

2027/28 DRAFT POLICY AND RESOURCES BUDGETS

AGENDA ITEM NO. 11

MEETING: POLICY AND RESOURCES COMMITTEE

DATE: 21st OCTOBER 2026

REPORT BY: FINANCE MANAGER

1.0 Purpose of the Report

- 1.1 The purpose of this report is to present for Members' consideration, comments, and approval the draft 2027/28 Revenue and Capital Budgets for the Policy and Resources Committee.

2.0 Background to the Report

- 2.1 The Council approved the 2026/27 to 2030/31 Medium Term Financial Plan (MTFP) in September. The MTFP sets the scene for and provides the overriding strategy and principles for the setting of the Council's 2027/28 Revenue and Capital Budgets.
- 2.2 The Budget Framework and Timetable for the setting of the Council's 2027/28 Revenue and Capital Budgets were approved at the September meeting of the Policy and Resources Committee.
- 2.3 The Budget Framework provided details of the background to the budget setting process, linked to the MTFP, and set out the key principles to be applied and the budget setting methodology that would be used for the setting of the 2027/28 Revenue and Capital Budgets.
- 2.4 The Budget Timetable provided the timeframe for the setting of the budgets and the reporting of the draft budget to the various Committees and Sub-Committees of the Council.
- 2.5 Officers have subsequently been working on the development of the draft 2027/28 Revenue and Capital Budgets for each Committee and the draft budgets have now been agreed by senior officers at a Performance Management Group Meeting, and at a meeting of the Chairmen and Vice Chairmen of the Committees and political group spokespeople.
- 2.6 The draft 2027/28 Capital Programme Budgets have also been reported to and agreed at a meeting of the Asset Management Sub-Committee.
- 2.7 The draft 2027/28 Policy and Resources Revenue and Capital Budgets are set out in this report and the attached appendices for Members' consideration.

3.0 Current Situation

Medium-Term Financial Plan

- 3.1 The Medium-Term Financial Plan (MTFP) was approved by the Council in September and reviewed the impact of the challenging and uncertain economic times on the Council's finances and budgets.
- 3.2 A reminder of the key issues relating to the 2027/28 budget setting process are set out in this section of the report.
- 3.3 The MTFP concluded that the Council remains in good financial health at the present time, with a balanced Revenue Budget in place for 2026/27 and a healthy level of balances and reserves, providing a sound financial foundation on which to build ahead of the 2027/28 budget setting process.
- 3.4 However, looking ahead, the medium-term outlook for the Council's Revenue Budget over the next five years continues to highlight a number of potential budget challenges.
- 3.5 Consequently, the setting of the 2027/28 Revenue Budget will need to take account of several financial risks and potential challenges, including:
- Global conflict causing significant economic uncertainty and the impact this may have on the UK economy and the Government's spending and taxation plans
 - Changing Government policy, which may lead to cuts to public spending, raising of taxes and interest rates and increased borrowing all of which could have economic impacts such as reduced consumer spending power.
 - Continuing pressures on expenditure budgets from higher-than-inflation increases in some areas, particularly insurance, gas, electricity, vehicle fuel, water, service contracts and capital works; and
 - The significant pressure on the local government pay scale from National Living Wage increases as well as union pressure for public sector pay to keep pace with inflation, and the erosion of differentials between salary grades and the likely restructure of the local government pay scale by the national employers.
- 3.6 The draft 2027/28 Revenue and Capital Budgets have been developed in line with the five key principles from the MTFP which are:
1. Continuing to provide all Council services, facilities and events and maintaining current standards of service;
 2. Identifying and delivering efficiency savings wherever possible;
 3. Ensuring the continued delivery of the Asset Management Plan through the Capital Programme Budget;
 4. Safeguarding a prudent level of balances and reserves; and
 5. Implementing increases in Council Tax that balance the cost-of-living difficulties still being faced by local taxpayers with the budget pressures impacting on the Council's finances, including grant reductions, pay awards and inflation, while maintaining the services valued by the local community.

