipment maintenance budget following the replacement of the slide at St Oswalds Park, as previously reported.

### 4.3 Environment Committee

**There was an overspend of £11,551 or 5.1% on the Environment Revenue Budgets during 2025/26.**

The main factors contributing towards the overspend are as follows:-

- A significant fall in cemeteries income from burial fees and advance purchases of plots; and
- Increased water costs due to increased consumption at the allotments during the hot summer months.

The overspend has been partly offset by the following underspends:

- Reduced electricity costs at the cemeteries and parish lighting.

### 4.4 Contingency Sum and Contribution to Capital Reserves

There has been no use of the £12,500 Revenue Budget Contingency Sum in 2025/26.

**The unused balance resulted in a further underspend to the Revenue Budget.**

**The Council also made the planned £75,000 contribution to capital reserves from the Revenue Budget at the end of the year.**

The existence of the contingency sum and contribution to capital reserves is another contributing factor towards the fact that the Council delivered a significant underspend on its Revenue Budget last year.

## **5.0 Revenue Budget Support Reserve, VAT Windfall Reserve and Community Support Fund**

### **5.1 Use of Budget Support Reserve in 2025/26**

As part of the reporting of the 2024/25 year-end position this time last year, a total of £31,149 was agreed to be transferred from the 2024/25 Revenue Budget underspend to the Revenue Budget Support Reserve, in order to provide resources to support the 2025/26 Revenue Budget.

These resources were required to fund a number of issues that were on-going at the end of year, and for which additional budget was expected to be required.

Resources have been transferred from the Revenue Budget Support Reserve to the service revenue budgets during the year to meet expenditure relating to these issues.

An analysis of the resources set aside within the Revenue Budget Support Reserve and the expected use of these resources is attached at **Appendix 2** for Members' information.

**This shows that £8,867 was transferred to service revenue budgets this year. This resulted in £22,282 being returned to Council Balances and Reserves at the end of the year.**

### **5.2 Proposed 2026/27 Revenue Budget Support Reserve**

A total of **£24,969** has been identified in ongoing Revenue Budget commitments at the end of the 2025/26 financial year for which it is requested that some of the Revenue Budget underspend are **carried forward in the Revenue Budget Support Reserve to support the 2026/27 Revenue Budget.**

These carry forward requirements are summarised in **Appendix 3** for Members consideration and approval.

Carry forward requirements include unspent pre-school funding, parks maintenance budget for repairs to St Oswald's wall and tubs for Simpasture Park flower displays, funding for donations agreed in 2025/26 to be paid in 2026/27, funding for a seasonal golf greenkeeper as previously approved, and funding for replacement tractor tyres.

### **5.3 Community Support Fund**

As part of the reporting of the 2024/25 year-end position, the Community Support Fund was established to be passed back to the community via targeted investments. A total amount of £50,000 was set aside.

An analysis of the resources set aside within the Community Support Fund and the actual use of these resources is attached at **Appendix 4.**

This shows that £15,539 has been transferred to Service Revenue Budgets this year.

A total of £32,280 from the unallocated balance is to be carried forward to 2026/27 as set out in **Appendix 5.**

## 5.4 VAT Windfall Reserve

As part of the reporting of the 2023/24 year-end position, a total of £12,750 was approved to be carried forward to 2025/26 for projects that had not been completed during 2024/25 from the VAT Windfall Reserve monies.

An analysis of the resources set aside within the VAT Windfall Reserve and the actual use of these resources is attached at **Appendix 6** for Members' information.

This shows that £11,917 has been transferred to Service Revenue Budgets this year, with £833 transferred back to the Council's balances and reserves at the end of the year.

This will now result in the closure of the VAT Windfall Reserve.

## 6.0 2025/26 Year End Capital Programme Budget Position

6.1 The Council approved an original Capital Programme Budget for 2025/26 totalling £567,350.

6.2 The 2025/26 Capital Programme Budget was subsequently increased to provide for the carry forward of a large significant number of on-going commitments, provisional sums, and deferred and on-going projects at the end of the 2024/25 financial year, totalling £366,900.

6.3 This carry forward was approved by Policy and Resources Committee on 4<sup>th</sup> June 2025.

6.4 The Capital Programme was further increased via a number of additional approvals totalling £147,995 as follows:-

- Policy and Resources Committee on 4<sup>th</sup> June agreed an additional £4,200 for replacement bar chairs at the sports complex.
- Policy and Resources Committee on 16<sup>th</sup> July agreed an additional approval of £6,750 to fund the increased cost of the ride on mower replacement, an additional £4,550 to purchase an additional driving range ball dispenser, and an additional budget approval of £31,650 for the sports complex heating system boiler replacements.
- Policy and Resources Committee on 22<sup>nd</sup> October agreed an additional £1,500 to fund replacement driving range mats.
- Policy and Resources Committee on 21<sup>st</sup> January agreed an additional £35,000 to fund replacement stump grinder, an additional £1,045 towards the replacement carpet in the golf shop, and an additional £63,300 towards the cost of solar panels at the Sports Complex.

