Great Aycliffe Town Council

Medium Term Financial Plan 2026/27 to 2030/31

MEDIUM TERM FINANCIAL PLAN

Contents

Foreword

Welcome to Great Aycliffe Town Council's Medium-Term Financial Plan (MTFP) which sets out our financial strategy for the five-year period from 2026/27 to 2030/31.

The MTFP continues to have significant importance as a consequence of the ongoing global conflicts and economic uncertainties and difficulties which continue to significantly impact on the Council's finances, with potential tax increases, inflation remaining stubbornly high for certain goods and services, pressure on staffing budgets linked to the National Living Wage, and impacts on usage of some services resulting in pressure on income budgets.

Reviewing the impact on the Council's budgets and finances and adjusting our financial strategy will be vital as we look ahead to what is likely to be a challenging few years.

In preparing this Medium-Term Financial Plan, the impact of the continuing high inflationary increases in some running costs such as gas, electricity, fuel, insurance, and supplies and services will continue to need to be factored into the Revenue and Capital Budgets, whilst staff pay will also need to increase to keep pace with local government pay awards and increases in the National Living Wage.

The economic uncertainty could also see usage of Council facilities impacted as members of the community have less disposable income to spend.

On top of this, the Council faces significant potential commitments over the medium and long-term relating to capital investment in its fixed assets; expenditure which could see its balances and reserves diminish significantly.

All of these issues combine to highlight the importance of this Medium-Term Financial Plan and putting in place a prudent, robust, and realistic financial strategy.

This Plan aims to highlight and quantify the key financial challenges facing the Council over the next five years, with particular emphasis on the impact of economic factors and the increases in running costs and higher staff pay awards that this will bring about, the significant capital investment linked to the delivery of the Asset Management Plan and the subsequent fall in the Council balances and reserves; and put in place a financial strategy to meet these challenges.

The Plan sets out a Revenue and Capital Budget forecast for the five-year period and estimates the level of Precept and council tax increases that may be required in order to balance the budget.

The next five years will undoubtedly present the Council with further financial challenges.

However, this Plan aims to provide a sound strategy for the planning of the Council's finances and budgets over this period, ensuring that services and jobs can be protected, and striving to find a balance between increases in the council tax and delivery of efficiency savings and income generation.

The Council is fortunate that its finances remain in good health at the present time, and we are confident that the implementation of this Plan will ensure that the Council can build on these strong foundations, and continue to meet the needs of our local community and provide value for money services to local taxpayers.

Councillor Lindsey Aston
Chairman of Policy and Resources Committee

Mr Dan Austin
Town Clerk

Ms Helen Roberts
Finance Manager

Section 1 Introduction and Background

Purpose of the Medium-Term Financial Plan

1.1 This Medium-Term Financial Plan (MTFP) of Great Aycliffe Town Council covers the five-year period from 2026/27 to 2030/31.

1.2 The key purpose of the MTFP is to put in place a clear and robust financial strategy for the next five years that will help the Council to contend with the significant challenges it faces, achieve its strategic aims and meet community priorities, within the limited resources available, whilst delivering value for money to the local taxpayers of Great Aycliffe.

1.3 Strategic financial planning is of particular importance during this time of ongoing national economic uncertainty. Whilst the economy has shown some signs of growth in recent months, sustained long term growth is far from assured. There has also been a significant increase in the national debt and budget deficit, with the potential for tax rises and cuts to public sector funding, while inflation remains stubbornly high for certain goods and services.

1.4 The MTFP is also important in putting in place a clear link 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 Council's financial planning process. This helps ensure that financial resources are allocated to services in a way that supports the delivery and achievement of these aims and priorities.

1.5 The MTFP sets out the changing national and local financial climate within which the Council will be working over the next five years and highlights the key financial challenges that it faces, as well as the strategic aims that it will be aspiring to deliver, and the community priorities that it will be striving to meet.

1.6 It then puts in place a financial strategy to meet the substantial challenges faced and ensure the delivery of strategic aims and community priorities within the financial resources likely to be available. The Plan includes indicative Revenue and Capital Budgets as well as projections of the likely level of Town Council Tax and balances and reserves over the five-year period.

1.7 Producing the MTFP each year will help the Council to:-

- ensure that a strategic approach is taken in the planning of the Council's future spending and finances during these uncertain economic times;
- create stronger links between the Council's strategic aims and the priorities of local taxpayers, and future spending decisions;
- put in place a clear, understandable and forward-looking financial planning framework;
- make it clear how the Council plans its spending and who is responsible for making spending decisions;
- ensure that the Council regularly reassesses and reviews the cost of its services and income generation;
- demonstrate and deliver value for money in the use of public resources; and
- ensure that the views of the community are considered in deciding where and how the Council spends public money.

Development of the Medium-Term Financial Plan

1.8 The MTFP was originally developed in 2007 and has since been updated on an annual basis through a process involving:

- review of the Council's priorities based on the annual strategic aims and targets set out in the Service Delivery Plan;
- review of community priorities, informed by the neighbourhood plan, satisfaction surveys and the annual budget consultation;
- reviewing the resources required to fund future service needs, including providing for pay awards, inflation and other unavoidable budget pressures, budgeting for changes in funding and income, managing expected changes in demand for services, and identifying efficiency savings and possible budget reductions;
- considering the costs of all new statutory requirements and any planned investment in existing services or new initiatives that have already been approved by the Council;
- projecting the likely available financial resources based on target council tax increases, projected council tax base changes, use of balances and reserves, the availability of external funding, and the potential for future capital receipts and borrowing opportunities;
- assessing the ability of the Council to fund its ongoing service needs, deliver its strategic aims and meet community priorities within the limited resources available; and
- maintaining a continuous focus on efficiency and value for money.

Key Stakeholders

1.9 The MTFP is published for use by all relevant stakeholders to help review the Council's finances over the medium term, understand the spending pressures it faces and how the Council plans and makes decisions about spending on services, and show how this links to each stakeholder's relationship with the Council, and in particular:-

- **for councillors and service managers;** to help communicate the Council's overall financial strategy and to improve understanding of the links between the Council's strategic aims and priorities, as set out in the Service Delivery Plan and individual service plans, and the setting of the Revenue and Capital Budget each year;

- **for the local community and council taxpayers;** to communicate the Council's overall financial strategy and its links to and impact on the provision of local services and the level of council tax, demonstrate how the Council seeks to prudently exercise stewardship of public money and look after community assets, and improve the openness and accountability of the Council's financial decision making; and

- **for local businesses and community organisations;** to communicate the Council's financial strategy and its links to and impact on the provision of local services and to provide key financial information to support the development of opportunities for partnership working and joint ventures in Great Aycliffe.

Financial Planning Responsibilities

1.10 **Service Managers**, under the supervision and guidance of the Finance Section, are responsible for the preparation of the annual Revenue and Capital Budgets in respect of the services under their responsibility, in accordance with the Budget Framework, and with regard to the principles set out in the MTFP.

1.11 Service Managers are also responsible for managing, monitoring and controlling actual spending and income on the budgets under their responsibility during the year, via effective budget management, and informing the Finance Manager of any potential problems or significant variations from the approved budgets.

1.12 **The Finance Manager** is responsible for developing and updating the MTFP and Budget Framework each year and ensuring compliance with these, co-ordinating the development and setting of the annual Revenue and Capital Budgets, providing financial information and advice, implementing an effective system of budget monitoring and control, and regularly reporting financial information to the Council, and publishing financial information for consumption by the general public and taxpayers.

1.13 **Members of the Council** are responsible for reviewing and approving the MTFP and Budget Framework on an annual basis, considering and approving the annual Revenue and Capital Budgets, receiving budgetary control information, approving remedial action in respect of any significant budget variations, and considering and approving capital spending decisions and additional budget requests.

Links with Other Strategies and Plans

1.14 The Council produces a number of other strategies and plans which have links to this MTFP. **Appendix D contains a list of the various Council strategies, plans and policies**, and which have been considered in the development of this MTFP.

1.15 It is also important that the MTFP is clearly linked to the strategic aims and objectives that the Council is trying to achieve. These are set out in the Council's Service Delivery Plan. **The Council's strategic aims and targets for 2026/27 are set out in Appendix E**.

Consultation with the Local Community / Impact Assessment

1.16 The MTFP has been prepared taking into account the views of the local community and taxpayers, as expressed in the 2024 'Your Parish, Your Choice, Your Voice' satisfaction survey, the neighbourhood plan consultation, and other surveys and consultation events.

1.17 The Council also undertakes a budget consultation exercise during the annual budget setting process. An online budget questionnaire is issued to establish views on the budget as well as priorities for investment and disinvestment. Feedback from previous budget consultation events has also been considered in the development of this Plan.

1.18 As this MTFP has been prepared on the principle of 'business as usual' and does not propose any changes to services, facilities and events, a specific impact assessment is not required.

Section 2 Financial Principles and Financial Planning Framework

Introduction

2.1 In preparing a Medium-Term Financial Plan, it is important to establish the key financial principles on which the Plan will be based, and to put in place a financial planning framework which will provide the guidelines for the annual budget setting process.

Financial Principles

2.2 This Plan will be based on the overriding principle of **Value for Money.**

2.3 Achieving value for the money that the Council receives from local taxpayers via the Town Council Tax, and subsequently spends on local services, is one of the Council's highest priorities. The Council is committed to the achievement of year-on-year efficiency savings and will work hard to keep future council tax increases to a minimum, despite the current economic difficulties and uncertainty and the impact on the Council's budgets and finances.

2.4 This will be achieved by regularly reviewing services and monitoring performance to ensure that services continue to be needed and used and are well managed and cost effective, regularly testing the market, undertaking internal and external audit, and ensuring that all Members and staff are aware of and committed to achieving value for money. The Council will also ensure that public money is spent in consultation with the local community and that resources are invested in line with taxpayer needs and priorities going forward.

2.5 In order to ensure this, the following set of financial principles will be put in place for the period of this Medium-Term Financial Plan:-

- **a strong financial strategy** that enables the Council to take a long- term view of its finances and assets, achieving greater stability and enhancing its ability to be proactive and have the capacity to take advantage of any opportunities and contend with any challenges that may arise;
- **a level of spending that is affordable and sustainable** in the long term and which supports the effective delivery of services in line with strategic aims and the needs and priorities of the community;
- **a prudent but realistic assessment of future revenue spending commitments, capital investment requirements, income levels, council tax base movement, and external grant funding;**
- **a strong culture of financial management** where continuous improvement and a drive for more economic, efficient and effective ways of working and use of resources is undertaken;
- **a prudent level of balances and reserves** that protects the Council against unforeseen budget pressures, provides sufficient resources to finance future capital investment commitments and enables the Council to be proactive and take advantage of any opportunities that may arise;
- **an effective and responsive finance service**, which provides sound and timely financial information and advice to Members and officers.

Financial Planning Framework

2.6 The financial planning framework provides the overarching guidelines for the development of the Medium-Term Financial Plan and the setting of the annual Revenue and Capital Budgets.

2.7 The financial planning framework is based on the key financial principles set out above and will be updated on an annual basis.

2.8 The financial planning framework is set out below:-

- A Revenue and Capital Budget will be produced annually;
- The Revenue and Capital Budget will be developed in accordance with this financial planning framework and the key principles and assumptions set out in the Medium-Term Financial Plan;
- In allocating resources to services, priority will be given to those areas of spending that contribute to the achievement of the Council's strategic aims and targets, or which clearly meet community needs and priorities;
- Budgets will be prepared on the basis of a commitment to the achievement of year-on-year efficiency savings;
- Budget resources will be redirected from low priority to high-priority service areas as and when necessary;
- Additional budget to meet new statutory requirements and unavoidable budget growth e.g. inflation and changes in demand, will be clearly identified and fully evidenced;
- All other requests for additional revenue budget resources and investment in services will need to be fully justified and evidenced and will be subject to an appraisal process when setting the budget, with no guarantee that they will be incorporated, due to the difficult financial situation faced;
- An annual review of budgeted expenditure and income targets in respect of all service areas will be undertaken, using the principles of zero-based budgeting, in order to identify efficiency savings to help balance the budget;
- The financial implications of the recommendations from any completed service reviews will be incorporated into the annual Revenue and Capital Budget;
- The Capital Programme Budget will be developed with priority given to those projects identified within and that contribute to the delivery of the Council's approved Asset Management Plan;
- All other Capital Programme Budget bids will need to be fully justified and evidenced and will be subject to an appraisal process when setting the budget, with no guarantee that they will be incorporated, due to the difficult financial situation faced and limited capital reserves held;
- Council balances and reserves will be maintained and replenished to prudent levels to protect the Council against any unforeseen budget pressures and liabilities, and provide resources to finance future year's capital investment commitments as set out in the Asset Management Plan;
- Annual budget consultation will be undertaken, and feedback will be taken into consideration by the Council in the setting of the Revenue and Capital Budgets.

Section 3 National Issues

Introduction

3.1 The development of the Council's Medium-Term Financial Plan must take place within the context of the national economic, political, demographic, and legislative situation.

3.2 This section of the Plan outlines in more detail the main national issues that are likely to affect the Council over the next five years and which will need to be considered in the Council's financial planning.

National Economic Situation

3.3 In recent times, the Coronavirus pandemic in 2020 and 2021 has had a significant impact on the UK economy with vast sums of money being spent by the Government supporting businesses and protecting jobs, reduced tax receipts, and an increased benefits bill, all of which have substantially increased the national debt.

3.4 Following on from that, the war in Ukraine caused significant further economic difficulties and this, combined with issues relating to Brexit and the pandemic, combined to cause the cost-of-living crisis in 2022 and 2023 with inflation increasing to levels not seen since the 1970s, driven by substantial increases in oil, gas, electricity and food costs.

3.5 More recently the war in the Middle East has created further economic impacts, particularly around increased fuel and energy costs, and supply of goods.

