MEDIUM TERM FINANCIAL PLAN 2026/27 to 2030/31

AGENDA ITEM NO. 8

MEETING: POLICY AND RESOURCES

DATE: 9TH SEPTEMBER 2026

REPORT BY: FINANCE MANAGER AND TOWN CLERK

1.0 Purpose of the Report

1.1 The purpose of this report is to set out for Members' consideration and approval the Council's 2026/27 to 2030/31 Medium Term Financial Plan.

1.2 This report is intended to provide an executive summary of the Plan.

2.0 Background to the Report

2.1 Although there is no legislative requirement for the Council to produce a Medium-Term Financial Plan, ensuring a strategic and pro-active approach to the Council's financial planning is considered to be an essential element of the corporate and financial management of the Council. This is particularly important in volatile, challenging and uncertain economic times such as those being experienced at the present time.

2.2 This update of the Medium-Term Financial Plan covers the five-year period 2026/27 to 2030/31 and aims to review the impact of the ongoing economic difficulties and uncertainties on the Council's finances and adjust its financial strategy and budget planning as it looks ahead to what is likely to be a challenging few years.

2.3 The Plan also helps ensure that a link is established between the Council's strategic aims and targets and the priorities of the local community, as set out in the Service Delivery Plan, and the resources that are likely to be available to fund their delivery and achievement over the next five years.

2.4 It sets out the financial principles that will be applied, the national and local issues likely to impact upon the Council, and summarises the key challenges faced over the period, including an assessment of key risks.

2.5 It then forecasts the future financial outlook for the Council, based on a series of prudent assumptions, and sets out an indicative Revenue and Capital Budget for the five years, including projections of the likely level of Council Precept, Town Council Tax and balances and reserves.

2.6 The Plan puts in place the framework for the forthcoming setting of the 2027/28 Revenue and Capital Budget.

2.7 A copy of the Medium-Term Financial Plan is attached to the report. However, please note that a summarised set of appendices has been included in order to save on paper, printing, and postage costs. The full set of appendices are available to view at the council offices, upon request.

3.0 Current Financial Situation

3.1 The current financial situation of the Council was summarised in the 2025/26 Revenue and Capital Budget Year-End Outturn Position Report presented to and approved at the Policy and Resources Committee on 3rd June 2026.

3.2 This report confirmed that the Council's finances remain in a healthy position at the present time, despite the difficult and uncertain economic situation and the various budget challenges faced including the withdrawal of the Council Tax Support Grant, pressure on staffing budgets linked to National Living Wage increases and trade union demands, and inflationary pressures in a number of areas of expenditure.

3.3 The Council continues to deliver its services in an efficient and cost-effective manner and has a proven track record of prudent financial management, achieving efficiency savings on its Revenue Budget over a number of years.

3.4 A significant, and higher than expected, saving of £395,284 or 19% achieved during 2025/26 and the reasons for this saving included:

- 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.

3.5 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.

3.6 However, it was acknowledged that the savings achieved in 2025/26 were much higher than originally forecast and build on a trend of significant revenue budget savings in recent years.

3.7 Whilst there were genuine reasons for many of the savings, and a significant proportion have already been accounted for in the setting of the 2026/27 Revenue Budget, the level of savings made may indicate that there is some scope to deliver further savings and reductions in certain areas.

3.8 In light of this, moving forward, the Council has expressed a wish to ensure that any future increases in Town Council tax are kept to a minimum, and that a review of the Revenue Budget is undertaken with a view to removing any ongoing Revenue Budget savings and using these to put in place a higher contribution to capital reserves, ensuring greater transparency to the local taxpayers, rather than showing large underspends across all service areas year on year.

3.9 This has been considered in this update of the Medium-Term Financial Plan and more detailed work will take place during the forthcoming setting of the 2027/28 Revenue Budget.

3.10 Clearly a balance will need to be found between making prudent provision for income and expenditure, particularly in those areas where budgets are tight and costs are increasing or income decreasing, whilst ensuring robust review of those areas where underspends are being made year after year.

3.11 These areas will need to be scrutinised, and, where possible, efficiency savings and budget reductions identified to help keep the Precept and Council Tax increase to an acceptable level, and, ideally, boost the contribution to capital reserves.