6.5 Also included in the 2025/26 Capital Programme Budget were a number of grant funded projects including;

- Tree planting on the golf course, via the Trees for Climate Grant, funded by North East Community Forest;
- Horndale Wildflower Meadow, funded via Livin;
- Simpasture football pitches drainage improvements, funded by Durham County Council;
- Various target hardening security measures on Council land, funded by insurance claim related capital contributions.

6.6 **The final 2025/26 Capital Programme Budget therefore totalled £1,082,245** and **Appendix 7** includes more detail on the adjustments made to the budget since it was originally approved.

6.7 **Final spending on the 2025/26 Capital Programme Budget totalled £435,404** (including £24,088 funded by VAT Windfall Reserve, Budget Support Reserve and Community Support Fund), and this has been funded partly from external grant funding received towards specific projects, VAT Windfall Reserve, Budget Support Reserve, Community Support Fund and the Council's Earmarked Capital Reserves which are set aside for this purpose, as follows:-

Earmarked Capital Reserves	£332,648
Capital Grants	£78,668
VAT Windfall Resources	£10,000
Budget Support Reserve	£5,200
Community Support Fund	£8,888
<b>Total</b>	<b>£435,404</b>

6.8 Projects completed during the year included:-

- Council Offices internal decoration and replacement automatic door operating system;
- Sports Complex male toilet refurbishment, replacement bar chairs, solar panel feasibility study, and replacement heating system;
- Pre-school roof repairs;
- Electrical testing remedial works across all council buildings;
- Roof inspections across council buildings;
- Purchase of works electrical machinery;
- Works replacement ride on mower, replacement works vehicle and stump grinder machine;
- Information technology investments including replacement computers, photocopiers, cabling and cybersecurity improvements;
- Purchase of festive lighting;
- Golf course ditch clearance works, golf shop flooring, golf irrigation system works and purchase of a greens top dressing machine;
- Driving range bay dividers, tee mats, ball dispenser machine, ball collector and utility vehicle;
- Footpath repairs;
- Play area safety surfacing works;
- Town Park main swing unit;
- Bus shelter repairs;
- Tree works including Ash Dieback Disease works;
- Replacement fencing at Aycliffe Village Allotments;
- Trees planting on the golf course;
- Establishment of a Wildflower Meadow at Horndale;
- Drainage works at West Cemetery and Stephenson Way Cemetery;
- Drainage works at Simpasture Football Pitches;
- Target hardening security measures; and
- Bridge repairs.

6.9 At the meeting of the Asset Management Sub-Committee on 25th June 2025, a review of the 2025/26 Capital Programme was undertaken, when the status of each project was agreed between those projects that were to go ahead, those which are provisional sums, and those that were to be deferred to a future year.

- 6.10 Final spending on the 2024/25 Capital Programme Budget was significantly under budget by £741,551.**
- 6.11 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 2025/26 Capital Programme Budget are 'provisional' sums and which did not go ahead this year. The final costs on a number of other projects were also less than budgeted.
- 6.12 In addition, some capital projects were delayed into the early part of this year and did not therefore take place in 2025/26 as planned. Some of these projects were ongoing at the end of the year. It is the intention of the Corporate Management Team to work with service managers in the early months of the new financial year to ensure progress on the delivery of these delayed projects.
- 6.13 As a consequence of the above, a number of capital projects will need to be carried forward into the new 2026/27 financial year as a result, and it is requested that a total of £690,050 is carried forward to meet the cost of deferred and delayed capital projects and provisional sums.**
- 6.14 These projects include the flooring, windows and alarm system at the Council Offices, provision for the replacement of the alarm system, windows, doors and heating system at the depot, roof replacement and shutter works at St Oswald's Pre School, electrical repairs, roofing surveys, information technology infrastructure investments, roof replacement works on Moore Lane and Simpasture Pavilions, provision for works on the Town Park Building, including toilet works and window and door replacement, play area safety surfacing works, replacement play equipment at Aycliffe Village infant play area, various works at the golf complex and driving range, various works at the Sports Complex, including roofing replacement, sports hall flooring and solar panel installation, works to the public toilets at West Cemetery, works at Moore Lane Centre including flooring replacement and decoration, footpath repair works, Ash Tree Dieback and tree works and provision for works on Kendrew Bridge.
- 6.15 A detailed breakdown of the final actual spending position on the Council's 2025/26 Capital Programme and the projects that are requested to be carried forward to 2026/27 is attached at **Appendix 8**.