3.6 This has all come at an unprecedented cost to the country and has resulted in reduced consumer and business confidence, the economy briefly entering recession, substantial increases in public borrowing and the national budget deficit i.e. the gap between what the government spends and how much money is coming in to pay for this.

3.7 A new Labour Government was elected in 2024 with a number of manifesto promises and further spending pledges all of which require funding. Combined with slow economic growth, public sector pay increases and a substantial increase in the cost of benefits, this has led to an increase in the national budget deficit and is likely to require the Government to make cuts to public spending or to raise taxes and increase borrowing which could have economic impacts. The recent change of Prime Minister and recent policy announcements may bring about further changes in economic policy and taxation.

3.8 The UK rate of inflation is currently running at 2.6%, although inflation has remained subject to fluctuations in recent months. There remains a risk that inflation could increase over the coming months due to a range of global and national economic factors. Gas, electricity, fuel and insurance costs remain particularly subject to volatility, which could continue to place pressure on the Council's expenditure and budgets.

3.9 Interest rates have fallen from the levels experienced in recent years and currently stand at 3.75%. Moving forward, the Bank of England will need to balance the management of interest rates against the need to control inflation, and future changes in interest rates remain difficult to predict. Higher interest rates provide a benefit to the Council through increased interest receivable on its invested balances, which the Council has benefited from in recent years. However, a continued reduction in interest rates would be expected to reduce the level of interest income generated from the Council's investments.

3.10 Economic issues could therefore have a significant impact upon the Council's financial planning over the next five years, and the potential financial impact of the relevant economic issues is considered in more detail in the key financial assumptions set out in Section 7 of the Plan.

Future Government Budgets, Spending Reviews and Local Government Finance Settlements

3.11 Predicting the outcome of future Government Budgets, Spending Reviews and Local Government Finance Settlements is almost impossible at the present time, with much dependent upon how the new Prime Minister and Cabinet choose to prioritise and fund spending commitments such as the Strategic Defence Review, and how it chooses to fund these, as well as address the financial impacts of the economic difficulties, national budget deficit, and high levels of public sector debt.

3.12 As highlighted earlier, due to the spending pledges made and the increase in the national budget deficit, the Government are likely to need to make cuts to departmental public spending budgets or benefits, raise taxes, or increase borrowing in order to balance the books.

3.13 The Government's approach will be set out in the forthcoming 2026 Autumn Budget and much will depend on how quickly the UK economy is projected to return to sustained growth, and any changes to the Government's fiscal policy and spending priorities.

3.14 The overall funding settlement for local government are set out in the Government's Comprehensive Spending Review (CSR) which normally covers a four-year period. The current Spending Review (SR25) set departmental budgets for the period 2026/27 to 2028/29 including for the Department of Communities, Housing and Local Government (DCHLG).

3.15 The annual grant settlements for each principal local government authority, such as Durham County Council, is set in the annual Local Government Finance Settlement, which is published in February each year. This includes the Revenue Support Grant distribution, central and local shares of Business Rates, and any specific grants for social care etc.

3.16 Government funding allocations for local government have been cut back over the last ten years and resulted in real terms reductions in funding for many authorities, particularly in areas such as the north-east, due to unfairness in the funding system, low property values, and higher levels of deprivation, resulting in greater demand for services such as audit and children's social care.

3.17 The Government has undertaken a 'Fair Funding Review ' of the relative needs and resources of local authorities and the formula for the distribution of funding from central government to local government. This review informed the Comprehensive Spending Review for the period 2026/27 to 2028/29.

3.18 From 2026/27, a new system for allocating funding between councils was implemented, which takes account of new official assessments of councils' spending needs and their relative abilities to raise revenues themselves via council tax. Changes will be phased in over three years to ease the transition, with funding floors in place to limit losses for those receiving less funding under the new system than currently.

3.19 Some of the key proposals implemented by the Fair Funding Review included:

- Accounting for differences in spending needs due to differences in the demand for and cost of delivering local services, through separate spending needs formulas for certain services (adult social care, children's services, home-to-school transport, and highways maintenance) and a general formula (the Foundation Formula) for other services.
- An assessment of how much councils can raise via council tax, based on modelled revenues if their tax rate was equal to the average tax rate across all councils. Adjusting for these resources is intended to achieve 'full equalisation' of revenue-raising capacity, i.e. to ensure that councils would receive the share of overall funding that they are assessed to need, if they were to set their council tax level to the national average.
- Assessments of spending needs and revenue-raising capacity will be fully updated again at some point in the future (likely three or six years). In the interim, the government proposes to account for projected changes in population and assumed increases in council tax levels, but not to account for changes in council tax bases (i.e. the number of properties on which council tax is levied).
- Every council's new funding allocation will be phased in over three years in equal steps (i.e. one-third each year), and funding floors will be applied to limit losses for those councils seeing cash-terms reductions in funding.

3.20 Key areas still under consideration by the Government include:

- The assumed council tax rate used for assessing revenue-raising capacity.
- Whether to account for projected changes in population, tax base growth and assumed tax rate increases in future years.
- The weights to apply to different services when assessing councils' overall spending needs.

3.21 It is intended that these reforms will result in a redistribution of Government funding for local government from councils in more affluent areas to more disadvantaged areas and Durham County Council has seen an increase in its grant settlement for 2026/27 as explained in more detail in Section 4 of the Plan.

3.22 There were no proposals within the Fair Funding Review for town and parish councils to receive any grant funding or a share of business rates and therefore there has been no direct impact on town and parish councils.

3.23 The Government does not currently have any plans to undertake any reform of the council tax system or the revaluation of council tax property valuation bands, at least in the short term.

3.24 Any further reforms via the Fair Funding Review will be considered in the next Comprehensive Spending Review period from 2029/30, and for the purposes of this MTFP it has therefore been assumed that there will be no changes to the funding of town and parish councils or the council tax system over the life of this Plan.

3.25 The Government's previous Comprehensive Spending Reviews have had a significant impact on principal councils, such as Durham County Council, who have faced substantial cuts to their funding in recent years.

3.26 Whilst the Fair Funding Review has partly addressed the inequalities in the funding of principal councils and resulted in Durham County Council receiving additional resources, further cuts in the coming years cannot be ruled out, particularly bearing in mind the budget deficit faced by the Government, which may lead to further departmental funding cuts.

3.27 There may be implications for the Town Council as a result of any further financial pressures or spending cuts faced by Durham County Council.

3.28 Commentary on the Durham County Council funding settlement and the possible implications for the Town Council are set out in Section 4 of the Plan – 'Local Issues'.

Local Council Tax Reduction Scheme and Grant

3.29 The Town Council had, up until April 2013, been relatively sheltered from the public sector spending cuts, in that it had been in the fortuitous position of not being reliant on any funding from the Government in order to finance the services that it provides.

3.30 However, this situation changed following the localisation of support for council tax by the Government back in April 2013. These legislative changes around the council tax benefits system left the Council reliant on Government funding for the first time.

3.31 The Welfare Reform Act 2012 abolished the national council tax benefits system with effect from 1st April 2013, paving the way for the implementation of new Local Council Tax Reduction Schemes (LCTRS) by council tax billing authorities.

3.32 Previously, council tax benefits were administered centrally by the Government and paid to principal councils via a subsidy system. However, the new LCTRS schemes are based around a discount on the council tax bill rather than a cash payment and this had the impact of reducing the Council Tax Base and therefore the tax raising capacity of all local authorities, including town and parish councils.

3.33 The Government provided funding for LCTRS within the Local Government Grant Settlement, and a proportion of this funding was specifically set aside for town and parish councils to offset the losses faced from these reductions in tax raising capacity.

3.34 The Government stated that it 'expected' billing authorities to pass down an appropriate proportion of their grant settlements to town and parish councils to offset the impact of LCTRS each year.

3.35 Durham County Council developed a LCTRS that provides full protection to existing claimants of council tax benefits and that ensures that no claimant is worse off under the new scheme. This commitment has since been reviewed by the Reform Administration and some changes were made to the scheme in 2026/27 which resulted in some taxpayers being required to make a contribution towards their council tax bills.

3.36 However, these changes did not help the town and parish councils in County Durham, who still faced a shortfall from the reduction in their own Council Tax Bases. This is because the funding provided by the Government and passed on by Durham County Council did not offset, in full, the loss in tax raising capacity faced by those councils.

3.37 The actual impact varies by council depending upon a number of factors, including benefits caseload and numbers of empty properties. However, most town and parish councils have been left facing losses, firstly because of the overall shortfall and subsequent cuts in the LCTRS funding, and also because of the fact that a large proportion of County Durham is unparished.

3.38 The initial impact of LCTRS on the Town Council in 2013/14 was a total loss in its tax raising capacity of £352,800. This was largely offset by the LCTSS Grant set aside by the Government as applicable to the Council, and passed on, in full, by Durham County Council, of £296,150. The resulting shortfall of £56,650 was funded from savings.

3.39 Between 2013/14 and 2020/21 Durham County Council reduced the LCTRS funding proportionately each year in line with the cuts made to their overall grant settlement by the Government. This saw the Council's Local Council Tax Reduction Scheme Grant cut by £131,150 or 44% over the eight years between 2013/14 and 2020/21.

3.40 Between 2021/22 and 2023/24, the LCTRS Grant actually increased from £165,000 to £204,900. This was largely due to the fact that Durham County Council no longer receives Revenue Support Grant from the Government and the remaining LCTSS Grant was therefore linked to Durham County Council's Business Rates Settlement and being increased by inflation each year.

3.41 However, Durham County Council made the decision with effect from the 2024/25 year to begin to phase out the LCTRS Grant.

3.42 It was originally advised that Durham County Council were seeking to reduce the LCTRS funding by 50% phased over two years. However following a consultation exercise, and significant opposition to the plans from many town and parish councils, it was subsequently agreed to phase the 50% reduction over three years.

3.43 This resulted in the LCTRS Grant for the 2024/25 financial year being cut from £204,911 to £172,177. A further cut was confirmed for the 2025/26 financial year from £172,177 to £145,250.

3.44 In 2026/27 a decision was made by the new Reform Administration at Durham County Council to consult on ceasing the LCTRS grant payments for town and parish councils in County Durham in their entirety.

3.45 The Council, alongside other town and parish councils, challenged and opposed this decision but ultimately Durham Couty Council went ahead with this decision, and the Town Council was left facing a grant cut of £145,250 in 2026/27.

3.46 The grant cut was partly offset by a higher-than-expected increase in the Council Tax Base, as a result of the aforementioned changes to the Local Council Tax Reduction Scheme which require more taxpayers to make a contribution towards their council tax bills, and an unexpected cut to the employer's pension contribution rate.

3.47 A decision was made by the Town Council to fully offset the removal of the Local Council Tax Reduction Scheme Grant by Durham County Council, via the Precept and this resulted in a required increase in the Town Council Tax in 2026/27 of 3.99%.

3.48 This was much higher than would have been the case if the Local Council Tax Reduction Scheme Grant had not been withdrawn, and it is likely that had the grant not been withdrawn, the 2026/27 Revenue Budget would have required a much-reduced level of Precept and that the Council would likely have been in a position to freeze the Town Council Tax in this year.

Referendums to Veto Excessive Council Tax Increases

3.49 The Government introduced legislation within the Localism Bill to provide a stronger role for the local community in determining annual council tax increases, by giving local taxpayers the power to require local authorities to hold referendums, thereby providing them with the opportunity to veto 'excessive' increases in council tax. These powers replaced the previous council tax capping powers available to the government.

3.50 The excessiveness limit has varied up and down over the years, but the core principle, is currently set at 3%, while local authorities providing adult social care services are permitted to raise council tax by an additional 2% above the core referendum limit, on the understanding that the sum raised would be invested in adult social care through an adult social care precept. The Government reserves powers enabling it to provide further flexibilities to increase council tax above these limits, and a number of local authorities in significant financial difficulty have been permitted to increase council tax above these limits.

3.51 Any increase above these limits, without Government approval, would still be subject to a referendum with local taxpayers.

3.52 Currently this legislation does *not* apply to town and parish councils and the Government confirmed in the 2026/27 Local Government Finance Settlement that any consideration of the extension of council tax referendum principles to higher spending parish and town councils would *not* be implemented for the 2026/27 financial year.

3.53 The National Association of Local Councils (NALC) is lobbying the Government for a multi-year settlement, or a complete exemption in the future.

3.54 Clearly the current exemption from referendum principles is positive news, as it provides town and parish councils with the flexibility to raise additional Revenue Budget resources, should they need to do so, without any restraint from the Government.

3.55 The Council has taken advantage of this flexibility in a number of years, most notably between 2023/24 and 2025/26 to offset the financial impact of the cost-of-living crisis when pay awards and inflation were running at extraordinarily high levels and in 2026/27 to offset the recent withdrawal of the LCTRS Grant by Durham County Council.

3.56 There is currently no indication of the new Government's intentions with regard to town and parish council referendum limits for the period 2027/28 onwards.

3.57 It has been assumed for the purposes of this Plan that referendum principles *will not* be applied to town and parish councils with effect from 2027/28, and that the Council will free to increase in the Town Council Tax by as much as it needs to help offset the financial pressures created by the economic difficulties, pressures on staffing costs and the likelihood of further cuts to the Local Council Tax Support Grant by Durham County Council.

3.58 Clearly, there would be further implications for the Council if the referendum limit was implemented by the Government for town and parish councils at any stage from the 2027/28 financial year onwards.

3.59 This eventuality is considered in the Revenue Budget Forecast set out in Section 8 of the Plan, and the savings target that would be required to limit the Council Tax increase to 2%, 1% or to freeze the council tax has been included in the projections for 2027/28 onwards.

External Audit Arrangements

3.60 The Local Audit and Accountability Act 2014 and Accounts and Audit Regulations 2015 set out the statutory provisions regarding the Council's external audit arrangements.