3.12 It is the intention of the Finance Manager to undertake a full review of the 2027/28 Revenue Budget, using the principles of zero-based budgeting, with a view to identifying any scope to reduce expenditure budgets and increase income targets where possible. As such, all current budgets will need to be justified and evidenced, and key regard will be given to actual spending and income in the current financial year as well as in previous years, with a view to identifying opportunities for efficiency savings and budget reductions.

3.13 The 2025/26 Revenue Budget saving was transferred to the Council's balances and reserves, helping to replenish and increase those balances at a time when the Council's Asset Management Plan continues to forecast significant capital investment commitments over the longer term. This transfer has helped the Council to maintain a healthy financial position.

3.14 It is important to stress that the Council would not be able to maintain a healthy level of balances and reserves without savings from the Revenue Budget. The key is to maintain a healthy balance and ensure transparency to the local taxpayers in doing so.

3.15 The financial position in the early part of the 2026/27 financial year highlights a lower level of Revenue Budget savings indicating that there may now be less scope to identify further savings on the Revenue Budget, following the various budget reductions implemented as part of the 2026/27 budget-setting process. Whilst it is still expected that the Council will deliver a saving on the Revenue Budget, through the planned contribution to capital reserves and contingency sum and other savings, the level of savings is anticipated to be lower than in previous years.

3.16 The Council made a significant capital investment of £435,400 in Council and community assets last year which was largely funded from earmarked capital reserves.

3.17 However final spending was still significantly under budget and lower than initially planned. There were a number of reasons for this, with a number of projects ongoing at the end of the year and therefore financially complete early in the 2026/27 financial year. Additionally a number of projects were deferred to future years following the Council's review of the Capital Programme and many of the projects included were 'provisional' sums which did not go ahead as the investment was not required.

3.18 As a consequence of this, a large number of projects totalling £690,050 in value were carried forward to 2026/27, resulting in another potentially large capital programme this year.

3.19 The savings delivered on the Revenue Budget last year offset the capital investment made and balances and reserves therefore increased marginally by £45,000 over the course of the 2025/26 year, from £2.227 million to £2.272 million, which was a positive outcome.

3.20 However, it is important to note that net uncommitted year-end balances and reserves, after taking into account the funding of the 2026/27 Capital Programme and all revenue and capital commitments carried forward from last year, would fall around £1.3 million by the end of the financial year, *if* the full 2026/27 Capital Programme Budget was to go ahead. *Please note that actual spending on the capital programme would likely be less than the full budget due to the presence of a large number of provisional sums.*

3.21 The positive financial situation that the Council currently finds itself in is a significant achievement in these challenging times and is an endorsement of the prudent management and planning of the Council's finances over the last few years, and the savings delivered on the Revenue Budget in previous years has contributed towards this healthy position.

3.22 The decision to increase the Town Council Tax over the last few years, to offset the ongoing high inflationary increases being faced and the cuts to, and ultimate withdrawal of the Local Council Tax Support Grant by Durham County Council, has played a significant role in this positive financial situation and has also helped to keep the future year's increases indicated in this MTFP lower.

3.23 In addition to this, the actions taken by the Council in previous years to maintain a contingency sum and contribution to capital reserves in the Revenue Budget, and monitor, control and reduce capital expenditure, have undoubtedly helped the Council to maintain a healthy level of balances and reserves.

3.24 This healthy financial position provides the Council with a very solid foundation on which to build, as it prepares this Medium-Term Financial Plan looking ahead to the next five years up to 2030/31.

3.25 This will be particularly important, bearing in mind the continuing challenges that the Council faces in the years ahead which are summarised in more detail in the following section of the report.

4.0 Future Challenges Facing the Council

4.1 As alluded to above, the Council faces a number of financial challenges in the years ahead, most notably:-

- 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 as a result of this, which may lead to cuts to public spending, raising of taxes and increased borrowing all of which could have economic impacts such as increases in interest rates, increased inflation and reduced consumer spending power.
- The pressures on expenditure budgets from high inflationary increases in some areas, particularly on insurance, water, service contracts, information technology costs, and capital works.
- 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 for local government.
- The risk of council tax referendum principles being extended to town and parish councils, in future years.
- The implications of any new spending cuts made by Durham County Council, which could result in increasing pressure to take over local services which have been reduced or withdrawn by the county council.

- Increased requests for financial assistance from community and voluntary organisations.
- Providing for the significant future capital investment commitments facing the Council and ensuring the delivery of the Asset Management Plan.
- Maintaining a prudent level of balances and reserves, whilst meeting the cost of this capital investment, as well as the likelihood of reduced savings and top-up of reserves from the Revenue Budget.