2027/28 Budget Setting Process

- 3.1 The purpose of the budget setting process is to clearly identify and estimate, in a prudent, transparent, and realistic way, the revenue costs and income associated with running the various services of the Council, and the capital investment that needs to be undertaken in order to deliver the Council's Asset Management Plan.
- 3.2 The aim is to ensure that sufficient budgetary provision is put in place in 2027/28 to ensure that all services can continue to be delivered effectively, that the Council's strategic aims and targets, as set out in the Service Delivery Plan, can be achieved, and that the Council can proactively respond to community needs and priorities.
- 3.3 This needs to be balanced against the financial resources that are likely to be available, bearing in mind the financial challenges being faced by the Council.
- 3.4 In line with the approved principles of the MTFP, the draft 2027/28 Revenue Budget has been prepared on the principle of maintaining existing services and staffing levels.
- 3.5 Additional budget provision has been made for unavoidable inflation, pay awards and other committed increases in expenditure, together with any reductions in income where applicable.
- 3.6 The Council's 2027/28 staffing budgets have been prepared based on the latest approved staffing structure of the Council and include provision for a 3.5% pay award next year.
- 3.7 Gas and electricity costs are increasing again, linked to the conflict in the Middle East and the gas and electricity budgets will be reviewed and updated as further information becomes available, via Durham County Council or other relevant sources, before the 2027/28 budgets are finalised in January. The draft budget assumes a 10% increase in gas and electricity costs in 2026/27, followed by a further 10% increase in 2027/28. This has been added onto the 2025/26 outturn figures. Please note that in some cases this has resulted in savings on the gas and electricity budgets. This is due to last year's budget being set artificially high due to the lack of information provided by Durham County Council.
- 3.8 Inflation is also increasing again, which is impacting upon running costs in a number of areas. A general inflationary increase of 3% has been included in the draft 2027/28 Revenue Budgets, but only for those areas where increases in costs cannot be avoided.
- 3.9 However, it is important to note that the MTFP also highlighted that significant underspends have continued to be achieved on the Revenue Budget in recent years.
- 3.10 As such, a robust review, using the principles of zero-based budgeting, has been undertaken by the Finance Manager, particularly of those areas where underspends are being made year after year, with a view to identifying budget reductions and efficiency savings and increasing some income targets where possible.

- 3.11 The draft 2027/28 Revenue Budgets will be updated to take into account feedback from members at this round of meetings and then later in the year if there are any changes that are required prior to the budget being finalised and approved in January 2027.
- 3.12 In relation to the 2027/28 Capital Programme Budget, the MTFP continues to highlight 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.
- 3.13 In light of this, in line with the principles established in previous years, capital investment will continue to be closely monitored and controlled, and the budget will be focused on essential investment, in order to safeguard the Council's balances and reserves for as long as possible.
- 3.14 The 2027/28 Capital Programme Budget has therefore been prepared on the basis of essential investment only, mainly linked to the delivery of the Asset Management Plan.

4.0 Draft 2027/28 Policy and Resources Revenue Budgets

- 4.1 The detailed draft 2027/28 Policy and Resources Revenue Budgets are attached at **Appendix 1** for Members' consideration.
- 4.2 Members will note that the attached draft budget figures include the actual outturn figures for the last two financial years; 2024/25 and 2025/26.
- 4.3 The prior year income and expenditure figures are included in order to enable Members to take actual spending and income figures into account, in their consideration of the draft 2027/28 budget proposals.
- 4.4 A summary of the draft Policy and Resources Revenue Budgets is shown below:-

Budget 2026/27 £	Policy and Resources Revenue Budget	Inflation and Committed Growth £	Investment in Service £	Savings and Increased Income £	Budget 2027/28 £
83,100	Members and Civic	1,908	-	-	85,008
72,100	Administration Section	4,036	-	(4,902)	71,234
115,650	Finance Section	1,011	-	(2,341)	114,320
304,150	Corporate Services	13,132	-	(1,992)	315,290
64,150	Pre Schools	37,648	-	(355)	101,443
164,100	Works Department	31,159	-	(25,804)	169,455
41,550	Depot	3,200	-	(1,943)	42,807
(23,550)	Capital Financing	620	-	(18,720)	(41,650)
821,250	Total Budget	92,714	-	(56,057)	857,907