3.61 Under the Accounts and Audit Regulations 2015, the Council is classified as being a "smaller relevant body", defined as being a public sector body with an annual income or expenditure of less than £15 million.

3.62 Smaller relevant bodies are required by the regulations to prepare accounts and governance statements via the completion of an 'Annual Governance and Accountability Return' and are subject to the 'limited assurance' audit regime.

3.63 The external audit fee for a limited assurance audit was set by Smaller Authorities Audit Appointments Limited at £2,940 per year for the period up to 2026/27, and this level of fee, with a small contingency on top, has continued to be provided for in the Revenue Budget Forecast in Section 8 of the Plan.

Localism Act 2011 and Devolution and Community Empowerment Bill 2025

3.64 The Localism Act came into force in 2011 and contained a package of reforms to devolve greater powers, responsibilities and freedoms to local councils, community organisations, neighbourhoods and individuals.

3.65 The four main measures of the Localism Act are:-

- new freedoms and flexibilities for local government;
- new rights and powers for communities and individuals;
- reforms to make the planning system more effective; and
- reforms to ensure that decisions about housing are taken locally.

3.66 The key measure for local councils is the freedom to act in the interest of local communities through the ‘General Power of Competence’.

3.67 This power gives local authorities the legal capacity to ‘do anything that an individual can do’, rather than relying on specific powers. This power applies as long as the action is not specifically prohibited by legislation.

3.68 However, it is important to note that the power does *not* raise money.

3.69 Town and parish councils qualify for the General Power of Competence if they meet certain criteria. The Council adopted this power at the Annual General Meeting following the last elections.

3.70 This power will maintain the Council’s ability in future years to be creative and innovative in meeting the needs of the local community should the operational capacity and financial resources be available to do so.

3.71 The Act has also introduced greater powers for local people and community organisations to hold the Council to account including:-

- a right to challenge to take over services;
- a right to bid for assets of community value;
- a right to veto excessive council tax increases; and
- increased transparency over public sector data.

3.72 The right to challenge to take over services or bid for assets could strengthen the Council’s ability to request to take over services from Durham County Council should it wish to do so, and should the resources be available. The previous Government launched a Community Ownership Fund offering funds to local community organisations, including town and parish councils who might wish to step in and take over any community assets at risk of being lost.

3.73 However, the above powers do *not* currently apply to town and parish councils in relation to allowing local community organisations to approach the Town Council with a view to taking over *its* services or assets.

3.74 In addition, as already highlighted in paragraphs 3.49 to 3.59, the Council could also be required by local taxpayers, in future years, to hold a referendum to veto an excessive council tax increase.

3.75 There has also been an increasing drive towards improving transparency in the public sector, and the Openness of Local Government Regulations and Local Government Transparency Code require the Council to publish specific information, including certain decisions taken by officers of the Council, expenditure over £500, senior officer pay, and details of council owned land. The Council already publishes all of this information on its website.

3.76 The final area of the Localism Act that has an impact on the Council are the reforms of the planning system which are intended to provide more local control over planning decisions and make the planning system more democratic and effective.

3.77 The Act introduced a new right for communities to draw up a ‘neighbourhood plan’ which allows residents, employees, and businesses, to come together, through the Town Council if they wish, and have a say in where they think new houses, businesses and shops should go, and what they should look like.

3.78 Local communities are able to use neighbourhood planning to grant full or outline planning permission in areas where they most want to see new homes and businesses, making it easier and quicker for development to go ahead.

3.79 The Council agreed in 2013 that it would help facilitate a Neighbourhood Plan for the Great Aycliffe area and put in place an Earmarked Revenue Reserve to fund the costs associated with the development of the plan.

3.80 The Great Aycliffe Neighbourhood Plan was adopted following a successful referendum with the residents of Great Aycliffe on 22nd June 2017, when an overwhelming majority of 91.2% voted to adopt the plan.

3.81 The Neighbourhood Plan provides planning policies for the Great Aycliffe Parish, as developed and agreed by the local community, covering a forward-looking period of fourteen years, and must now be considered by the planning authority; Durham County Council as a supplementary planning document.

3.82 There may also be a future financial benefit from having in place an adopted neighbourhood plan, as the Government's Housing and Planning Act includes the requirement that local councils will receive a share of up to 25% of any Community Infrastructure Levy (CIL) monies relating to development in the Parish. The current County Durham Plan, approved in 2020, does not make provision for CIL to be charged on new housing developments, it instead relies on Section 106 Agreements – developer contributions intended to mitigate the impact of a development proposal through the provision of affordable housing or other specific items of infrastructure, such as a new road. This may be reconsidered in the forthcoming update of the County Durham Plan.

3.83 In overall terms, many of the principles of the Localism Act promote building on the capacity of town councils and increasing their role in local government through decentralisation, though it does not bring with it any additional revenue income or tax raising capacity.

3.84 Depending on the resources available, this could result in functions, duties and services being devolved to the Council in the future. It is also likely to see the Council having a greater role to play in working in partnership with local community and voluntary organisations to improve local services.

3.85 The Labour Government has made devolution a key policy priority, with a commitment to transfer powers from Westminster to local communities and regions. This has been progressed through the English Devolution and Community Empowerment Act 2026, which establishes a new framework for Strategic Authorities and provides for greater devolution of powers and responsibilities to local areas.

3.86 The North East has already made significant progress in this area through the North East Mayoral Strategic Authority, which covers County Durham, Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside and Sunderland. The Authority has responsibility for a range of devolved functions and is developing its role in areas including transport, skills, housing and economic growth. The North East is also moving towards greater flexibility over funding through an Integrated Settlement.

3.87 The new devolution arrangements are likely to have a significant impact on the future delivery and funding of local government services. Increased regional responsibility for strategic planning, housing, transport and economic development could result in changes to the roles and responsibilities of constituent councils. The Town Council will therefore need to continue to monitor the development of the North East Mayoral Strategic Authority and the wider devolution programme, including the potential financial and operational implications for the Council and its services.

Demographic Issues

3.88 The Medium-Term Financial Plan will also need to take into consideration any demographic issues that may affect the Council's financial planning, such as the aging population, levels of unemployment, health issues, benefits dependency, and deprivation.

3.89 All of these issues could impact upon demand for particular services and events, for example the senior citizens' trips, and on income levels in respect of services such as the sports complex, golf complex and cemeteries.

Section 4 Local Issues

Introduction

4.1 As well as considering national, political, legislative, economic, and demographic issues, it is also important that the Council's medium- term financial planning process takes into account any local issues specifically relevant to the Great Aycliffe Parish.

4.2 The following section of the Plan provides details of local issues currently affecting Great Aycliffe, focussing particularly on issues relating to Durham County Council, and on the Council's strategic aims and targets. Section 5 of the Plan then looks at community priorities.

Durham County Council

4.3 The Government's Comprehensive Spending Reviews since 2010 have resulted in substantial reductions in grant funding for Durham County Council.

4.4 This has resulted in many services being cut or ceased and has brought with it a significant number of job losses.

4.5 There is some uncertainty over the resources that will be available to Durham County Council over the medium to longer term which will be linked to annual Local Government Finance Settlements, although the Fair Funding Review and Comprehensive Spending Review for the period 2026/27 to 2028/29 has provided a greater degree of clarity and certainty.

4.6 A combination of government funding shortfalls, the financial impacts of the economic difficulties, National Living Wage increases, and increasing demand for adult and children's social care services, have brought substantial financial challenges and budget pressures to Durham County Council over the last decade.

4.7 However, publication of the Fair Funding Review and Comprehensive Spending Review for the period 2026/27 to 2028/29, resulted in redistribution adjustments being made to local government grant allocations to the benefit of authorities in low tax base and higher deprivation areas such as County Durham. The 2026/27 Local Government Finance Settlement confirmed this, providing an uplift in core grant funding via a new Fair Funding Assessment and Recovery Uplift Grant.

4.8 As a result of this better-than-expected grant settlement, and following the delivery of savings in the region of £13 million (including the withdrawal of the Local Council Tax Reduction Scheme Grant for town and parish councils) and support from reserves, the Reform Administration at Durham County Council agreed a zero percent core council tax increase and a 1.99% social care precept increase in council tax for 2026/27.

4.9 Despite delivering a balanced budget for 2026/27, Durham County Council continues to face significant financial challenges in balancing its budget over the medium term. The Council's previous Medium-Term Financial Plan identified a requirement for approximately £45.8 million of further savings over the three-year period from 2026/27 to 2028/29.

4.10 Although additional funding has been made available through changes to local government funding arrangements, including the Fair Funding Review and the wider Spending Review, the County Council continues to face significant financial pressures and will need to identify further savings and efficiencies to maintain a balanced and sustainable financial position over the medium term.

4.11 The implementation of renewed public sector spending cuts by the Government, whilst considered unlikely, remains a possibility bearing in mind the national budget deficit and unfunded spending commitments, and this could bring with it further cuts to the County Council's grant funding and a worsening of their financial situation.

4.12 A significant deterioration in the financial situation facing Durham County Council could impact upon the Town Council, in a number of ways:-

- Cuts could be made to pre-school funding (considered unlikely);
- The Council could receive requests for financial support from community and voluntary organisations whose funding has been reduced or cut altogether by the County Council;
- Requests may be received from the County Council for the Town Council to consider taking on services or to undertake joint working;
- There may also be occasions where the Council may wish to step in to safeguard local services and facilities at risk of being cut or ceased by the County Council.

4.13 The issue of the Local Council Tax Reduction Scheme Grant funding was discussed in detail in Section 3 of the Plan, highlighting that this grant has now been withdrawn in its entirety. The financial impact of this decision has been fully accounted for in the 2026/27 Revenue Budget.

4.14 The Council is likely to continue to receive pre-school funding from Durham County Council over the coming years as this funding is currently ring-fenced by the Government and is passed on by Durham County Council Education Department in full.

4.15 The Council continues to receive requests for financial support from community and voluntary organisations impacted by the economic difficulties and funding cuts made by the County Council and these requests are only likely to increase. However, the Town Council is limited as to how much assistance it can provide from its current grants and donations budget.

4.16 The Council has worked closely with Durham County Council in discussing opportunities for joint working or devolvement of services. These discussions have, up to now, been based on the principle that the initiative should be beneficial to both councils and will not result in any significant additional financial liability to the Town Council.

4.17 To date these discussions have led to a joint working initiative on winter maintenance and the agreement of a licence for the Council to undertake the maintenance and improvement of a number of County Council environmental areas. Both of these initiatives are being undertaken within existing staffing structures and budgets and have not resulted in any significant additional financial liability to the Council.

4.18 For the purposes of this Plan it has been assumed that any further joint working or taking on of services will only be undertaken if there is no additional cost to the Town Council and as such no additional budget will be assumed in the Revenue and Capital Budget Forecast.

4.19 The Council has also worked with the County Council to access services such as vehicle maintenance as well as professional officer support and advice on issues such as procurement, energy management and health and safety, all of which are chargeable to the Council under a service level agreement.

4.20 Finally, the Council has been keen to explore possible funding opportunities with the County Council. In recent years significant capital funding has been secured from Section 106 Agreement monies and Neighbourhood Budget grants from the Great Aycliffe and Middridge Area Action Partnership (GAMP).

4.21 Over the years, this has helped fund a toddlers' play area and skate park extension in the Town Park, the planting of woodland in Woodham Burn, improvements at West Park, a BMX track at Woodham, a scoot track at Horndale Park and a multi-use games area at Moore Lane, a replacement junior play area at Aycliffe Village, a major new park development at Cobblers Hall, an extension to St Oswald's Pre-School, installation of a footpath to Aycliffe Village Play Area, improvement works at Aycliffe Nature Park, refurbishment of Byerley Park play area, public seating, and bridge repairs.

4.22 The Council will continue to actively seek further funding, particularly from Section 106 Agreement monies and any funding available from the new Newton Aycliffe and Sedgefield Local Network, but for the purposes of this Plan only funding that has already been confirmed will be included in the Revenue and Capital Budget Forecast.

4.23 Durham County Council continues to consult with all key stakeholders on all relevant issues including service reviews, partnership working, policy reviews and devolvement of services. The Council has been participating in these consultations, where relevant, and will continue to do so.

Great Aycliffe Parish Plan

4.24 Parish Plans are designed to assist communities to set out their vision for the area they live in, and to identify the actions required by the local council to help them to achieve this vision.

4.25 The Great Aycliffe Parish Plan was developed in 2006 following a report from the Society of Local Authority Chief Executives that recommended that the Council *"should define and articulate clearly its vision and key priorities in order to reflect the aspirations of the community of Great Aycliffe"*.

4.26 This report also recommended that the Council *"develop longer term service and budget planning arrangements informing the development of a future financial planning framework".* This led to the development of the first MTFP back in 2007.

4.27 The Parish Plan was produced following extensive consultation with the community of Great Aycliffe, and as part of this process an overall vision for the Council was developed, supported by strategic aims and targets that would enable the vision to be achieved.

Council Vision and Strategic Aims

4.28 Following the parish planning process the Council adopted an overall vision or mission statement to be *"a quality Council, working in partnership, listening to and speaking up for the community, to bring excellent services to Great Aycliffe."*

This vision was updated in 2015, following a review as part of the neighbourhood planning process to be:-

"A pro-active and responsive Council, working in partnership, listening to and speaking up for the community, contributing towards making Great Aycliffe an excellent place in which to live for all its residents."