4.2 The Council relies heavily upon the Precept and therefore the Town Council Tax to fund the services it provides and is limited in its ability to raise additional funds, other than through the Precept and Council Tax.

4.3 Over half of the Council's gross expenditure relates to officer pay costs and therefore annual officer pay awards, linked to the ongoing increases to the National Living Wage are likely to be one of the most significant cost pressures on the Council's Revenue Budget moving forward.

4.4 It is likely that there will be higher than usual staffing cost increases over the next few years, linked to increases in the National Living Wage and pressure for public sector pay to keep pace with inflation.

4.5 Based on current estimates, it is forecast that the only way to avoid the National Living Wage overtaking the lowest local government pay grades in future years, and to retain the current 'differentials' between local government pay grades, working up through the pay grade, will be for the National Joint Council for Local Government Employers to agree an annual pay increase of between 3% and 3.5% per annum from 2027/28 onwards, and by more than this if substantial increases are made to the National Living Wage.

4.6 It is clear that a tipping point is fast approaching in relation to local government pay and the further expected increases in the National Living Wage will bring about increasing compaction at the lower end of the local government pay scale. If pay awards are to return to a more manageable level, the National Joint Council for Local Government Employers has previously indicated they are anticipating that a fundamental restructure of the local government pay scale will be required as part of a multi-year pay deal. This could involve further deletion of salary points at the lower end of the salary scale and the possible need for individual councils to undertake a job evaluation exercise.

4.7 This pressure on the local government pay scale and erosion of differentials between salary grades is of significant concern, and has already led to the Council needing to undertake a limited grading restructure in the 2026/27 financial year. There is a strong possibility that the Council will need to undertake a further grading restructure and job evaluation exercise during the period of this Plan, linked to the NJC undertaking a more fundamental review of the pay scale. Both would potentially bring with them significant increases in staffing costs.

4.8 Inflation also remains stubbornly high in some areas of expenditure such as gas, electricity, vehicle fuel, insurance, information technology and service contracts, and this continues to be a pressure on the Revenue Budget.

4.9 The funding of all of these budget pressures will need to be made up in the Revenue Budget via a combination of increases to the Town Council Tax, council tax base growth, efficiency savings and budget reductions identified via the aforementioned ‘zero-based’ budget review, income generation and increases to fees and charges.

4.10 At the same time, it is important that the Council recognises the financial difficulties still being faced by local taxpayers as a result of the continuing cost-of-living crisis, and the need to keep future increases in the Town Council Tax as low as possible. This is also important in the context of the possibility of council tax referendum principles being extended to town and parish councils in future years, thereby placing a limit on how much the Council can increase its Precept by.

4.11 The Council is also facing the prospect of needing to undertake significant capital investment in its fixed assets over the medium to long term and ensuring that sufficient balances and reserves are maintained to meet these commitments, will be a significant challenge, particularly bearing in mind the likelihood of reduced savings and therefore replenishment of reserves from the Revenue Budget. The level of the contribution to capital reserves will therefore be a key consideration for the Medium-Term Financial Plan.

4.12 The process of balancing Council’s 2027/28 to 2030/31 Revenue Budgets will continue to be challenging and this situation is likely to remain difficult over the medium to long term.

4.13 In summary, while the Council’s finances remain healthy at the present time, and the Council has a solid foundation on which to build, this position is likely to deteriorate in the short to medium term. The Council will need to plan its Revenue and Capital Budgets carefully over the period of this Medium-Term Financial Plan in order to meet the challenges that lie ahead, protect services, facilities and events, invest in assets, maintain a prudent financial position and level of balances and reserves, and limit increases in the Town Council Tax as much as possible.

5.0 2026/27 to 2030/31 Medium-Term Financial Plan

5.1 This Medium-Term Financial Plan has been prepared on the basis of the following key principles:-

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 continued 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 between the years 2027/28 to 2030/31 that finds a balance between recognising the ‘cost of living’ difficulties still being faced by local taxpayers, the budget pressures impacting upon the Council’s finances in terms of pay awards and inflation, and the need to boost the contribution to capital reserves, and the need to maintain the important services, facilities and events that are valued by the local community.

5.2 This Medium-Term Financial Plan makes provision for likely future increases in costs from pay awards, inflation, and any other unavoidable spending commitments, forecast increases and decreases in income, as well as accounting for any known savings, assumed increases in fees and charges, and council tax base growth.