- 4.5 The draft 2027/28 Policy and Resources Committee Revenue Budget shows an increase of £36,657 or 4.5% to £857,907.
- 4.6 Pay awards, inflation, other unavoidable increases in costs and falls in income have added £92,714 or 11.3% to the budget.
- 4.7 However, this has been partly offset by budget reductions of £56,057 or 6.8% from reductions in expenditure budgets and significantly increased investment income.
- 4.8 The largest increases have been in relation to staffing costs as a significant proportion of the staff of the Council are accounted for under the Policy and Resources Committee Revenue Budgets. Staffing budgets have been increased to reflect an assumed pay award of 3.5% next year. Overall the policy and resources staffing budgets have increased by £46,250.
- 4.9 Provision has also been made, only where absolutely unavoidable, for a number of inflationary increases on running costs. A general inflationary increase of 3% has also been included in the draft budget for those areas where increases in costs cannot be avoided. These include insurance costs, water, service agreements, business rates, internal and external audit fees, mayor's allowance, and information technology costs.
- 4.5 As highlighted earlier, gas and electricity costs are increasing again, linked to the conflict in the Middle East and the gas and electricity budgets will be reviewed and updated as further information becomes available, via Durham County Council or other relevant sources, before the 2027/28 budgets are finalised in January. The draft budget assumes a 10% increase in gas and electricity costs in 2026/27, followed by a further 10% increase in 2027/28. This has been added onto the 2025/26 outturn figures. Please note that in some cases this has resulted in savings on the gas and electricity budgets. This is due to last year's budget being set artificially high due to the lack of information provided by Durham County Council.
- 4.8 Provision has also been made for a fall in pre-school funding income linked to a reduction in forecast attendance numbers
- 4.9 These increases in costs have been offset by a significant increase in investment income linked to forecast higher levels of balances and interest rates next year. The income budgets for Feed In Tariff returns from the office solar panel system and the lease rent income for the Depot telecommunications mast have also been increased. Savings have also been identified in a number of underutilised budgets including printing and photocopying, postage, stationery, newsletters, and vehicle fuel and bank charges. Most other budgets have been frozen at existing levels, with an expectation that inflationary increases will be absorbed, although this is becoming more difficult with budgets now being so stripped back.
- 4.10 No discretionary additional or new investment in services in the Policy and Resources Committee Budgets has been provided for in light of the current financial situation being faced by the Council. This is in order to help balance the 2027/28 Revenue Budget and restrict the Council Tax.
- 4.11 The draft Revenue Budgets will be updated to consider feedback from members at this round of meetings and then later in the year if there are any changes that are required prior to the budget being finalised and approved in January 2027.

4.12 A summary of the main changes in respect of each individual budget is detailed below.

4.16 **Members and Civic**

This budget has increased marginally by £1,908 between 2026/27 and 2027/28.

All budgets have been frozen at current levels, with the exception of inflationary increases to the civic insurance budgets and the central support recharges budgets, which have been increased to incorporate the forecast staff pay award.

An additional £700 has been included in the Mayor's Allowance budget for 2027/28 to recognise the taxable nature of the allowance and the resulting reduction in its net value. The increase is intended to ensure that the allowance continues to provide appropriate support towards the expenses incurred in carrying out the duly approved and constituted duties of the Office of Mayor. This increase was agreed by the Policy and Resources Committee on 9th September 2026.

4.17 **Administration Section and Council Offices**

The Administration Section and Council Offices Revenue Budget has decreased by £866 from £72,100 in 2026/27 to £71,234 in 2027/28.

There have been increases in expenditure, primarily due to the provision for the 3.5% staff pay award, together with increases in gas, electricity, water and other premises-related costs. These increases have been partly offset by savings in supplies and services, including reduced printing, postage and public liability insurance budgets.

Projected income has increased by £3,950, mainly due to higher Feed-in Tariff income from the solar panel system, and increased recharges to services, to account for the forecast staff pay award.

Overall, the savings and increase in projected income more than offsets the additional expenditure, resulting in a £866 reduction in the net budget for 2027/28.

4.18 **Finance Service**

The Finance Section Revenue Budget has decreased by £1,330, from £115,650 in 2026/27 to £114,320 in 2027/28.

There have been increases in expenditure, primarily due to the provision for the 3.5% staff pay award, increased provision for the Finance Manager's CIPFA qualification costs and a 3% assumed increase in internal audit fees. There has also been a small increase in staff travel and subsistence costs.

These additional costs have been more than offset by increased support service recharges, reflecting the forecast staff pay award, together with savings in staffing costs, linked to staff turnover within the section.

Overall, these changes have resulted in a £1,330 reduction in the net budget for 2027/28.

4.19 Corporate Services

The Corporate Services Revenue Budget has increased by £11,140, from £304,150 in 2026/27 to £315,290 in 2027/28.

There have been increases in expenditure, primarily due to the provision for the 3.5% staff pay award, together with increased information technology costs, including new provision for cybersecurity requirements and councillor email addresses. There are also inflationary increases in health and safety, insurance, external audit and CCTV running costs.

These additional costs have been partly offset by savings in business rates and the Newsletter and Consultation Budget, and increased support service recharges.

4.20 St Oswald's Pre-Schools

The St Oswald's Pre-School Revenue Budget has increased by £37,293, from £64,150 in 2026/27 to £101,443 in 2027/28.

There have been increases in expenditure, primarily due to the provision for the 3.5% staff pay award, together with increases in utility and other operating costs, although these have been partly offset by savings identified across a number of budgets.