4.29 The Council has also set eight strategic aims to support the delivery of this overall vision. These aims are detailed below:-

1. *To provide good quality governance and management of the Council;*
2. *To manage the Council's finances and assets in a responsible manner;*
3. *To provide accessible, affordable leisure facilities and opportunities;*
4. *To provide pre-school education as appropriate in Great Aycliffe;*
5. *To contribute to the environmental improvement of Aycliffe by managing and developing parks, play areas and green spaces;*
6. *To help and encourage partnership working to improve services and facilities for the residents of Great Aycliffe;*
7. *To encourage the residents of Great Aycliffe to become involved in local democracy; and*
8. *To research information and make the case for Great Aycliffe.*

Town Council Service Delivery Plan

4.30 The Parish Plan was subsequently amalgamated with the Council's Best Value Performance Plan, following the end of the best value regime, and renamed the Parish Performance Plan. This Plan was then updated on an annual basis and set out the Council's performance and progress each year in achieving its strategic aims.

4.31 Following a review of the Council's performance management framework and strategic planning process in 2015, a decision was taken to replace the Parish Performance Plan, with effect from the 2015/16 financial year, with a new Service Delivery Plan.

4.32 The Service Delivery Plan focusses more on the services which are provided for the community of Great Aycliffe by the Town Council and how the Council meets the needs and priorities of the community. The Plan also incorporates a revised Performance Management Framework which provides for more robust setting, monitoring and review of strategic aims and targets by the Council.

4.33 In order to help successfully demonstrate the delivery of the Service Delivery Plan, each strategic aim is supported by a number of annual targets which are set out in an Aims and Targets Action Plan. It is ensured that each target is 'SMART' i.e. specific, measurable, achievable, relevant and time bound, and targets are monitored throughout the year by officers, and are appraised by the Council's Policy and Resources Committee.

4.34 The Aims and Targets Action Plan effectively identifies the key areas that the Council needs to focus on each year in pursuit of the achievement of its strategic aims and sets 'SMART' targets to guide the Council's programme of work and its financial planning for the year.

4.35 The update of the Service Delivery Plan at the beginning of each year includes a review of the Action Plan and the current status of each target in terms of progress towards completion. Any completed targets are removed from the following year's Plan and new targets are regularly added.

4.36 This review process helps ensure that the Council makes continuous progress towards the achievement of its strategic aims and in 2025/26 most targets were either achieved or ongoing and carried forward to 2026/27. **A copy of the Council's aims and targets for 2026/27 is attached at Appendix E.**

4.37 In addition to the strategic aims and targets, the Council has also embedded important crosscutting themes across all service areas, and these have now been incorporated into all corporate and service planning decisions taken by the Council's three major Committees and all Sub-Committees. These crosscutting themes are as follows:

- Policy Implications
- Staffing Implications
- Financial Implications
- Risk Assessment
- General Data Protection Regulation Implications
- Crime and Disorder Implications
- Equal Opportunities and Impact Assessments
- Environmental and Climate Change Implications

Section 5 Community Priorities

Introduction

5.1 The Council's 2026/27 Service Delivery Plan sets the Council's strategic aims and targets for the coming year. However, it is also important that the views of the local community are regularly sought and assessed by the Council.

5.2 Consultation is undertaken with the community, service users and local taxpayers in a variety of ways including:-

- the 'Your Parish, Your Choice, Your Voice' Satisfaction Survey which is undertaken every three to five years (the most recent survey was undertaken in 2024);
- the neighbourhood plan consultation process;
- service specific surveys such as the annual allotments and senior citizens' trips surveys;
- project specific surveys such as play area surveys etc; and
- the annual budget consultation.

5.3 Such consultations allow the views of the community and local taxpayers to be sought and then used to inform future decisions around allocation of resources, investment in services, and where any required efficiency savings should be targeted over the life of the Plan.

5.4 Feedback from previous consultations, and in particular the results of the Resident Satisfaction Survey and annual budget consultation, have already been used to inform the Council's financial planning and have been considered in the setting of the Council's Revenue and Capital Budgets in previous years.

Your Parish, Your Choice, Your Voice Satisfaction Survey

5.5 A comprehensive consultation exercise was undertaken with the local community in Spring 2024 via the 'Your Parish, Your Choice, Your Voice Satisfaction Survey'.

5.6 This survey asked a number of questions relating to satisfaction with the various services provided by the Council, value for money, community involvement and priorities for investment and disinvestment, seeking to establish the priorities of the local community for the future.

5.7 The survey received a total of 104 responses.

5.8 The key financial question asked in this year's Your Parish, Your Voice, Your Choice Survey related to the Town Council proportion of the council tax and whether council taxpayers felt that this provided value for money for the services provided.

5.9 **A total of 71% of respondents consider that the Town Council Tax represents value for money.** This was a pleasing response, and while down on the figure from the previous survey in 2019, demonstrates that the vast majority of council taxpayers believe that the Town Council delivers value for money services to the local community. The fall in satisfaction follows national trends and has probably been influenced by the national economic downturn and cost-of-living crisis.

2026/27 Budget Consultation Survey Results

5.9 A budget consultation is also undertaken every year prior to the setting of the annual budget. This helps provide specific feedback on the Council's annual budget proposals and is taken into account by the Council during the setting of the Revenue and Capital Budget.

5.10 Consultation on the Council's 2026/27 budget proposals was undertaken via an online Budget Survey. A total of 55 responses were received and the key survey results are summarised below:

5.11 Having considered all of the services provided by the Town Council and the investment that we make in the Parish of Great Aycliffe, do you feel that the current Town Council Tax of £200.26 (Band A) per year provides value for money?

Yes	**44**	**80%**
No	11	20%

5.12 Looking ahead to next year, all things considered, are you in support of the proposed 2.8% increase in the core Town Council Tax (equating to £5.61 per year or £0.47 per month at Council Tax Band A)?

Yes	**43**	**78.2%**
No	12	21.8%

5.13 In respect of the full withdrawal of the Local Council Tax Reduction Scheme Grant, of £145,250, by Durham County Council in 2026/27, are you in support of the proposed additional increase in the Town Council Tax to offset this; equating to an additional £8.25 (total £13.86) per year or £0.69 (total £1.16) per month at Council Tax Band A?

Yes	**40**	**72.7%**
No	15	27.3%

5.14 In overall terms, a majority of survey respondents (72.7%) were in support of the proposed overall budget increase, including the additional increase required to offset the withdrawal of the Local Council Tax Reduction Scheme Grant by Durham County Council. A higher proportion, 78.2%, supported the proposed 2.8% core increase in the Town Council Tax

5.15 A total of 80% of respondents also felt that the Council is currently delivering value for money.

5.16 The survey also asked respondents to rank the services most important to them i.e. where service delivery should be continued, budget cuts avoided, and future investment targeted. The top ten priority service areas from the survey were as follows:-

Top 10 Most Important Services in Priority Order

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

5.17 The top priority Town Council services for local taxpayers are the parks and play areas, along with litter and dog bins and cemeteries.

5.18 These are areas in which the Council has invested very heavily in recent years.

5.19 Parks and play area investment over the last ten years has included the development of a new park, play area and multi-use games area at Cobblers Hall, installation of upgraded play equipment at West Park, Aycliffe Village, Byerley Park, Horndale and Woodham, a replacement skate park in the Town Park, multi-use games areas at Moore Lane and Horndale, and a scoot track at Horndale Park, as well as safety surfacing replacement across many play areas.

5.20 The Council makes regular capital investment on the replacement of litter and dog bins. However, there are limitations as to how much more the Council can invest in these areas, as it is restricted to Council owned and leased land, and whether Durham County Council has the staffing capacity to actually empty any additional bins.

5.21 The cemeteries are another highly valued service which have been subject to significant investment in recent years to improve drainage.

5.22 Community events also featured highly amongst priorities for investment including Fun in the Parks, Santa Tours, Fireworks Display, Senior Citizens Trips and Christmas Lights. Community events is another key service area in which the Council has protected and increased budgets in recent years, as well as investing in new and one-off events such as the 75th Anniversary of the Town, VE Day and the new Elevate Youth Event.

5.23 Every effort will be made to continue to invest in community priorities over the period of this MTFP. However, there will be limitations on any additional investment due to the inflationary pressures on the Revenue Budget, falling balances, increases in staffing costs linked to the National Living Wage, and the need to keep future council tax increases as low as possible.

5.24 However, this information will also be useful in highlighting the services that are most important to council taxpayers, and which should be protected from budget cuts, should revenue and capital spending need to be reduced in the future.

5.25 The survey also asked respondents to rank the services least important to them i.e. where budget cuts should be targeted if savings are required. The top ten least important service areas from the survey were as follows:-

Top 10 Least Important Services in Priority Order

Service Area
Councillors
Civic Events and the Office of Mayor
Oakleaf Sports Complex
Oakleaf Golf Course and Driving Range
Fireworks Display
Senior Citizens' Trips
Large Community Events such as the Big Brass Bash
Corporate Management and Administration
Flower Beds

5.26 These are the service areas that are least important to council taxpayers and where spending reductions, if required in the future, should be targeted.

5.27 There is some overlap here with services that also featured in the most important services list, in relation to community events such as the Senior Citizens' Trips and Fireworks Display. This highlights that community priorities can vary and depend very much on the demographic of the responders and which services they actually use.

5.28 Other services identified as lower priorities amongst local taxpayers included Councillors and Civic Events and the Office of Mayor, Oak Leaf Golf Complex, Oak Leaf Sports Complex and Corporate Management and Administration.

5.29 The Councillors and Corporate Management and Administration Budgets will always be low on the list of priorities for the local community as there is no direct and tangible benefit to the community from these budgets, even though they are critical to the efficient and effective running of the Council.

5.30 The Council could seek to reduce its spending on civic events and the office of mayor, but equally the Council may consider that the office of mayor and the civic events help to raise the profile of the town and generate civic pride.

5.31 The Oak Leaf Golf Complex and Sports Complex are similar in many ways to the event budgets in that the service is valued by members and users of the facilities but less so by those who do not play golf or take part in indoor sports.

5.32 The Council has already reduced spending in these service areas over recent years and usage of both facilities have increased significantly in recent years as the Council seeks to reduce the net cost to the taxpayer of both services.

5.33 A service review of the golf complex has also been completed, along with the development of a Service Plan and Long-Term Improvement and Investment Plan for the golf course and driving range.

5.34 However, it is important to reiterate that 71% of Your Parish, Your Voice, Your Choice Survey Respondents believed that the level of council tax paid to the Town Council represents value for money (rising to 80% on the annual budget survey), which would suggest that the majority of taxpayers *do not* wish to see the Council cut services, if at all possible.

Section 6 Key Financial Influences and Challenges

6.1 This Medium-Term Financial Plan will need to address the following key financial influences and challenges:-

- **the economic climate and Government spending and taxation plans** e.g. possible public sector spending cuts, increasing inflation, changes in interest rates and reduced consumer spending power;
- **significant likely increases in the National Living Wage, and its subsequent impact on the local government pay scale, as well as union pressure for public sector pay to keep pace with inflation;**
- **the risk of council tax referendum principles being extended to town and parish councils, with effect from 2027/28;**
- **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**;
- **ensuring the funding of existing service requirements**;
- **delivering the Council's strategic aims and targets**;
- **meeting the needs and priorities of the local community, service users and taxpayers;**
- **funding any new statutory requirements and any planned investment in existing services or new initiatives**;
- **delivering value for money and ensuring the achievement of year-on-year efficiency savings;**
- **minimising future increases in the Town Council Tax;**
- **working within the limited resources available and deciding how the Council's spending will be prioritised** in the event of limited resources being available;
- **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.**

6.2 Many of these key financial influences and challenges are linked to the national economic situation, with particular budget pressure being caused by stubbornly high inflation in some areas of expenditure, the likelihood of increases in staffing costs over the coming years linked to above inflation increases in the National Living Wage, and impacts on usage and income of services linked to reduced consumer spending power. These were discussed in Section 3 of the Plan.

6.3 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 though the Precept and Council Tax.

6.4 As previously highlighted in Section 3 and 4 of the Plan, the Local Council Tax Reduction Scheme Grant funding was withdrawn in its entirety by Durham County Council in 2026/27. The financial impact of this decision has been fully accounted for in the 2026/27 Revenue Budget and resulted in a higher than planned increase in the Town Council Tax in this year.

6.5 The Council continues to face pressure on its expenditure budgets as a result of persistently high inflation in certain categories of supplies and services, particularly gas, electricity, insurance and vehicle fuel. These areas remain subject to volatility and continue to present a risk to the Council.

6.6 Of significant concern are staffing cost increases linked to the National Living Wage and union pressure for public sector pay to keep pace with inflation. The pressure on the local government pay scale is of particular concern, and there is a strong possibility that the Council will need to undertake a further grading restructure during the period of the Plan, alongside the National Employers undertaking a more fundamental review of the pay scale. Both would potentially bring with them significant increases in staffing costs.

6.7 The resulting shortfall in resources 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, and increases to fees and charges.

6.8 The process of balancing Council's Revenue Budget continues to be difficult and this situation is likely to remain challenging over the medium term.

6.9 At the same time the Council needs to be aware of the financial stresses being faced by local taxpayers as a result of the economic difficulties and cost-of-living crisis, and the need to keep future increases in Council Tax as low as possible.

6.10 This is also important in the context of the possible implementation of the power allowing local communities to require town and parish councils to hold a referendum to veto an excessive council tax increase, from 2027/28 onwards.

6.11 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 top-up of reserves from the Revenue Budget.

6.12 This MTFP has been prepared on the key principle of aiming to maintain existing levels of service, while keeping any increase in council tax as low as possible.

6.13 Prudent assumptions have been made around the impact of the various challenges faced and the key assumptions made are set out in Section 7.

6.14 A Revenue and Capital Budget Forecast is then set out in Section 8 which highlights the likely changes to the budgets between 2026/27 and 2030/31 and the council tax increases that may be required in each year to balance the Revenue Budget. This forecast will also quantify the possible savings and budget reductions that would be needed to restrict or freeze the council tax, should the Council wish to do so at any time over the period.