5.3 The key assumptions made in preparing the Revenue and Capital Budget Forecast are set out in detail in Section 7 of the Plan.

5.4 The 2026/27 to 2030/31 Revenue and Capital Budget Forecast is set out in Section 8 of the Plan and includes projections of the likely changes to the budgets and required increases in the Town Council Tax over the five-year period and the likely movement in the Council's balances and reserves.

5.5 A summary of the Revenue and Capital Programme Budget Forecast for the five-year period 2026/27 to 2030/31 is set out on the following page:

Budget Description	**Budget 2026/27 £**	**Estimate 2027/28 £**	**Estimate 2028/29 £**	**Estimate 2029/30 £**	**Estimate 2030/31 £**
Policy and Resources Budgets	821,250	863,304	906,871	942,930	979,508
Recreation Budgets	1,041,250	1,024,322	1,052,706	1,086,266	1,118,236
Environment Budgets	236,600	254,750	260,650	268,500	276,350
Contingency Sum	16,000	40,000	35,000	32,700	33,600
2029 Election	-	-	-	30,000	-
Add Contribution to Reserves	75,000	75,000	75,000	75,000	92,250
Total Revenue Budget	**2,190,100**	**2,257,376**	**2,330,227**	**2,435,396**	**2,499,944**
Capital Programme Budgets	1,038,700	472,300	225,500	336,800	309,250
Revenue and Capital Budget	**3,228,800**	**2,729,676**	**2,555,727**	**2,772,196**	**2,809,194**
Less Use of Reserves:					
Funding of 2029 Election	-	-	-	(30,000)	-
Funding of Capital Budgets	(1,038,700)	(472,300)	(225,500)	(336,800)	(309,250)
Council Precept	**2,190,100**	**2,257,376**	**2,330,227**	**2,405,396**	**2,499,944**

Council Tax Base	**7,011**	**7,050**	**7,100**	**7,150**	**7,250**
Band D Council Tax	**£312.38**	**£320.20**	**£328.20**	**£336.42**	**£344.82**
Band A Council Tax	**£208.25**	**£213.46**	**£218.80**	**£224.28**	**£229.88**
% Increase in Council Tax	**3.99%**	**2.50%**	**2.50%**	**2.50%**	**2.50%**
Savings Required to limit Council Tax increase to 1%	**£0**	**£33,070**	**£34,107**	**£35,292**	**£36,516**
Savings Required to Freeze the Council Tax	**£0**	**£55,093**	**£56,841**	**£58,759**	**£60,907**

5.6 **In overall terms, the Revenue Budget forecast shows that the Council may need to increase the Precept by around £310,000 or 14% over the four-year period between 2027/28 and 2030/31 from £2.190 million in 2026/27 to £2.500 million in 2030/31.**

5.7 These increases will be required to offset the various spending pressures that the Council faces in relation to pay increases, unavoidable inflation on running costs, and pressures on usage and income in respect of some services.

5.8 The need to increase the Precept each year also reflects the importance of maintaining a prudent level of contribution to reserves, which will help to facilitate the replenishment of the Council's earmarked capital reserves, in light of the substantial capital investment faced by the Council over the medium to long term.

5.9 However, the increases have been contained, as far as possible, through efficiency savings, reductions in under-utilised budgets, increases in fees and charges and assumed growth in the Council Tax Base.

5.10 The identification of further efficiency savings is an ongoing process and significant savings have already been identified and removed as part of previous years' budget setting processes.

5.11 However as highlighted earlier, it is the intention of the Finance Manager to undertake a full review of the Revenue Budget, using the principles of zero-based budgeting, with a view to identifying any scope to reduce expenditure budgets and increase income targets where possible.

5.12 There may also be further opportunities for delivering efficiency savings via procurement exercises, capital investment (investing to save), and the completion of service reviews.

5.13 This may restrict the need to increase the Precept in any given year, although it is not possible to quantify any such savings and include them in this Medium-Term Financial Plan until such a time as these savings have been realised.

5.14 **Based on the Revenue Budget Forecast included in this Plan** and the assumptions made around pay awards, inflation, income, fees and charges, and efficiency savings and budget reductions, as well as forecast Council Tax Base growth, **the Council would need to consider increasing the Town Council Tax by around 10% over the four-year period between 2027/28 and 2030/31**

5.15 **This represents an average increase of 2.5% per year.**

5.16 **In real terms, this would equate to an average increase of around £8.11 per year at Council Tax Valuation Band D or £5.41 per year at Band A.**

5.17 More detailed commentary on the key issues and financial implications in each individual year is detailed in the following part of the report.