## **7.0 Council Balances and Reserves**

- 7.1 As highlighted earlier, the £395,284 underspend on the 2025/26 Revenue Budget was transferred to the Council's Balances and Reserves at the end of the year. After accounting for the transfer of the Revenue Budget surplus and financing of the Capital Programme as highlighted in Section 6 of the report, as well as the use of the Revenue Budget Support Reserve, Community Support Fund and VAT Windfall Reserve during the year, and the receipt and use of various capital grants, Council Balances and Reserves have increased marginally by £45,768 over the course of the year from £2.227 million to £2.273 million.

- 7.2 The movement on the Council's Balances and Earmarked Reserves during the year is summarised below:-

<b>Council Balances and Reserves</b>	<b>£</b>
General Fund Balance	206,352
Budget Support Fund	31,149
VAT Windfall Reserve	12,750
Community Support Fund	50,000
Community Benefit Fund	8,510
Allotments Bonds Holding Account	550
Earmarked Revenue Reserves (Elections)	50,000
Earmarked Capital Reserves	1,850,000
Usable Capital Receipts	17,682
<b>Actual Balances Held as at 1<sup>st</sup> April 2025</b>	<b>2,226,993</b>
<b>Contribution to Balances in 2025/26:</b>	
2025/26 Revenue Budget Underspend	320,284
2025/26 Contribution to Earmarked Reserves	75,000
Capital Contributions Received	104,458
Allotments Bonds Received	150
<b>Total Contribution to Balances in 2025/26</b>	<b>499,892</b>
<b>Use of Balances in 2025/26:</b>	
Financing of 2025/26 Capital Programme	(332,648)
Use of Budget Support Fund	(8,867)
Use of VAT Leisure Reserve	(11,917)
Use of Community Support Fund	(15,539)
Capital Contributions Repaid	(2,411)
Use of Prior Year Capital Contributions	(8,046)
Use of Capital Contributions	(70,622)
Funding of by Elections	(4,074)
<b>Total Use of Balances in 2025/26</b>	<b>(454,124)</b>
<b>Balances Held as at 31<sup>st</sup> March 2026</b>	<b>2,272,761</b>

- 7.3 This level of balances is better than forecast in the Council's current Medium-Term Financial Plan and this has strengthened the Council's financial position.
- 7.4 This improved financial situation has been achieved via a combination of the substantially better than expected Revenue Budget underspend, and the significantly lower-than-expected Capital Programme Budget spending as a result of provisional sums and deferred and delayed projects as previously explained.
- 7.5 **Net uncommitted year-end balances and reserves**, after taking into account the funding of the ongoing Revenue Budget commitments and all provisional sums, deferred and delayed capital projects referred to above, **would fall to around £1.5 million**, with a further fall in balances to around **£1.3 million by the end of the financial year** if the full 2026/27 Capital Programme Budget was to go ahead.
- 7.6 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 is a positive endorsement of the prudent management and planning of the Council's finances over the last few years.

- 7.7 This will be particularly important bearing in mind the challenges faced in the years ahead in relation to ongoing pressures on staffing costs linked to the National Living Wage and pay awards, and the fact that balances and reserves are projected to be on a downward trajectory moving forward as assets age and significant longer term capital commitments are financed.
- 7.8 The forthcoming update of the Council's Medium-Term Financial Plan will aim to assess the financial impact of these challenges and develop a financial strategy for the five-year period 2026/27 to 2030/31, highlighting how the Council's Revenue and Capital Budget may need to change to respond to the difficulties that lie ahead. This is due to be reported to the Council in the summer ahead of the 2027/28 budget setting process.
- 7.9 The balances held at the end of the year have been set aside in a number of balances and reserves which are held for various purposes as detailed below:-
- **General Fund Balance** which represents the funds available to meet any significant unforeseen costs or shortfalls in income on the Council Revenue Budget. A total of **£263,993** has been set aside in this fund.
  - **Revenue Budget Support Reserve** which provides for the carry forward of unspent Revenue Budget resources from one year to the next to fund on-going revenue spending commitments. As highlighted earlier, a balance of **£24,969** has been carried forward to 2026/27.
  - **Community Benefit Fund** which holds community benefit monies generated from the solar farm at School Aycliffe totalling **£9,758**;
  - **Community Support Fund** which provides for the reinvestment of a proportion of the 2024/25 Revenue Budget underspend into various initiatives contains a remaining balance of **£32,280**;
  - **The Allotments Bonds Account** which holds the bonds from tenants with pigeon lofts and poultry sites, totalling **£700**.
  - **Earmarked Revenue Reserves** which are set aside to meet specific Revenue Budget requirements as follows:-
    - **Elections Reserve** which is set aside to meet the costs of the future elections and by elections. A total of **£50,000** is currently set aside in this reserve.
  - **Earmarked Capital Reserves** which are set aside to meet specific future capital investment requirements as set out in the Council's Asset Management Plan as follows:-
    - **Building Works Reserve** which is set aside to meet the cost of planned future works to the Council's buildings. A total of **£350,000** is currently set aside in this reserve.
    - **Vehicle and Machinery Reserve** which is set aside to meet the costs of future replacements of Council vehicles and machinery. A total of **£400,000** is currently set aside in this reserve.
    - **Parks and Play Equipment Reserve** which is set aside to fund future parks related capital investment and the cost of replacing and upgrading play equipment. A total of **£500,000** is currently set aside in this reserve;