6.15 Actual options for delivering any required budget reductions and efficiency savings would need to be drawn up each year and agreed by the Council during the annual budget setting process.

Section 7 Key Financial Assumptions

7.1 Summarised in this section of the Plan are the specific assumptions that have been made in planning the Council's Revenue and Capital Budget forecast over the five-year period in order to respond to the key influences and challenges summarised in Section 6 of the Plan.

Providing for Inflation

7.2 In order to ensure that the Revenue Budget accurately reflects future spending commitments, it is essential that the Council makes prudent provision for all unavoidable increases in costs that will arise from inflationary pressures over the five-year period.

7.3 The UK rate of inflation is currently running at 2.6%, although inflation has remained subject to fluctuations in recent months. There remains a risk that inflation could increase over the coming months due to a range of global and national economic factors. Gas, electricity, fuel and insurance costs remain particularly subject to volatility, which could continue to place pressure on the Council's expenditure and budgets.

7.4 The Government and Bank of England inflation target is currently 2%, with the long-term objective of maintaining inflation at or around this level. While inflation has reduced from the higher levels experienced in recent years, there remains uncertainty over the future direction of inflation. The Council will continue to monitor inflationary pressures and their potential impact on its expenditure budgets.

7.5 The areas of expenditure which were worst hit by the very high levels of inflation in recent years have all now settled down to more 'normal' levels of increase. These include fuel, gas and electricity costs which have reduced substantially since the highs experienced during 2022/23. However, it must be stressed that these costs have not returned to pre-cost-of-living crisis levels, and there is still significant volatility in prices linked to global factors, including the war in the Middle East.

7.6 Inflation remains elevated in a number of expenditure areas, including information technology and service contracts. These continued inflationary pressures present an ongoing challenge to the Council and place additional pressure on the Revenue Budget.

7.7 **A key principle of the Council's medium-term financial planning in previous years has been to only make provision for unavoidable inflationary increases** in budgets i.e. where there is a contractual obligation to pay the increased cost or where the increase cannot be avoided.

7.8 Budget provision for general expenditure such as equipment, stationery, uniforms, training, and publicity has traditionally been frozen at existing levels and the budgets will be expected to absorb any price variations year on year.

7.9 This approach encourages managers to shop around, use the Durham County Council procurement service, and negotiate better deals with suppliers, and therefore ensures improved use of resources and helps the Council to achieve value for money.

7.10 Whilst this principle will continue to be applied as far as possible, many expenditure budgets have been cut back significantly during previous years' budget-setting processes, and it is therefore becoming increasingly difficult to avoid inflationary increases in running costs.

Annual Pay Awards and the National Living Wage

7.11 Over half of the Council's gross expenditure relates to officer pay costs and therefore annual officer pay awards and 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.

7.12 It is inevitable 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**.**

7.13 The National Living Wage sets the minimum hourly rate for workers aged 21 and over. From 1st April 2026, the National Living Wage increased to £12.71 per hour, representing an increase of 50 pence or 4.1% on the 2025/26 rate. The Government has asked the Low Pay Commission to make recommendations for the National Living Wage from April 2027, with the current indicative range being £13.02 to £13.34 per hour, with a central estimate of £13.18, equivalent to an increase of approximately 3.7%. These figures remain indicative and the final rate will be confirmed later in 2026. The 'Real Living Wage', as recommended by the Living Wage Foundation, is currently £13.45 per hour.

7.14 The Labour Government has previously pledged to increase the National Living Wage significantly so that it reflects a *'genuine living wage for working people'* and have requested that the Low Pay Commission *'factor in the cost of living when recommending minimum wage rates'*. They have also pledged to remove '*discriminatory age bands so that all adults can benefit'.*

7.15 It is unclear currently how much and when the Labour Government plans to increase the National Living Wage in line with the above commitments.

7.16 The Council currently pays its staff in accordance with the National Joint Council for Local Government Services (NJC) pay scales.

7.17 The NJC Local Government Pay Agreement for 2025/26 implemented a flat-rate increase of 3.2% on each spinal column point. The agreement also provided for the deletion of the lowest local government salary point (SCP 2) with effect from April 2026, helping to ensure that the lowest local government salary point remained above the increased National Living Wage.

7.18 Following the deletion of SCP2 from 1 April 2026, the minimum local government pay rate is £12.85 per hour for 2026/27. This provides a degree of headroom above the National Living Wage and helps to maintain a differential between the lowest local government pay rate and the statutory minimum wage.

7.19 **The 2026/27 pay award has now been agreed between the NJC and the local government trade unions.** The National Employers had previously made a full and final offer of **a 3.3% increase, effective from 1st April 2026**, which was rejected by UNISON, GMB and Unite. Following subsequent discussions and consultation, an agreement has now been reached in respect of the 2026/27 pay award. The award will be backdated to 1st April 2026 and will apply to employees covered by the NJC for Local Government Services.

7.20 **In addition to the 2026/27 pay award, the NJC is undertaking a review of the national pay spine.** The review is intended to develop a restructured pay spine that is better able to accommodate future increases in the National Living Wage, while retaining flexibility for local employers to operate local pay and grading structures. The review commenced in 2026 and is expected to continue alongside the annual pay negotiations, with the NJC aiming to conclude the review by 31st March 2027.

7.21 **It is clear that there is still limited headroom between the lowest local government pay grade and the National Living Wage** and any significant further increases in the National Living Wage, coupled with union pressure for local government pay to keep pace with inflation, will create significant pressure on the local government pay scale.

7.22 Based on current estimates, it is forecast that the only way to avoid the National Living Wage overtaking the lowest local government pay grade and to retain the current 'differentials' between local government pay grades, working up through the pay grade, in future years, 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.

7.23 Pay awards would need to be more than this if substantial increases are made to the National Living Wage.

7.24 This pressure on the local government pay scale and erosion of differentials between salary grades is of significant concern and led to the Council needing to undertake a limited grading restructure ahead of 2026/27.

7.25 **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.**

7.26 The 2026/27 Revenue Budget assumed a pay award of 4%. The 2026/27 NJC pay award has now been agreed at 3.3%, effective from 1 April 2026. The agreed award is therefore 0.7 percentage points lower than the provision made within the Council's Revenue Budget and is expected to result in a saving against the budgeted staffing costs in 2026/27, subject to the impact of increments, vacancies, backdated payments and associated National Insurance and pension costs.

7.27 **The Revenue Budget forecast within this Plan assumes a 3.5% pay award in 2027/28, reducing to 3% in 2028/29, 2029/30 and 2030/31.** These assumptions reflect the anticipated level of future NJC pay awards, taking account of the agreed 3.3% pay award for 2026/27 and the forecast pressure on local government pay arising from increases in the National Living Wage.

7.28 If a higher-than-expected pay increase is awarded this year or at any point over the next five years, for example following union action or a significant increase in the National Living Wage in excess of current forecasts, then additional budget would need to be found to meet the increased cost.

7.29 For every 0.5% pay award above those budgeted for, the Council's salaries and wages budget would need to increase by around £11,500.

7.30 **Any additional costs over the life of the Plan would be met in the first instance from the Revenue Budget Contingency Sum, or, over and above this, from efficiency savings elsewhere in the Revenue Budget.**

7.31 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.

7.32 Staffing costs increases are therefore likely to remain a key and significant budget pressure well into the future.

Salary Increments

7.33 Some Council staff are appointed on a salary grade that allows progression through the grade linked to performance in the job or successful completion of qualifications.

7.34 **Full provision has been made in the Revenue Budget forecast for any salary increments linked to qualifications and performance that are due to such staff over the five-year period of the Plan.**

Pension Costs

7.35 Pension costs in respect of Council employees are another significant area of expenditure. The 2026 actuarial valuation of the Durham County Pension Fund set the pension contributions for employers and employees for the three years 2026/27 to 2028/29. The Council's employer's pension contribution rate for this period reduced from 19.5% to 15.3% of pensionable pay costs.

7.36 The next valuation of the pension fund is due to take place during 2029 and will set the pension contributions for the period 2029/30 to 2031/32.

7.37 **The Council's employer's pension contribution rate will therefore remain unchanged at 15.3% until the end of 2028/29. It has been assumed that the pension rate will remain at 15.3% in 2029/30 and 2030/31.**

7.38 The other issue relating to pensions that will continue to have an impact upon the Council's pension costs over the next few years is the Government's Automatic Enrolment legislation.

7.39 This initiative aims to ensure that all workers are enrolled into an occupational pension scheme. It requires employers to automatically enrol all 'eligible' employees into a qualifying pension scheme, although employees do have the option of 'opting out' should they wish to do so.

7.40 The Council initially implemented automatic enrolment in May 2014, resulting in several additional employees joining the Local Government Pension Scheme. The Council has subsequently undertaken the required three-yearly re-enrolment exercises in 2017, 2020, 2023 and 2026.

7.41 The most recent automatic enrolment identified several staff who were not in the pension scheme along with several staff whose salary had breached the automatic enrolment threshold because of the higher than anticipated pay award. The staff who were enrolled have, in the main, remained in the pension scheme. The 2026/27 Revenue Budget provides fully for the costs of all staff who are current members of the pension scheme.

7.42 The Government continues to encourage workers to enrol in a pension scheme and the Council must automatically enrol all eligible new staff and existing staff whose earnings exceed the automatic enrolment threshold of £10,000, and also re-enrol all 'opted out' staff every three years, with the next re-enrolment date being May 2029.

7.43 This could result in more staff joining the pension scheme over the medium term. It has been assumed in the Revenue Budget projections for 2027/28 to 2030/31 that all new staff will join the pension scheme, while all existing staff who have previously opted out will remain outside of the pension scheme.

Savings from Staff Turnover and Flexible Retirements

7.44 **No provision has been made within the Revenue Budget forecast for savings from staff turnover or flexible retirements** e.g. savings from reductions to working hours, staff leaving the pension scheme, posts being vacant for a period of time, new staff commencing employment on lower grades etc, unless this has already been approved by the Council and removed from the Revenue Budget.

7.45 It has therefore been assumed in the Revenue Budget forecast that any future savings that *are* achieved from staff turnover or any flexible retirements would be available to support the Revenue Budget in the year in which they were achieved, rather than permanently removed from the budget.

7.46 These savings would be used in the first instance to fund any recruitment costs or temporary cover arrangements, with any remaining savings added to Council balances at the end of the year.

Changes to the Staffing Structure

7.47 There are not currently any pending decisions to change the Council's staffing structure and the Revenue Budget Forecast for 2026/27 to 2030/31 is therefore based on the existing approved staffing structure.

7.48 The Sports Complex Manager is currently undertaking a review of the sports complex staffing structure and it has been assumed for the purposes of the Revenue Budget Forecast that any changes will be cost neutral.

7.49 A wider review of the Council's staffing structure may be undertaken during the life of this plan, linked to the NJC review of the local government pay scale. No assumptions have been made in this Plan regarding the outcome of any such review.

Premises Costs

7.50 There have been some significant increases to the Council's premises costs in recent years, although wherever possible the Council has actively worked to minimise these increases, for example by working with Durham County Council energy team to access their gas and electricity contracts and reduce usage and changing maintenance providers to achieve better value for money.

7.51 However, the Council will continue to face some unavoidable increases to its premises costs over the next few years and these have been provided for within the Revenue Budget Forecast.

7.52 This is particularly the case in respect of gas and electricity costs which were subject to unprecedented increases during 2022 and 2023 as a result of supply issues and volatility caused by the war in Ukraine. Gas and electricity costs stabilised over the last two years with prices gradually coming down from the highs seen in the previous two years. However, the conflict in the Middle East has caused further volatility and gas and electricity price increases in recent months.

7.53 The 2026/27 Revenue Budget figures reflect the latest contract rates and annual usage information provided by Durham County Council Energy Procurement Team at the time the budget was set.

7.54 Predicting movement in prices ahead of the 2027/28 to 2030/31 period is very difficult and the advice received from Durham County Council Energy Procurement Team has been very limited. However it has been assumed that the energy market will remain volatile and that prices will increase at a rate higher than inflation, but not to the levels experienced during the financial crisis.

7.55 A 7.5% per year annual increase in gas and electricity costs has been assumed for the period of the Plan.

7.56 Officers will continue to work with Durham County Council's Procurement Department to minimise the actual increases in each year and may set up longer fixed term contracts if this is more cost effective in future years.

7.57 Water costs have also increased significantly in recent years at a rate far in excess of inflation. The 2026/27 Revenue Budget figures reflect the latest contract rates and annual usage information.

7.58 A 7.5% per year annual increase in water costs has been assumed for the period of the Plan.

7.59 Business rates budgets have been increased by 3% per year for the duration of the Plan, broadly in line with the assumed rate of inflation.

7.60 Service agreement budgets have been increased by 3.5% per year for the duration of the Plan, broadly in line with the assumed rate of inflation.

7.61 The Council's building maintenance budgets, as a whole, are in the fortunate position of being underspent, despite there having been some significant one-off costs in the last few years which have resulted in some maintenance budgets for individual buildings being overspent.

7.62 In addition, significant asset management works have been completed to buildings in recent years and continue to be planned via the Capital Programme Budget over the next five years which should help to limit the call on the building maintenance budgets over the next few years.

7.63 As a result, **current budget provision for building maintenance is considered to be sufficient and has been frozen at existing levels for the life of this Plan.**

Insurance Costs

7.64 The Council renewed the three-year rate stability agreement, in June 2024, which will limit the increase in insurance premiums for the main commercial combined element of the insurance between 2024/25 and 2026/27.

7.65 The insurance market continues to be volatile and officers have been advised that premiums across all policies are likely to increase over the period of the Plan, although this can be limited via the agreement of further stability agreements if these are agreed by the Council.