2026/27 Revenue Budget

5.18 **The 2026/27 Revenue Budget was set by the Council in January 2026, when a 3.99% increase in the Town Council Tax was agreed.**

5.19 **However, it is important to note that this 3.99% increase in the Town Council Tax was driven almost entirely by the withdrawal of the Council Tax Support Grant by Durham County Council from 1st April 2026.**

5.20 This resulted in the loss of £145,250 of recurring annual funding and placed additional pressure on the 2026/27 Revenue Budget. Excluding the impact of the withdrawal of the grant, the council tax increase this year would have been much lower and likely closer to a council tax freeze.

5.21 The 2026/27 Revenue and Capital Budget ensured the protection and maintenance of all Council services, facilities and events to current standards this year, and continued capital investment in community assets.

5.22 The 2026/27 Revenue Budget also maintains some surplus resources via a contingency budget and a contribution to capital reserves in order to ensure that Council balances and reserves can be replenished at a time when the Council is facing significant capital investment commitments over the medium to long term.

2027/28 Revenue Budget

5.23 Next year, the Council will continue to face pressures on the Revenue Budget because of staff pay awards and inflation.

5.24 Based on the latest information available in relation to the National Living Wage and Local Government Pay, the Plan assumes a 3.5% pay increase for Council staff in 2027/28. Around 60% of the Council's gross revenue expenditure relates to staffing.

5.25 Inflation continues to place pressure on several supplies and services budgets, with gas and electricity forecast to increase by 7.5% and insurance premium costs forecast to increase by 5%. There are also unavoidable increases in other areas, including service contracts, machine rentals, bar supplies, catering supplies and information technology.

5.26 These cost increases are partly offset by growth in the Council Tax Base and increases in fees and charges. The Finance Manager's initial review of the Revenue Budget has also helped to identify some scope to reduce expenditure budgets and increase income targets, which has helped to limit the council tax increase in 2027/28 and free up resources that can be added to the contingency sum or contribution to capital reserves.

5.27 The Revenue Budget therefore includes an increased £40,000 contingency sum and a £75,000 contribution to capital reserves. These provisions support the Council in maintaining prudent levels of contingency and reserves considering the significant capital investment required over the medium to long term.

5.28 **Based on the assumptions and projections made, the Council's Precept is forecast to increase by approximately £67,300 in 2027/28, from £2.190 million to £2.257 million.**

5.29 **This represents an assumed 2.5% increase in the Town Council Tax in 2027/28.**

5.30 **In real terms, this represents an increase of approximately £7.82 per year for a Band D property and £5.21 per year for a Band A property.**

2028/29 Revenue Budget

5.31 The Council will continue to face pressures on the Revenue Budget in 2028/29 because of staff pay awards, inflation and other increases in the cost of delivering Council services. It is assumed that inflation will have returned closer to normal levels across most areas of expenditure, although pressures will remain in several specific areas.

5.32 The Plan assumes a further 3% pay increase for Council staff in 2028/29, together with modest inflationary increases in relevant running costs.

5.33 These pressures are partly offset by assumed growth in the Council Tax Base and increases in fees and charges. The Revenue Budget also includes a reduced contingency sum of £35,000 and a £75,000 contribution to capital reserves, supporting the Council's ability to manage unforeseen expenditure and maintain prudent levels of reserves.

5.34 As previously highlighted, several efficiency savings and budget reductions have already been incorporated into the MTFP. However, given the significant savings achieved through previous budget-setting exercises and the increasingly lean nature of existing budgets, the scope for further savings is expected to be limited in 2028/29.

5.35 **Based on the assumptions and projections made, the Council's Precept is forecast to increase from £2,257,376 in 2027/28 to £2,330,227 in 2028/29, an increase of approximately £72,900.**

5.36 **This represents an assumed 2.5% increase in the Town Council Tax in 2028/29. The Council Tax Base is forecast to increase from 7,050 to 7,100, with the Band D Council Tax increasing from £320.20 to £328.20.**

5.37 **In real terms, this represents an increase of approximately £8.00 per year for a Band D property and £5.34 per year for a Band A property.**

2029/30 Revenue Budget

5.38 The Council will continue to face pressures on the Revenue Budget in 2029/30, with a further 3% pay increase assumed, together with inflationary increases in relevant running costs and other unavoidable expenditure pressures.