- **Street Equipment Reserve** which is set aside to meet the cost of replacing street equipment such as bus shelters, street lighting, seating, and bins. A total of **£100,000** is currently set aside in this reserve.
- **Sports and Golf Complex Reserves** which are held to fund future non-building related capital investment specific to the sports and golf complex including replacement of machinery and equipment relating to these facilities. A total of **£200,000** is currently set aside in these reserves.
- **ICT and Office Equipment Reserve** which is set aside to meet the costs of any major computer related investment in the future such as replacement servers and computers and office equipment such as telephone systems and photocopiers. A total of **£100,000** is currently set aside in this reserve.
- **Climate Change Reserve** which is set aside to meet the costs of carbon reduction related investment in the future such as solar panels or heat pump systems. A total of **£200,000** is currently set aside in this reserve.
- **Unapplied Capital Contributions and Capital Receipts** which were previously received to be used against future Capital spend. A total of **£41,061** is set aside in this account.

7.10 During 2026/27, the following movement in the Council's Balances and Reserves is estimated:-

- The funding of some or all of the Revenue Budget and Capital Programme carry forward requirements from 2025/26 totalling £24,969 and £690,050 respectively;
- The use of the remaining £32,280 Community Support Fund;
- The funding of some or all of the 2026/27 Capital Programme Budget totalling £315,250; and
- The planned £75,000 contribution to capital reserves from the 2026/27 Revenue Budget.

7.11 **This would see Balances and Reserves fall to a minimum of £1.3 million by the end of 2026/27.**

7.12 Please note that this assumes that the whole Capital Programme Budget will go ahead and that no underspend will be delivered on the Revenue Budget, which is considered highly unlikely.

7.13 Balances would be higher if the contingency sum is not used this year or if further underspends or increased income are achieved on the Revenue Budget.

7.14 However, it must be noted that in light of the ongoing economic uncertainty and the financial pressures and challenges faced by the Council in setting future Revenue Budgets, as highlighted in the Medium-Term Financial Plan, it is unlikely, moving forward, that there will be such significant underspends on the Revenue Budget in future years to contribute towards the replenishment of balances and reserves.

7.15 As highlighted earlier, despite the anticipated fall in balances over the course of the next year, the current level of reserves is much better than forecast in the Council's previous Medium-Term Financial Plan.

- 7.16 This will be particularly important bearing in mind the challenges faced in the years ahead in relation to ongoing pressures on staffing costs linked to the National Living Wage and pay awards, and the fact that balances and reserves are projected to be on a downward trajectory moving forward as assets age and significant longer term capital commitments are financed.
- 7.17 The forthcoming update of the Council's Medium-Term Financial Plan will aim to assess the financial impact of these challenges and develop a financial strategy for the five-year period 2026/27 to 2030/31, highlighting how the Council's Revenue and Capital Budget may need to change to respond to the difficulties that lie ahead. This is due to be reported to the Council in the summer ahead of the 2027/28 budget setting process.

## **8.0 Other Financial Issues**

- 8.1 In line with best practice guidance on financial management, it is also considered prudent to report on and consider the following key areas, which may have a material impact on the Council's finances if not reviewed on a regular basis:-

- External loan debt i.e. monies borrowed by the Council.
- Short term investments i.e. surplus cash invested by the Council.
- Debtors i.e. sums owed to the Council by its customers.