7.66 Pending any decision on the extension of the long-term stability agreement, **insurance budgets have been increased by 5% per year for the duration of the Plan.**

Vehicle Costs

7.67 Vehicle fuel costs are another area of expenditure that have been subject to unprecedented inflationary increases in previous years as a result of supply issues and volatility caused by the war in Ukraine.

7.68 As with gas and electricity costs, fuel costs have reduced from the highs experienced in those years, and this led to the vehicle fuel budget being in the fortunate position of being underspent and the budget being reduced from £30,000 to £25,500 in 2026/27. The ongoing move to using electric vehicles and machinery will also see the use of fuel reduce (but will increase electricity costs).

7.69 However, the conflict in the Middle East has caused further volatility and oil price increases in recent months which has led to significant recent increases in the cost of fuel.

7.70 The vehicle fuel budget has been adjusted to match current usage and then an increase of 7.5% per year over the life of the Plan has been assumed in line with the assumptions made for gas and electricity costs.

7.71 Vehicle maintenance costs also vary widely year-to-year but have fallen in recent years as a result of capital investment by the Council in replacing older vehicles. **The vehicle repair budget has therefore been frozen at £8,500 per year for the period of the Plan.**

7.72 A freeze has been assumed in officer car allowances and mileage rates over the period of the Plan, and it has been assumed that the mileage claimed will remain broadly at current levels.

7.73 The budgets for mayors' taxi costs and members' mileage claims have been frozen at existing levels for the period of the Plan.

Supplies and Services Budgets

7.74 **Where possible, supplies and services budgets have been maintained at existing levels, with managers expected to absorb inflationary pressures where this can be achieved without affecting service delivery.** This approach encourages managers to seek value for money through competitive procurement, use of the Durham County Council procurement service where appropriate, and negotiation with suppliers. Several individual budgets have also been reviewed and adjusted to reflect anticipated expenditure, with savings and efficiencies identified where possible.

7.75 Whilst this principle will continue to be applied as far as possible, many supplies and services budgets were cut back significantly during recent budget setting processes, and it is therefore becoming increasingly difficult to avoid inflationary increases in running costs.

7.76 **An inflationary increase has been provided for over the life of the Plan for supplies and services where there is a contractual obligation to meet increased costs or where the increase is considered unavoidable.** Examples include information technology licences and support contracts, machine rentals, subscriptions, Fun in the Parks, the Fireworks Display, bar and catering supplies, golf shop stock, cash collection and tree works.

7.77 **In some isolated cases, supplies and services budgets have been reduced where the provision is of a one-off nature, known savings have been identified, or budgets have been consistently under-utilised in previous years.** Examples include postage, stationery, senior citizens' excursions and fuel.

Town Council Elections

7.78 **The next Town Council Elections** are due to take place **in May 2029** and a budget of £30,000 has been set aside in the 2029/30 Revenue Budget to meet the cost. **This will be funded from the Earmarked Elections Reserve set aside for this purpose.**

7.79 The cost of any by-elections held during the period of the Plan would also be met from the Elections Reserve.

Members and Mayor’s Allowances

7.80 The 2026/27 Revenue Budget incorporates the current town and parish council members’ allowance rate previously recommended by the Independent Remuneration Panel at Durham County Council.

7.81 **Moving forward, no increase has been assumed to the Members’ Allowances and Mayor’s Allowance rates over the period of the Plan,** pending a review of Members’ Allowances by an Independent Remuneration Panel at Durham County Council, or a request from the Council to review its Members’ Allowances Scheme.

Income Budgets

Pre-School Funding

7.82 Funding is receivable towards the running costs of the two pre-school settings at St Oswald's Park.

7.83 This funding is paid by the Government via Durham County Council's Education Department and pays for up to thirty hours of care per week for three to five-year-old children and up to fifteen hours of care per week for two-year-old children. This equates to five daily three or six-hour sessions per child per week and is payable during school term time only.

7.84 Additional funding is received towards the cost of one-to-one support provided to children with special educational needs.

7.85 Funding is claimed in advance of each term based on the projected numbers of children attending, with a reconciling claim at the end of the term. Funding is received in two payments during the term.

7.86 **The 2026/27 pre-school funding budget was set at £272,600, which represents a target occupancy rate of 80% for the two settings and the current funding rates of £5.26 per hour for the three to five-year old setting, and £7.37 for the two-year old setting.**

7.87 **A further £10,000 is budgeted for Special Educational Needs Funding.** This funding varies significantly each year depending upon numbers of SEN children. This £10,000 is used to partly offset the cost of the SEN Assistant post.

7.88 SEN funding has been very high in recent years, totaling £54,700 in 2025/26. Any additional funding, over and above £10,000, is used to fund temporary staffing or agency staff and is not permanently accounted for in the Pre-School Budget.

7.89 The target attendance rate is based on an assessment of the number of children currently attending, waiting list numbers for future places, and the assumption of some additional applications from parents.

7.90 It is difficult to accurately assess waiting lists beyond 2026/27 and therefore estimate funding income for the medium term, as the numbers of children attending and waiting lists constantly change.

7.91 **However, projected attendance numbers are significantly down** and numbers for September 2026 are currently less than 50% of capacity. Numbers are usually lower in September when the older children move onto school and traditionally have increased over the next couple of terms. However, there is now increased competition from school-based nurseries which is significantly impacting upon applications to St Oswald's Pre-School.

7.92 Reducing the funding income budget to reflect 50% attendance would result in it needing to be reduced to £170,500, 60% attendance would be £204,500, 70% attendance would be £238,500 and 75% attendance would be £255,500.

7.93 **Taking all of the above into account, the funding income target for the 2027/28 to 2030/31 years has been set at 70%.** This will be closely monitored over the coming months.

7.94 The funding income budgets for 2027/28 to 2030/31 have been based on an assumed 3% annual increase in the funding rate.

7.95 This would result in funding income falling to £238,500 in 2027/28 and then increasing year on year to a total of £260,500 in 2030/31.

7.96 The Special Educational Needs Funding Budget has been fixed at £10,000 per year for the life of the Plan.

Sports Complex Income

7.97 Sports complex income from sporting activities has increased over the last few years, with most sporting activities seeing increases in usage, along with some new sporting activities added including darts, pickleball and a games room.

7.98 Significant efforts have been made to diversify the services on offer at the sports complex and boost income from non-sporting activity, with more events such as craft fairs, dog shows, caravan rallies, Comic-Con events, mixed martial arts competitions and pantomimes being held in the sports hall. This has led to an increase in sports hall hire income and has also significantly boosted secondary income from the bar, catering, and gaming machines.

7.99 The sports complex income budgets for the 2026/27 financial year were updated to account for the changes generated by these factors and sports complex income has now exceeded £600,000 and is estimated to generate in the region of £628,200 in 2026/27 which is a positive development in these difficult times.

7.100 The sports complex income budgets for the 2027/28 to 2030/31 years have been adjusted to account for the 2025/26 final outturn position and then forecast with the assumption of a 3% annual increase in prices to help keep pace with staff pay increases and inflation. This would see total income increase from £628,200 in 2026/27 to £659,250 in 2030/31.

Golf Complex Income

7.101 Golf complex income has fluctuated up and down in recent years, impacted in particular by the Coronavirus pandemic, and weather conditions in each year.

7.102 However usage, memberships and income in the previous financial year has increased substantially, partly due to the closure of a neighbouring nine-hole golf course, partly due to the very dry and sunny spring and summer, and partly due to investment and improvement of the golf course. This trend has continued into the new 2026/27 financial year.

7.103 Green fee income hit £101,200 in 2025/26 which is far ahead of the 2026/27 income budget of £86,700. Green fee income in 2026/27 is also forecast to exceed £100,000.

7.104 Golf membership numbers have increased from 266 members at the end of 2024/25 to a current total of 406 members at the end of 2025/26. This generated a total membership income of £105,400. This has been a significantly positive development, and it is hoped that the Council will be able to retain this level of membership going forward, as well as add new members. Current membership numbers in 2026/27 are 367.

7.105 **Driving range income has also been increasing significantly year on year in recent years, peaking at £107,300 in 2025/26.** This is considered to be close to the peak level of usage achievable, excluding annual price increases.

7.106 **Golf shop sales have now peaked at around £80,000 per year,** partly due to limitations on space for stocks and insurance limits, and barring annual price increases, are unlikely to increase further.

7.107 **For the purposes of the Revenue Budget projections in this Plan, the target for golf membership numbers has been set at 400.** The 2026/27 budget for membership was set at £87,000 per year and based on a lower number of members. This has been inflated to reflect a target of 400 members from 2027/28 which would increase the income budget to £116,250. **It has been assumed that membership prices will be increased by 5% per year over the life of the Plan.** This will increase income by around £5,800 per year, helping to offset increases in running costs.

7.108 An income target of £86,700 per year was set for green fees for the 2026/27 financial year. This is significantly lower than the actual outturn in 2025/26 of £101,200.

7.109 **For the purposes of the Revenue Budget projections for the period 2027/28 to 2030/31, the budget for green fee income has been increased to £100,000 from 2027/28 with an assumed 5% price increase each year** to help fees keep pace with staff pay awards and inflation. This will see green fee income increase from £100,000 in 2027/28 to £115,000 by 2030/31.

7.110 **The income target for golf buggy hire** was set at £3,000 for 2026/27 in line with the reducing usage in recent years. However, usage increased to £5,350 in the 2025/26 financial year, and the 2027/28 budget **has been increased to £5,000** to account for this, **while a 5% price increase per year has been assumed in buggy hire fees for the remainder of the plan.**

7.111 **The budget for golf equipment hire income** was set at £1,050 for 2026/27. However, usage increased to £1,800 in the 2025/26 financial year, and the 2027/28 budget **has been increased to £1,750** to account for this, **while a 5% price increase per year has been assumed for the remainder of the plan.**

7.112 **Driving range income hit a peak of £107,300 in 2025/26** following investments in drainage and range ball stocks. The 2026/27 budget was set at £104,900. Usage in the current 2026/27 financial year is currently broadly in line with the budget. **It is not considered that usage or income will increase beyond this. A 3% price increase per year has been assumed in driving range fees for the remainder of the plan.**

7.113 **The income target for golf shop sales**, **including golf equipment and clothing, drinks, snacks and hot drinks, was set at £75,000 in 2026/27.** Actual sales in 2025/26 were £78,370. **Stock levels in the golf shop are now close to maximum levels therefore the income target has been fixed at this level. A 3% price increase per year has been assumed in golf shop stock prices for the remainder of the plan.**

Sports Pitch Income

7.114 **A 3% annual price increase has been assumed for the years 2027/28 to 2030/31 in relation to sports pitch fees to help keep pace with staff pay increases and inflation. The number of teams using the pitches is close to capacity and has been assumed to remain unchanged**.

Cemeteries Income

7.115 Cemeteries income has fallen in recent years, reflecting a reduction in demand for burials as more families opt for cremation, including direct cremations.

7.116 As a result, the current income budgets for burials and advance purchases have not been consistently achieved. Actual income from these sources has reduced, and the budgets have therefore been reviewed to provide a more realistic forecast of future income.

7.117 **The combined income budgets for burials and advance purchases have been reduced to £35,000 in 2027/28.**

7.118 **An annual 5% increase in cemetery fees has been assumed throughout the remainder of the MTFP period.** This reflects the higher-than-inflation increases applied to cemetery charges in previous years, which have been introduced to help reduce the net cost of the service and bring the Council's charges more closely in line with those of principal councils.

7.119 **This would see income from burials and advance purchases increase to £36,750 in 2028/29, £38,500 in 2029/30 and £40,500 in 2030/31**

7.120 The lease of the building at Stephenson Way Cemetery to a funeral director is currently £6,900 per annum and the next Rent Review is due in April 2027. A 20% increase has been assumed from the 2027/28 financial year in line with the rate of inflation of the period of the rent review.

Allotments Income

7.121 **Allotments income has been based on current numbers of plots and assumes 100% allocation of plots each year in line with the current situation and waiting lists.**

7.122 **A 3% annual increase in allotments rents has been set in advance for 2027 as required by law, with further increases of 3% per year assumed for the remainder of the plan** in order to ensure that staff pay awards and inflationary increases in running costs are offset.

Investment Income

7.123 **Investment income has been based on the projected level of balances and reserves** as set out in the Revenue and Capital Budget Forecast in Section 8 of the Plan **and a forecast of the expected rates of interest likely to be available on the Council's investment accounts.**

7.124 The Bank of England has reduced its Bank Rate from the recent peak of 5.25% in August 2023 to the current rate of 3.75%. However, the Bank has maintained the rate at 3.75% since December 2025 as it continues to balance the need to support economic activity against the need to control inflation.

7.125 Inflation remains above the Bank of England's 2% target, and although it has recently fallen, the Bank expects inflation to increase later in 2026, partly due to higher and volatile energy prices. This creates uncertainty around the timing and extent of any future reductions in interest rates, and further reductions may be limited in the short term.

7.126 The higher Bank of England Bank Rate experienced in recent years has provided a significant benefit to the Council by enabling it to generate increased levels of investment income on its cash balances and reserves. Investment income has reduced slightly in line with the reduction in interest rates but is still anticipated to exceed the budget target of £48,950 in the current 2026/27 financial year. The level of investment income will remain sensitive to future movements in interest rates and the level of funds available for investment.

7.127 Investment income is projected to reduce over the remainder of the financial plan, reflecting the assumed gradual reduction in interest rates and the forecast reduction in the Council's cash balances and earmarked reserves available for investment. The level of investment income will therefore remain sensitive to both future movements in interest rates and the level of funds available for investment.

7.128 For the purposes of the Revenue Budget Forecast in this Plan, it has been assumed that interest rates on Council investments will fall to 3.5% in 2027/28 and 2028/29, reducing to 3% in 2029/30, and 2.5% in 2030/31, while average invested balances are forecast to fall from £1.5 million to around £750,000 over the period.