5.39 These pressures are again partly offset by assumed growth in the Council Tax Base and increases in fees and charges. The MTFP also provides for a £32,700 contingency sum and maintains the £75,000 contribution to capital reserves.

5.40 **Based on the assumptions and projections made, the Council's Precept is forecast to increase from £2,330,227 in 2028/29 to £2,405,396 in 2029/30, an increase of approximately £75,200.**

5.41 **This represents an assumed 2.5% increase in the Town Council Tax in 2029/30. The Council Tax Base is forecast to increase from 7,100 to 7,150, with the Band D Council Tax increasing from £328.20 to £336.42.**

5.42 **In real terms, this represents an increase of approximately £8.22 per year for a Band D property and £5.48 per year for a Band A property.**

2030/31 Revenue Budget

5.43 The Council will continue to face pressures on the Revenue Budget in 2030/31 because of a further 3% pay increase, inflationary increases in relevant running costs and other unavoidable expenditure pressures.

5.44 These pressures are partly offset by assumed growth in the Council Tax Base, including additional growth associated with the Copelaw development, together with increases in fees and charges for services. The MTFP also provides for a £33,600 contingency sum and an increased £92,250 contribution to capital reserves in 2030/31.

5.45 **Based on the assumptions and projections made, the Council's Precept is forecast to increase from £2,435,396 in 2029/30 to £2,499,944 in 2030/31, an increase of approximately £64,500.**

5.46 **This represents an assumed 2.5% increase in the Town Council Tax in 2030/31. The Council Tax Base is forecast to increase from 7,150 to 7,250, with the Band D Council Tax increasing from £336.42 to £344.82.**

5.47 **In real terms, this represents an increase of approximately £8.40 per year for a Band D property and £5.60 per year for a Band A property.**

2031/32 Onwards

5.48 From 2031/32 onwards, the Council is expected to continue to face pressures on the Revenue Budget arising from National Living Wage increases, staff pay awards, inflation and other unavoidable increases in the cost of delivering services. These pressures may be partly offset by efficiency savings, tax base growth and increases in fees and charges.

5.49 However, there may be some light at the end of the tunnel via more significant Council Tax Base growth from the Copelaw housing development which may help to reduce the pressure on the Revenue Budget and the need to increase the Precept and Town Council Tax.

5.50 The extent to which Council Tax Base growth will reduce the pressure on the Revenue Budget and the need for future increases in the Precept cannot be determined with certainty at this stage. The Council will therefore need to maintain a prudent approach to financial planning and continue to monitor the level of expenditure, income and reserves.

5.51 The MTFP also recognises the potential for further financial pressures to arise from changes to the local government pay structure, including the need for a limited grading review to maintain appropriate differentials between lower pay grades. Any resulting costs have not been included in the Revenue Budget Forecast at this stage.

5.52 It will remain important for the Council to continue reviewing its services and identifying opportunities for efficiency savings and additional income. If budget pressures increase to a level where existing resources and savings opportunities are insufficient, the Council may need to consider reductions or changes to services in the longer term.

5.53 The Council's longer-term financial position will therefore continue to be reviewed through future updates to the Medium-Term Financial Plan, taking account of changes in pay awards, inflation, Government funding, Council Tax Base growth and other factors affecting the Council's finances.

Capital Programme Forecast 2026/27 to 2030/31

5.54 The Capital Programme Budget Forecast has been based on the capital investment requirements set out in the approved 2026/27 Capital Programme Budget, including the agreed carry forward of on-going commitments from 2025/26 and all additional capital budget approvals, as well as the likely capital commitments for the following four years, as identified in the Council’s Asset Management Plan.

5.55 **The five-year Capital Programme Budget Forecast provides for a total potential capital investment at £2.383 million, and this would need to be funded, in full, from the Council’s Earmarked Capital Reserves.**

5.56 The Capital Programme Forecast focusses on investment linked to the delivery of the Council’s Asset Management Plan and ensuring all essential building works and replacements of vehicles, machinery, office equipment, street equipment and play equipment are kept up to date.