The main impact on the overall budget, however, is the £27,200 projected reduction in Durham County Council funding, reflecting lower forecasted attendance and funded hours. Other income assumptions have been retained at current levels, including £10,000 for High Needs SEN funding.

Overall, the combination of increased expenditure and reduced income results in a £37,293 increase in the net budget for 2027/28.

4.21 Works Department

The Works Department Revenue Budget has increased by £5,355, from £164,100 in 2026/27 to £169,455 in 2027/28.

Gross expenditure has increased by £28,205, primarily due to the provision for the 3.5% staff pay award, increased staff training requirements, and higher fuel and equipment costs. There are also increases in vehicle running costs, insurance and support service recharges. These additional costs have been partly offset by savings across a number of budgets, including staff-related insurance and vehicle and machinery insurance.

The increase in expenditure has been significantly offset by a £22,850 increase in works section recharges income, reflecting higher recharges to frontline service areas based on actual staff time worked, to account for the forecast staff pay award.

Overall, this results in a £5,355 increase in the net budget for 2027/28.

4.22 Depot

The Depot Revenue Budget has decreased by £1,257, from £41,550 in 2026/27 to £42,807 in 2027/28.

There have been reductions in expenditure, primarily due to reductions in projected gas, electricity, rates and water costs, together with savings in premises and machinery insurance. These reductions have been partly offset by increases in service agreement and works section recharge costs.

Income has also increased by £560, reflecting an increase in lease income from the depot telecommunications mast.

Overall, the combination of reduced expenditure and increased income has resulted in a £1,257 reduction in the net budget for 2027/28.

4.23 Capital Financing Charges

The Capital Financing Charges Revenue Budget has improved by £18,100, from a net income of £23,550 in 2026/27 to a net income position of £41,650 in 2027/28.

Gross expenditure has decreased by £3,300, primarily due to reductions in interest costs as existing loans mature and a reduction in bank charges following the introduction of new card payment machines. This has been partly offset by an increase in principal loan repayments as existing loans mature. Investment income has also increased by £14,800, based on an estimated average invested balance of £1.5 million and an assumed average interest rate of 4.25%.

However, officers are aware that interest rates may increase further. The current Bank of England Bank Rate is 3.75%, and there remains a strong possibility of further increases later this year and during 2027 in response to ongoing inflationary pressures, particularly those arising from higher energy prices.

The investment income budget will therefore be kept under review and updated as further information becomes available, before the 2027/28 budgets are finalised in January.

Overall, the reduction in bank charges, combined with the increase in investment income, results in a £18,100 reduction in the net budget for 2027/28.

4.24 Policy and Resources Fees and Charges

The Policy and Resources Revenue Budget does not yet provide for any increases in the fees and charges for the pre-school in 2027/28.

Fees and charges will be considered separately at a Special Meeting of the Policy and Resources Committee, and if any increases are agreed, then this would generate additional resources which could then be added to the income budgets, if required later in the year, to help balance the Revenue Budget.

5.0 Draft 2027/28 Policy and Resources Capital Budgets

- 5.1 In relation to the 2027/28 Capital Programme Budget, the MTFP 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.
- 5.2 In light of this, the Council has previously agreed that future capital investment will continue to be closely monitored and controlled with only essential expenditure being incurred during these challenging economic times in order to protect and preserve Council balances, and the 2027/28 Capital Programme Budget has been prepared on the basis of essential investment only, mainly linked to the delivery of the Asset Management Plan.
- 5.3 To be clear, it is *not* being recommended that *all* capital investment is restricted, more that investment should be focussed on those essential projects that contribute towards the delivery of the Asset Management Plan, such as building works, vehicle and machine replacement, footpath repairs and play area safety surfacing replacement.
- 5.4 The draft 2027/28 Policy and Resources Capital Programme Budget is attached at **Appendix 2** and currently stands at **£222,500**.
- 5.5 The budget includes all of the capital projects included in the Medium-Term Financial Plan and Asset Management Plan. Officers have undertaken a review of the projects and made recommendations as to 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. This proposed classification of the capital projects making up the draft budget was considered by the Asset Management Sub-Committee on 7th October.
- 5.6 A list and description of the projects making up the draft 2027/28 Policy and Resources Committee Capital Budget is detailed below, including the officers' recommendations:

Pre-School Heating System £5,000

This budget provides for the replacement of the pre-school heating system which is now due. It has been recommended that this is included as a provisional sum and utilised if replacement of the heating system is advised by the service company.

Felt Roof Inspections £1,000

This annual budget allocation to enable an annual inspection of those buildings with felt roofs, as required by the Council's insurer. It is recommended that this budget is included as essential work.