7.129 This will see investment income fall from £48,950 in 2026/27 to £18,750 in 2030/31.

Grant Funding

7.130 Grant funding has only been assumed in the MTFP projections where it is already in place or has already been approved.

7.131 Other than the pre-school funding received from Durham County Council, no other revenue grant funding is currently receivable or had been approved at the time this Plan was prepared.

Investment in Services and New Initiatives

7.132 As outlined earlier in the Plan, the Council has established, through the Service Delivery Plan, and consultation with the local community, the strategic aims, targets and priorities, which will guide future investment.

7.133 The Council has already actively responded to the delivery of many of the aims, targets, and priorities in previous budget setting exercises and in all cases sufficient revenue or capital budget provision is already in place to enable their achievement.

7.134 Clearly, the Council will be constrained over the next five years in its ability to raise additional resources for investment, by the budget pressures faced and the need to ensure a prudent top up of capital reserves. This is more likely to leave the Council needing to deliver savings and redirect these to the contribution to capital reserves, rather than make further significant investment in services.

7.135 Budget provision has only therefore only been included in the Revenue Budget Forecast in this Plan for existing service provision and any already approved additional commitments.

7.136 No further additional investment in services or in new initiatives has been assumed. If any new investment was required by the Council, this would need to be met from the Revenue Budget Contingency Sum, or by reducing spending on existing lower priority services.

Annual Council Tax Increase

7.137 As highlighted earlier in the Plan, the Revenue Budget Forecast has been prepared on the principle of continuing to provide all current Council services, facilities, and events, maintaining current standards of service, and ensuring a prudent level of balances and reserves to meet future capital investment commitments, whilst keeping any future increases in the Town Council Tax as low as possible.

7.138 Any increase to the Town Council Tax will need to recognise the significant 'cost of living' difficulties still being faced by local taxpayers, balanced against the budget pressures being faced by the Council in terms of future staff pay increases and inflation, the need to maintain the important services, facilities and events that are so valued by the local community, and ensure that Council balances and reserves can be maintained at prudent levels, via the contribution to capital reserves in the Revenue Budget, bearing in mind the substantial capital investment commitments faced in the medium-term.

7.139 The Council also needs to bear in mind the possibility of council tax referendum principles being extended to higher spending town and parish councils with effect from the 2027/28 financial year or beyond.

7.140 Clearly, there may be financial implications for the Council if a council tax referendum limit were implemented for town and parish councils by the Government at any stage from 2027/28 onwards.

7.141 The base council tax referendum limit is currently set at 3% for principal councils but could be reduced in the coming years if local authorities are not seen to be showing restraint in setting their council tax rates.

7.142 Equally the Government could seek to continue to relax the referendum limits in light of the financial challenges being faced by local councils.

7.143 This eventuality is considered in the Revenue Budget Forecast set out in Section 8 of the Plan, which quantifies the savings, that would be required to restrict the council tax increase, in the event of a council tax referendum limit being implemented at 2% or 1%. The savings that would be required to freeze the Town Council Tax is also included for information.

Council Tax Base

7.144 In order to calculate the possible changes that may be required to the level of council tax over the medium term, assumptions need to be made around the likely movement in the Council Tax Base.

7.145 The Council Tax Base is a calculation of the number of chargeable properties within the Parish for council tax purposes. The Council's Precept divided by the Tax Base calculates the Band D Council Tax.

7.146 The localisation of support for council tax had significant implications for the Council Tax Base calculation, and the future design of the Durham County Council Local Council Tax Support Scheme could have a major impact on the Council Tax Base moving forward.

7.147 As highlighted earlier, Durham County Council made changes to the scheme last year which resulted in some taxpayers being required to make a contribution towards their council tax bills for the first time. This had the impact of increasing the Council's Tax Base.

7.148 The Tax Base will also be influenced by the council tax benefits caseload in the Parish. An increase in caseload would reduce the Tax Base while a decrease in the caseload would increase the Tax Base.

7.149 For the purposes of estimating the Town Council Tax Base for the period of the MTFP, it is not considered prudent to make any assumptions around possible further changes to the Durham County Council Local Council Tax Support Scheme or the council tax benefits caseload at this time.

7.150 The Council Tax Base increased by 102 properties for 2026/27, largely as a consequence of the changes made to the Local Council Tax Support Scheme by Durham County Council last year. However, before this the Tax Base grew by only 9 properties in 2025/26, following on from an increase of 4 properties in 2024/25 and an increase of 47 properties in 2023/24.

7.151 Whilst it is likely that the Council Tax Base will continue to benefit from some new housing developments over the life of the Plan, new development in the town has slowed down. The Council is unlikely to see any significant benefit from new houses at the Copelaw development until the final year this Plan.

7.152 For the purposes of the Revenue Budget forecast for the four-year period 2027/28 to 2030/31, an increase in the Council's Tax Base of 39 properties has been assumed for 2027/28, and then annual increases of 50 properties per year from 2028/29 to 2029/30 and then an increase of 100 properties in 2030/31 to provide for the commencement of the new housing development at the Copelaw site.

7.153 Tax Base growth raises an additional £3,200 to £3,450 for every 10 additional properties per year to support the Revenue Budget.

Council Balances and Reserves

7.154 Within the existing statutory and regulatory framework, it is the responsibility of the Finance Manager to advise the Council on the level of its reserves and to ensure that there are clear protocols for their establishment and use.

7.155 In accordance with Section 25 of the Local Government Act 2003, an annual assessment of the adequacy of the Council's balances and reserves is made at the time the Council Precept is set.

7.156 This assessment is based upon a guidance note on Local Authority Reserves and Balances issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), which is considered to be best practice with regard to balances and reserves (LAAP Bulletin 99).

7.157 CIPFA holds the view that a generally applicable minimum level of reserves is not appropriate. The guidance note states that *'in assessing the appropriate level of reserves, a well-managed authority will ensure that the reserves are not only adequate but are also necessary'*, and that Councils *'should establish reserves including the level of those reserves based on the advice of their chief financial officer and make their own judgements taking into account local circumstances'*.

7.158 In theory, a well-run Council with a prudent approach to setting its budget, should be able to operate with a relatively low level of general balances, although these general balances will need to be supported by sufficient sums set aside in earmarked reserves to meet specific needs and fund future spending commitments; particularly future capital investment commitments.

7.159 In coming to a view on the adequacy of the Council's balances and reserves, account needs to be taken of the risks facing the Council, in terms of any significant unforeseen spending commitments or funding cuts and the ability to replenish balances from the Revenue Budget, the capital investment requirements of the Council over the medium to long term, the ability of the Council to secure external funding via capital grants and contributions, take out additional borrowing, or generate capital receipts from sale of assets.

7.160 The Council held balances and reserves of £2.272 million at the end of the 2025/26 financial year.

7.161 Of the total balances, £263,993 is set aside in the General Fund Reserve, £24,969 in the Revenue Budget Support Fund, £32,280 in the Community Support Fund, and £9,758 in the Community Benefit Fund.

7.162 The remaining £1.941 million is set aside in Earmarked Revenue and Capital Reserves, to fund future year's capital investment commitments as set out in the Council's Asset Management Plan, and other one-off revenue commitments such as elections.

7.163 It is important to note that uncommitted balances and reserves, after taking into account the funding of revenue and capital budget commitments carried forward from 2025/26 to 2026/27, and the funding of the 2026/27 Capital Programme Budget, **would be in the region of £1.3 million.** Please note however 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.

7.164 **Additionally, the Council's 2026/27 Revenue Budget includes a £16,000 Contingency Sum and a £75,000 Contribution to Capital Reserves**, which provide some limited protection against unforeseen spending commitments as well as allowing the Council's Earmarked Capital Reserves to be 'topped up' to support future year's capital investment. **There may also be savings on the Revenue Budget each year.**

7.165 The current recommended Council policy for balances and reserves is as follows:-

1. **Maintain minimum Revenue Balances of between 5% and 10% of the Net Budget Requirement** to protect against unforeseen budget pressures and cuts to the Council Tax Support Grant funding.
2. **Set aside such sufficient sums in Earmarked Reserves, as is considered prudent**, to support future year's capital investment requirements and other specific commitments;
3. **Undertake an annual review of the level of Balances and Earmarked Reserves** as part of the budget setting process.

7.166 It is a key principle of the Council's financial strategy to limit support from Council balances and reserves to the Revenue Budget over the medium term as such support is not sustainable.

7.167 However, the Council does hold a Revenue Budget Support Fund and Community Support Fund which allows unspent budget resources to be carried forward from one year to another for specific approved purposes, while the Plan also provides for the use of Earmarked Revenue Reserves to fund the one-off costs of any elections and by-elections.

7.168 **It is considered that the current level of balances and reserves**, **taken alongside the contingency sum and contribution to capital reserves set aside in the Revenue Budget, provides the Council with an adequate level of resources to protect against any unforeseen spending pressures and future funding cuts, and to fund capital investment requirements in the medium term.**

7.169 However, the ongoing pressures on the Council's Revenue Budget, from likely pay awards and inflation will likely significantly reduce the other savings coming forward to replenish balances over the coming years.

7.170 Additionally, the potentially **significant capital investment commitments** identified in the Council's Asset Management Plan **mean that it is inevitable that Council balances and reserves will diminish over the life of this Plan** as capital commitments are funded.

7.171 The £75,000 contribution to capital reserves will help to replenish balances each year. However it must be noted that this top up of balances is still less than the annual Capital Programme Budgets set out in this MTFP and so balances and reserves would still fall year-to-year if no savings were delivered on the Revenue Budget. Increasing the contribution to capital reserves may be something that the Council needs to consider in the coming years.

7.172 If some efficiency savings can continue to be delivered on the Revenue Budget moving forward, and used to boost the Contribution to Capital Reserves, and if capital investment continues to be closely monitored and controlled, balances and reserves should be able to be maintained at prudent levels over the five-year period of the Plan.

7.173 **However, in the longer term, the Council's balances and reserves are fully earmarked against future capital investment requirements,** and the impact **of the various Revenue Budget pressures may limit the Council's ability to replenish balances via Revenue Budget savings, which could lead to balances being severely diminished by the middle of the next decade.**

7.174 This issue is considered in more detail in the Revenue and Capital Budget Forecast in Section 8 of the Plan.

Efficiency Savings

7.175 The Council is committed to ensuring that year-on-year efficiency savings are achieved over the five-year period of the Plan.

7.176 The need to identify and achieve efficiency savings is likely to become increasingly important over the coming years given the substantial increases in staffing costs and other budget pressures faced, as well as the need to try and establish a higher contribution to capital reserves in the Revenue Budget and limit council tax increases over the next five years.

7.177 The Council has a proven track record of achieving efficiency savings on its Revenue Budget over a number of years and a saving of £395,284 or 19% was achieved during 2025/26.

7.178 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 last year due to ill health;
- 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 (costs are 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 Revenue 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 last 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.

7.179 It is important to note that a significant proportion of the savings in 2025/26 related to issues that have been accounted for during the setting of the 2026/27 Revenue Budget and are therefore unlikely to be ongoing savings e.g. reductions in gas and electricity costs and vehicle fuel, increases in investment income, deletion of staff vacancies, increases in pre-school income and sports and golf complex income.

7.180 However, it is acknowledged that the savings achieved in 2025/26 (and before this is 2024/25) were much higher than originally forecast. Whilst there are 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 last year may indicate that there may be some scope to deliver further savings and reductions in certain areas. This may be of help in setting and balancing the 2027/28 Revenue Budget.

7.181 The Finance Manager intends to undertake a comprehensive review of the Revenue Budget later this year, applying zero-based budgeting principles to challenge existing expenditure levels and income assumptions. The review will seek to identify opportunities to reduce expenditure, improve value for money and increase income where appropriate, with the aim of strengthening the Council’s financial position over the medium term and potentially boosting the contribution to capital reserves.

7.182 The actual financial position in the early part of the 2026/27 financial year highlights a lower level of Revenue Budget savings, following the various budget reductions implemented as part of the 2026/27 budget-setting process. At the same time, continuing inflationary pressures remain evident across a number of expenditure budgets, placing further pressure on the Council’s Revenue Budget.

7.183 Whilst it is still expected that the Council will deliver a saving on the 2026/27 Revenue Budget, via the planned contribution to capital reserves and contingency sum, total savings are anticipated to be reduced on last year and the preceding years.

7.176 This being the case, there may be limited scope for further efficiency savings in the longer term, without making cuts to budgets which directly impact upon services, as most savings have been incorporated into the 2026/27 Revenue Budget or the 2027/28 year in this MTFP's Revenue Budget Forecast.

7.184 Any known savings or budget reductions have been built into the Revenue Budget Forecast for 2027/28 to 2030/31 in the Plan although these are limited following the implemented reductions during the 2025/26 and 2026/27 budget setting processes.

7.185 As highlighted earlier in the Plan, the Revenue Budget Forecast for the four years from 2027/28 to 2030/31 sets out the savings and budget reductions that would need to be made to deliver a 2% and 1% Council Tax increase and to freeze the Council Tax. This information is included as a guide to the Council if it wished to implement a lower increase in any given year.

7.186 The Government limit on council tax increases is currently set at 3% and does not currently apply to town and parish councils. Currently there is no indication that this limit will be extended to larger town councils in future years.

7.187 Options for delivering any required budget reductions and efficiency savings, should they be required, would need to be drawn up each year and agreed during the annual budget setting process.

Section 8 - Revenue and Capital Programme Budget Forecast 2026/27 to 2030/31

Introduction

8.1 A summary of the Revenue and Capital Programme Budget Forecast for the five-year period 2026/27 to 2030/31 is set out below. Please note that the first year of the Plan reflects the approved 2026/27 Budget. A detailed analysis is attached at Appendices A and B.