### **8.2 External Loan Debt**

The Council currently has one annuity loan outstanding with the Public Sector Loans Board.

The total amount outstanding at the beginning of the financial year was £57,050.

Interest payable on the loan totalled £2,800 in the current financial year, while principal repayments totalled £11,550.

**The total balance of loans outstanding at the 31st March 2026 was therefore £45,500.**

Options for the possible refinancing or early repayment of the Council's outstanding loans are kept under regular review by the Finance Manager and proposals would be brought forward for consideration by Members if it was considered financially advantageous to do so.

There are currently no plans to repay early or undertake any additional borrowing over the five-year period of the Medium-Term Financial Plan.

### **8.3 Short Term Investments**

The Council's short-term investments are made up of the Council's surplus cash flow resources and its earmarked balances and reserves.

**At 31<sup>st</sup> March 2026, the Council had £308,043 invested in a Deposit Account with the Council's bank, and a further £1,750,000 is invested with the Public Sector Deposit Fund.**

Investment income in respect of interest on balances has remained above budget over the financial year as interest rates remained higher than anticipated and council balances remained higher than expected with some capital expenditure not progressing as quickly as planned.

The interest rate on the Public Sector Deposit Fund at the end of the financial year was running at around 3.7% and the deposit account at 1.1%.

Total investment income for the year is therefore substantially up on budget as a result.

However it should be noted that interest rates are expected to be on a downward trajectory therefore moving forward investment income will reduce.

The Council's Treasury Management Code of Practice includes the Council's borrowing and investment strategy and sets out the arrangements for managing the Council's loans and investments.

## **8.4 Debtors**

Debtors are outstanding income that is due to the Council and relate mainly to fees and charges for services the Council provides that have not yet been paid for.

Prompt recovery of debtors has a positive effect on the Council's cash-flow and outstanding debt should therefore be actively managed so as to minimise payment times and debts written off as uncollectable.

Debt recovery action is the responsibility of the Finance Section and the Council's Income Collection and Debt Recovery Policy sets out the procedures to be followed by the Finance Section and all staff with responsibility for raising debtor's invoices.

The level of outstanding debt at 31<sup>st</sup> March 2026 was low with no invoices outside of the approved payment terms.

The Council's outstanding debt position will continue to be closely monitored and reported to this Committee every quarter.

## **9.0 Impact on Great Aycliffe Town Council**

- 9.1 The regular monitoring and reporting of Council spending and income, balances and reserves, and the overall financial position helps the Council to ensure that it manages and controls its finances prudently and helps to deliver value for money to the local community.

## **10.0 Policy Implications**

- 10.1 The undertaking of regular budget monitoring and the reporting of the Council's financial position to the Policy and Resources Committee assists the Council in achieving the following Strategic Aims:-

*Aim 1 "To provide good quality governance and management of the Council".*

*Aim 2 "To manage the Council's finances and assets in a responsible manner".*

## **11.0 Staffing Implications**

- 11.1 All of the year-end figures set out in the report and explanations of any underspend or overspending have been included following consultation and agreement with the responsible budget managers controlling the income and expenditure on the budgets.

## **12.0 Financial Implications**

12.1 The financial implications are fully set out in the report and appendices.

## **13.0 Crime and Disorder Implications**

13.1 None.

## **14.0 Equal Opportunities Implications**

14.1 None.

## **15.0 Environmental, Biodiversity and Climate Change Implications**

15.1 None.

## **16.0 Risk Assessment**

16.1 Budgetary control is a key factor in effective risk management as it contributes towards the proactive management of the Council's finances by ensuring Members are informed of any potential budget problems at an early stage, thereby allowing remedial action to be taken.

16.2 Formal risk assessments are also undertaken at the time the Council sets the annual Revenue and Capital Budget and also when it approves the Annual Accounts and Medium-Term Financial Plan.

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

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

## **18.0 Recommendations**

18.1 It is recommended that Members:-

- a) Receive the year-end financial position on the Council's 2025/26 Revenue Budgets;
- b) Receive the year-end financial position on the Council's 2025/26 Capital Programme Budgets;
- c) Receive the year-end position on the Council's Balances and Reserves and approve the proposed allocation of those balances;
- d) Approve the Revenue Budget Reserve carry forward requests referred to in paragraph 5.2;
- e) Approve the Community Support Fund carry forward requests referred to in paragraph 5.3;
- f) Approve the Capital Programme carry forward requests referred to in 6.13 and 6.14;
- g) Continue to receive quarterly budgetary control reports during the 2026/27 financial year, detailing the financial position and expected outturn on the Council's 2026/27 Revenue and Capital Budgets.