Replacement Works Electrical Machinery £5,000

This budget provides for the ongoing replacement of works machinery with electrical alternatives. This would include small petrol and diesel-powered hand mowers, strimmers and chainsaws. It has been recommended that the budget is included as a provisional sum and used when necessary to replace machines at the end of their useful life as there are currently sufficient stocks of machinery in use.

Works Vehicles £76,000

This budget provides for the replacement of three works vehicles which have reached the end of their estimated useful life. These are the Mitsubishi L200, Citroen Dispatch and Relay Tipper. It is recommended that the replacement of these vehicles is included as an essential project.

Tractor £65,000

This budget provides for the replacement of the John Deere tractor which has reached the end of its estimated useful life. It is recommended that the replacement of the tractor is included as an essential project.

Fairways Mower Cylinders £2,500

This budget provides for the replacement of the golf fairways mower cylinders which have reached the end of their estimated useful life. It is recommended that the replacement of the cylinders is included as an essential project.

Greens Mower £50,000

This budget provides for the replacement of the golf course greens mower which has reached the end of its estimated useful life. It is recommended that the replacement of the greens mower is included as an essential project.

Leaf Vacuums £5,000

This budget provides for the replacement of the leaf vacuums which have reached the end of their estimated useful life. It is recommended that the replacement of the vacuums is included as an essential project.

Computer Replacements £5,500

This budget provides for the replacement of computers and laptops as part of the Council's rolling programme of computer upgrades. Regular replacement of computers and laptops is an essential element in ensuring robust cyber security and it is therefore recommended that this budget is included as an essential sum to be spent on upgrades and replacements as recommended by the Council's information technology support company.

Information Technology Infrastructure and Cybersecurity £5,000

This budget provides for any miscellaneous information technology investments mainly relating to cybersecurity, but also covering issues such as telephony, consultancy time etc. It has been recommended that this budget is included as an essential sum to be spent on various cybersecurity improvements as recommended by the Council's information technology support company following ongoing cybersecurity audits.

Website Development £2,500

This annual budget provides for the on-going development of the Council website, including compliance requirements and accessibility improvements. It has been recommended that this budget is included as a provisional sum to be spent on any required updates next year on the advice of the Council's website provider.

- 5.7 Members are asked to consider the proposed 2027/28 Policy and Resources Capital Programme Budget and confirm which projects should go ahead as essential or be retained as provisional sums, and which should be deferred to a future year or deleted altogether.

6.0 Budget Timetable

6.1 The remaining timetable for the setting of the 2027/28 Budgets is summarised below:

- **Early to Mid-November:** Special Policy and Resources Committee to consider proposed fees and charges increases for 2027/28.
- **Mid-November:** Issue of the online budget survey;
- **November and December:** Consideration of feedback from the October committee meetings and the budget consultation, and development of the final budget proposals, following the final notification of the Council Tax Support Grant and Council Tax Base figures;
- **2nd December:** Budget update report to Policy and Resources Committee setting out details of the above, if required;
- **20th January 2027:** Final 2027/28 Revenue and Capital Budgets to be reported to and approved by Policy and Resources Committee;
- **27th January 2027:** 2027/28 Precept to be approved by Full Council and Council Tax increase to be declared.

7.0 Policy Implications

7.1 The consideration of the 2027/28 draft Policy and Resources Revenue and Capital Budgets contributes towards the achievement of Strategic Aim 2 in the Council's Service Delivery Plan:

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

8.0 Staffing Implications

8.1 The draft budget proposals set out in this report were prepared in consultation with, and agreed by, the relevant service managers.

9.0 Financial Implications

9.1 The financial implications for the Council are fully set out in the report.

10.0 Crime and Disorder Implications

10.1 None.

11.0 Equal Opportunities Implications

11.1 None.

12.0 Environmental, Biodiversity and Climate Change Implications

12.1 No direct implications.

13.0 Risk Assessment

- 13.1 A full risk assessment will be included in respect of the setting of the Council's 2027/28 Revenue and Capital Budget, at the final stage of the budget setting process, when the Council determines and approves the 2027/28 Precept in January 2027.

14.0 General Data Protection Regulations (GDPR)

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

15.0 Recommendations

- 15.1 It is recommended that Members:
- a) Receive the report;
 - b) Consider and agree the draft 2027/28 Policy and Resources Committee Revenue Budget and feedback any proposed amendments to officers;
 - c) Consider and agree the draft 2027/28 Policy and Resources Capital Programme Budget and confirm which projects should go ahead as essential works, which should be retained as provisional sums, and which should be deferred to a future year or deleted altogether.