5.57 Planned projects include various building works including roofing replacement, window replacement, heating systems, toilet refurbishment, alarm system upgrades, electrical testing, redecoration works, replacement works vehicles, tractor, ride on mowers and machinery, electrical machinery, golf course and driving range machinery, the ongoing programmes of footpath repairs and play area safety surfacing replacement, computer replacements, investment in the ICT infrastructure and cyber security and website development, festive lighting, play area upgrades, bus shelter refurbishment, bridge repairs and Ash Dieback Disease tree felling and replanting works, School Aycliffe Wetlands footpath, council offices visitors’ car park resurfacing, and provision for maintenance works to West Park lakes.

5.58 A full list of potential capital projects is included in Appendix B to the Medium-Term Financial Plan.

5.59 It is important to stress that the five-year Capital Programme Budget forecast is an indicative budget and will be reviewed on a year-by-year and project by project basis, in line with actual needs, requirements and priorities and the actual level and availability of Council Reserves.

5.60 This is in line with the recommendations made in previous years’ Medium-Term Financial Plans to more closely scrutinise and control capital investment to help maintain and protect the Council’s balances and reserves over the longer-term.

5.61 This capital investment would need to be funded, in full, from the Council's Earmarked Capital Reserves and, if all of this investment went ahead, this would inevitably lead to a significant fall in the Council's reserves.

5.62 It is for this reason that an annual contribution to capital reserves of £75,000 has been established in the Revenue Budget for 2026/27 to 2029/30, increasing to £92,250 in 2030/31. This will allow the Council to partially replenish its balances and reserves in each year of the Plan.

5.63 Alongside this, it would also be prudent for the Council to continue its policy of scrutinising and controlling capital investment and undertaking only essential capital projects over the period of this MTFP and beyond, in order to preserve Council balances and earmarked reserves for as long as possible.

Council Balances and Reserves

5.64 The Council held Balances and Earmarked Reserves at the end of the 2025/26 financial year, totalling £2.272 million.

5.65 As highlighted earlier, the Capital Programme Budget forecast for the five-year period potentially totals up to £2.383 million and would need to be funded from earmarked reserves.

5.66 **It is clear therefore that the Council's balances and reserves would be used up in funding capital investment commitments over the next five years if they cannot be replenished via the Revenue Budget.**

5.67 However, as highlighted earlier, the inclusion in the Revenue Budget of an **annual contribution to capital reserves** of £75,000 from 2026/27 to 2029/30, increasing to £92,250 in 2030/31, **will allow balances and reserves to be partially replenished each year** and make a contribution towards maintaining them at prudent levels over the period of the Plan.

5.68 Any savings that can be achieved on the Revenue Budget over the five-year period will also be used to top up balances and reserves. However, as previously highlighted the savings removed from the budget in previous years coupled with the ongoing pressures faced in relation to pay awards and inflation will significantly reduce the savings coming forward to replenish balances over the coming years.

5.69 It is difficult to accurately estimate exactly how balances and reserves may change over the five-year period due to the uncertainty around the various budget pressures and the level of savings that may or may not be delivered on the Revenue Budget.

5.70 Under the worst-case scenario set out in the Plan, balances could fall as low as around £211,200 by the end of the 2030/31 financial year.

5.71 However, using a more realistic set of assumptions, the Medium-Term Financial Plan forecasts that balances and reserves will fall to around £1,416,750 by the end of the 2030/31 financial year.

5.72 Additionally, if capital investment is closely monitored and controlled and limited to essential investment only over the five-year period, balances and reserves would be higher still and may be able to be maintained at a level of closer to £1 million over the five-year period of the Plan.

5.73 **A balances and reserves level of £1 million would be considered to be the minimum for a 'prudent level of balances' bearing in mind the capital investment commitments faced over the longer term.**

5.74 A detailed projection of the likely movement on the Council's Balances between 2026/27 and 2030/31, under the two scenarios highlighted above is attached in Appendix C to the Plan.

6.0 Overall Conclusions

6.1 **The Council remains in good financial health at the present time** with a balanced Revenue Budget in place for the 2026/27 financial year, some ongoing efficiency savings, and healthy levels of balances and reserves.

6.2 **The Council is therefore working from a strong foundation** and is better placed than many town councils in dealing with the financial implications of the ongoing economic uncertainty and cost-of-living crisis, and **maintaining a healthy financial position over the medium term.**

6.3 **However, the medium-term outlook remains challenging due to pressures from staff pay awards, National Living Wage increases, inflation and other increases in the cost of delivering services.**

6.4 In particular, the significant pressure on the Local Government Pay Scale from the National Living Wage is another key financial risk, that could bring with it significant increases in costs, placing additional pressure on the Council's Revenue Budget.

6.5 The previous Council decisions to increase the Town Council Tax in recent years to offset the withdrawal of the Council Tax Support Grant and the significant inflationary increases during the cost-of-living crisis, have helped to ensure that the Council continues to be in a strong position to deal with the ongoing budget pressures and has played a significant role in helping to keep the future years' increases indicated in this MTFP lower than they would have been.

6.6 **Based on the assumptions and projections made in this Plan, in overall terms, the Council would need to increase the Precept by around £67,275 in 2027/28. This would represent a council tax increase in the region of 2.50% next year.**

6.7 **Between 2028/29 and 2030/31,** based on the assumptions made in the Revenue Budget Forecast, **the Council is looking at further Precept increases to balance the Revenue Budget in the region of £242,500 over the three years.**

6.8 **This would result in Council Tax increases of 2.50% from 2028/29 to 2030/31.**

6.9 Any decision to increase the Town Council Tax will need to recognise the cost-of-living difficulties still being faced by local taxpayers, balanced against the budget pressures faced by the Council, the need to maintain the services, facilities and events valued by the local community, ensure that the capital investment identified in the Asset Management Plan can be delivered, and maintain Council balances and reserves at prudent levels.

6.10 **In addition to the Revenue Budget pressures faced, the Council also has significant capital investment commitments, with potential spending of up to £2.383 million over the next five years.**

6.11 **Council balances and reserves are therefore projected to fall significantly over the five-year period**, although this will be mitigated by the contribution to capital reserves, contingency sum, any efficiency savings on the Revenue Budget and restrictions on capital expenditure, and **the Council should hold balances of between £211,000 and £1,416,000 at the end of the 2030/31 financial year.**

6.12 **A balances and reserves level of £1 million would be considered to be the minimum for a 'prudent level of balances'.**

6.13 **In the longer term it is also apparent that the process of balancing the Revenue Budget will remain challenging as the Council moves beyond the life of this Plan into the new decade**.

6.14 The Council faces further increases in staffing costs linked to future increases in the National Living Wage and the likely restructure of the local government pay scale, inflation on running costs, and other unavoidable increases in the cost of delivering services, although it is hoped that these pressures will ease as the economy recovers and that some of these costs can be offset from efficiency savings, additional income, or Council Tax Base growth..

6.15 It is also vital that the Council aims to maintain and if possible increase the surplus resources in the Revenue Budget, via the contingency sum and contribution to capital reserves, in order to provide protection against any unforeseen budget pressures and ensure that earmarked capital reserves can be replenished each year and maintained at prudent levels to fund future year's capital investment commitments.

6.16 There may be some light at the end of the tunnel via more significant Council Tax Base growth from the Copelaw housing development which may help to reduce the pressure on the Revenue Budget and the need to increase the Precept and Town Council Tax.

6.17 The extent to which Council Tax Base growth will reduce the pressure on the Revenue Budget and the need for future increases in the Precept cannot be determined with certainty at this stage. The Council will therefore need to maintain a prudent approach to financial planning and continue to monitor the level of expenditure, income and reserves.

6.18 It will remain important for the Council to continue reviewing its services and identifying opportunities for efficiency savings and additional income. If budget pressures increase to a level where existing resources and savings opportunities are insufficient, the Council may need to consider reductions or changes to services in the longer term.

6.19 The Council's longer-term financial position will therefore continue to be reviewed through future updates to the Medium-Term Financial Plan, taking account of changes in pay awards, inflation, Government funding, Council Tax Base growth and other factors affecting the Council's finances.

7.0 Policy Implications

7.1 The preparation and annual update of the Medium-Term Financial Plan helps the Council conform to 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".

8.0 Staffing Implications

8.1 Service Managers have been consulted with and involved in the update of the Medium-Term Financial Plan.

9.0 Financial Implications

9.1 The financial implications for the Council are fully set out in the report and the attached Medium-Term Financial Plan.

10.0 Crime and Disorder Implications

10.1 None.

11.0 Equal Opportunities Implications

11.1 None.

12.0 Environment, Biodiversity and Climate Change Implications

12.1 None.

13.0 Risk Assessment

13.1 A full risk assessment is included in Section 11 of the Medium-Term Financial Plan.

14.0 General Data Protection Regulation (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 the 2026/27 to 2030/31 Medium Term Financial Plan is approved.