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 Elections	-	-	-	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 2%	**N/A**	**£11,047**	**£11,374**	**£11,826**	**£12,126**
Savings Required to limit Council Tax increase to 1%	**N/A**	**£33,070**	**£34,107**	**£35,292**	**£36,516**
Savings Required to Freeze the Council Tax	**N/A**	**£55,093**	**£56,841**	**£58,759**	**£60,907**

Revenue Budget Forecast 2026/27 to 2030/31

8.2 The Revenue Budget forecast summarised above has been based on the detailed assumptions set out in Section 7 of the Plan and 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 through the Capital Programme;
4. Safeguarding a prudent level of balances and reserves; and
5. Applying measured increases in the Town Council Precept that balance the cost-of-living pressures faced by local taxpayers with the financial pressures arising from pay awards, inflation and the need to maintain valued services, facilities and events.

8.3 The forecast makes provision for likely increases in pay, inflation and other unavoidable spending commitments, together with forecast changes in income, known savings, increases in fees and charges and growth in the Council Tax Base.

8.4 The Local Council Tax Support Scheme Grant received from Durham County Council was £145,250 in 2025/26, representing approximately 7% of the Town Council's precept. The withdrawal of this recurring funding from 1st April 2026 has been incorporated into the first year of the MTFP via the approved 2026/27 Revenue Budget, and placed additional pressure on the Council's Revenue Budget and the level of Precept and council tax increase required in this year to maintain existing services.

8.5 The Revenue Budget Forecast in this MTFP indicates that the Town Council Precept will increase from £2.190 million in 2026/27 to £2.500 million by 2030/31, an increase of approximately £310,000 over the four-year period.

8.6 These 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.

8.7 The forecast also maintains a prudent contribution to reserves to support the replenishment of the Council's earmarked capital reserves, particularly considering the substantial capital investment required over the medium to long term, and seeks to increase this contribution over the Plan, if possible.

8.8 The identification of further efficiency savings remains an ongoing process. However, significant savings have already been identified through previous budget-setting exercises, and most budgets are now extremely lean, limiting the scope for further reductions in existing expenditure.

8.9 Further opportunities may arise through procurement exercises, capital investment and service reviews. In addition, following the higher-than-expected Revenue Budget savings achieved in 2025/26, the Finance Manager intends to undertake a full review of the Revenue Budget using zero-based budgeting principles, with the aim of identifying opportunities to reduce expenditure budgets and increase income targets.

8.10 Any savings arising from this review could reduce the need for future Precept increases; however, they have not been assumed within this MTFP until they have been identified and realised.

8.11 Based on the Revenue Budget forecast and the assumed growth in the Council Tax Base, and assuming no further efficiency savings are generated, the forecast requires an annual Council Tax increase of 2.5% from 2027/28 to 2030/31. This equates to an overall increase of approximately 10% over the period, with the Band D Council Tax increasing from £312.38 in 2026/27 to £344.82 in 2030/31.

8.12 This represents an average increase of approximately £8 per year for a Band D property and around £5.50 per year for a Band A property.

8.13 The sensitivity analysis included in the table illustrates the additional savings that would be required if the Council chose to limit future Council Tax increases below the 2.5% assumed in the forecast.

8.14 Limiting the Council Tax increase to 2% would require additional savings of approximately £11,000 to £12,000 per year over the period 2027/28 to 2030/31, totalling approximately £46,400.

8.15 Limiting the increase to 1% would require additional savings of approximately £139,000 over the four-year period, while freezing Council Tax would require approximately £231,600 of additional savings.

8.16 Commentary on the key issues and financial implications in each individual year is detailed in the following section of the Plan.

2026/27 Revenue Budget

8.17 **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.**

8.18 **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.** 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 increase would have been much lower and likely closer to a council tax freeze.

8.19 The 2026/27 Revenue and Capital Budgets ensure the protection and maintenance of all Council services, facilities and events to current standards, and continued capital investment in community assets.

8.20 The 2026/27 Revenue Budget also maintains some surplus resources through a contingency budget and a contribution to capital reserves helping 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

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

8.22 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.

8.23 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.

8.24 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.

8.25 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.

8.26 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.

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

8.28 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

8.29 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.

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

8.31 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.

8.32 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.

8.33 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.

8.34 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.

8.35 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.

8.36 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.

2029/30 Revenue Budget

8.37 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.

8.38 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.

8.39 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.

8.40 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.

8.41 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

8.42 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.

8.43 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.

8.44 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.

8.45 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.

8.46 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

8.47 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.

8.48 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.

8.49 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.

8.50 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.

8.51 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.

Overall Summary of Revenue Budget Forecast

8.52 The Council remains in a relatively strong financial position, with a balanced Revenue Budget, healthy levels of balances and reserves and a continued commitment to identifying efficiency savings and managing expenditure carefully.

8.53 The Council is therefore working from a strong foundation and is better placed than many other 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.

8.54 **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**

8.55 The withdrawal of the Local Council Tax Support Grant by Durham County Council with effect from 1st April 2026 resulted in the loss of £145,250 of recurring annual funding.

8.56 Looking ahead, 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.

8.57 The MTFP assumes that existing services will be maintained and that these budget pressures will be managed through a combination of Precept increases, efficiency savings, increases in fees and charges, and Council Tax Base growth.

8.58 The MTFP assumes a 3.5% pay increase in 2027/28, followed by 3% per annum from 2028/29 to 2030/31, together with appropriate provision for inflation and other unavoidable expenditure pressures. The potential need for a further staff grading review to maintain appropriate differentials between lower pay grades also represents a further financial risk in the medium term.

8.59 **The Plan assumes a 2.5% annual increase in the Town Council Tax from 2027/28 to 2030/31.** The Council's Precept is forecast to increase from £2.190 million in 2026/27 to £2.499 million in 2030/31, while the Council Tax Base is forecast to increase from 7,011 to 7,250. Growth in the tax base, particularly as the Copelaw housing development progresses, will provide additional income and help to moderate future Precept increases in the longer term.

8.60 The Council will continue to identify opportunities for efficiency savings and additional income through budget reviews, procurement exercises, service reviews, review of capital investment and increases in fees and charges. However, significant savings have already been achieved in previous years, and most budgets are now lean, meaning that the scope for further savings without affecting services is becoming increasingly limited.

8.61 Maintaining prudent levels of contingency and reserves remains an important part of the Council's financial strategy. Contributions to capital reserves are maintained throughout the MTFP and increase to £92,250 in 2030/31, supporting the Council's ability to fund future capital investment and manage unforeseen financial pressures.

8.62 The financial position beyond the five-year period remains uncertain. Continued pressures from pay, the National Living Wage, inflation and other expenditure increases could require further action if they cannot be offset through efficiency savings, additional income or Council Tax Base growth. The Council will therefore need to continue its programme of service reviews and regularly reassess its priorities and financial position

8.63 The MTFP is subject to a range of risks, including future pay awards and National Living Wage increases, inflation and interest rates, changes in Government policy and funding, Council Tax Base growth and the timing and scale of the Copelaw development, changes to local government finance arrangements and any future changes to Council Tax legislation or referendum principles.

8.64 Overall, the Revenue Budget Forecast provides a prudent financial framework while recognising the significant challenges that the Council may face over the medium and longer term.

Capital Programme Budget Forecast 2026/27 to 2030/31

8.65 The Capital Programme Budget provides for major investment in the Council's assets including planned maintenance to buildings such as roofing works and heating system replacements, replacement vehicles, plant, machinery and office equipment, and investment in community assets such as play areas, street equipment and allotments.

8.66 A detailed breakdown of the Capital Programme Budget Forecast for the five-year period 2026/27 to 2030/31 is attached at **Appendix B.**

8.67 The 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 ongoing commitments from 2025/26 and all additional capital budget approvals, as well as the likely commitments for the following four years, as identified in the Council's Asset Management Plan.

8.68 **The Council approved an original Capital Programme Budget for 2026/27 totalling £315,250, and this budget has subsequently been increased to provide for the carry forward of a large number of capital commitments, contingency sums, and deferred and ongoing projects at the end of the 2025/26 financial year, totalling £690,050, and further additional capital budget approvals totalling £33,400. The revised 2026/27 Capital Programme Budget therefore currently totals £1,038,700.**

8.69 The budget provides for a number of projects including a large number of building works including roofing replacements, redecoration, replacement windows and doors, roofing surveys, replacement heating system, a solar panel system for the sports complex, replacement vehicles and machinery, information technology investments, festive lighting replacements, play area upgrade and safety surfacing replacement, Ash tree dieback disease works, bus shelter repairs, footpath repairs, drainage improvements and golf course improvements.

8.70 **The indicative Capital Programme Budgets for the four-year period 2027/28 to 2030/31 total £1.343 million** and provide for several further projects contributing towards the ongoing delivery of the Asset Management Plan.

8.71 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.

8.72 The Capital Programme Budgets focus 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.

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

8.74 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.

8.75 The Capital Programme forecast does not take account of any further external funding that may become available over the five-year period from external capital grants or contributions such as Section 106 Agreement monies and Durham County Council Local Network funding and County Council Members' Initiatives Funds.

8.76 Any external capital funding that was secured, would provide resources over and above those shown in the MTFP.

8.77 The Council will continue to actively pursue any grants that may be available to support relevant projects.

8.78 **In overall terms, the 2026/27 to 2030/31 Capital Programme Forecast identifies a total potential investment of as much as £2.383 million, and this would need to be funded, in full, from the Council's Earmarked Capital Reserves.**

8.79 **If all this capital investment goes ahead, this would inevitably lead to a significant fall in the Council's balances and reserves**. This is discussed in more detail in the following section of the Plan.

8.80 **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.**

8.81 Alongside this, it would also be prudent for the Council to continue its policy of 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.

8.82 The Council's Asset Management Sub Committee will continue to scrutinise and monitor planned capital expenditure to help ensure this.

Council Balances and Reserves

8.83 The Council held balances and reserves of £2.272 million at the end of the 2025/26 financial year.

8.84 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.

8.85 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.

8.86 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.

8.87 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.

8.88 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.

8.89 However, in order to provide an indication of the possible movement in the Council's balances and reserves over the five-year period, a forecast has been produced based around two scenarios.

8.90 The first forecast reflects the worst-case scenario whereby no efficiency savings will be achieved on the Revenue Budget over the five-year period of the Plan, where the contingency sum would need to be used, in full, each year, and where the full Capital Programme Budget would be spent each year.

8.91 Under this scenario, Council Balances and Earmarked Reserves could fall as low as £211,200 by the end of the 2030/31 financial year.

8.92 The second forecast reflects a scenario whereby 2% efficiency savings will be made over the 2026/27 to 2030/31 period, where the contingency sum would not need to be used in each of these years, and where only 80% of the Capital Programme Budget would be spent each year.

8.93 Working on these assumptions, Council Balances and Earmarked Reserves at the end of 2030/31 would be higher at around £1,416,750.

8.94 Additionally, if capital investment continues to be closely monitored and controlled by the Council 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 at least £1 million over the five-year period of the Plan.

8.95 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.

8.96 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 at **Appendix C**.

8.97 Under either scenario, Council Balances and Reserves are forecast to reduce over the Medium-Term Financial Plan period.

8.98 The Council's policy for balances and reserves is to aim to hold a minimum Revenue Balance of 5% of the Council's Net Budget Requirement or Precept, supported by such balances in Earmarked Reserves, as is considered prudent, to support future year's capital investment requirements and any other specific commitments.

8.99 This equates to a Revenue Balance in the region of £104,000 to £119,000, with the remainder of the Council's balances set aside in Earmarked Revenue and Capital Reserves to support future year's revenue budget and capital investment commitments.

8.100 The projection of Balances and Reserves assumes that there will be no further land sales over the five-year period. Any further capital receipts from land sales would therefore be available in addition to the levels of Council Balances and Earmarked Reserves identified above.

8.101 However, any future land sales would be subject to a percentage claw back payable to the Homes and Communities Agency under the terms of the original transfer agreement from Aycliffe Development Corporation to the Council. This percentage claw back will reduce over the life of the Plan, from 26% of the value of the land sale in 2026/27 to 18% in 2030/31.

8.102 The Plan does not make any provision for additional borrowing, in light of the assumed replenishment of earmarked capital reserves from the Revenue Budget. It also does not make any provision for the use of balances to fund the early repayment or rescheduling of the Council's remaining outstanding loan, in light of the need to replenish balances rather than use them up, and the fact that this loan is due to be repaid in 2029/30.

8.103 Looking ahead beyond the life of the Plan, balances will continue to deteriorate, as longer-term capital investment is financed, but it is also possible that capital receipts from land sales and significant council tax base growth from the Copelaw development may enable the Council to replenish its balances and reserves. Additional borrowing could also be considered if absolutely necessary.

Section 9 Treasury Management Issues

Introduction

9.1 The Council has in place an approved Treasury Management Code of Practice which provides the framework for the management and control of the Council's borrowing, investment, and banking arrangements.

9.2 The Revenue Budgets and Capital Programme Forecast set out in this Medium-Term Financial Plan could have treasury management implications for the Council that will need to be accounted for.

9.3 The potential treasury management implications for the Council over the next five years are considered in this section of the Plan.

Outstanding Loans / Borrowing

9.4 **The total amount of loans outstanding to the Public Works Loans Board as at 31st March 2026 was £45,500** and relates to a loan taken out in previous years to fund the construction of the Town Park.

9.5 Assuming no rescheduling or early repayment of the existing outstanding debt, the outstanding balance on the above loans will change over the period of the Plan, as follows:-

31st March 2027	**£33,350**
31st March 2028	**£20,500**
31st March 2029	**£7,000**
31st March 2030	**£0**

9.6 **Annual repayment costs on the Council's remaining loan, including interest, amount to £14,400 per year,** with the amount of principal increasing year on year and the amount of interest decreasing.

9.7 The remaining loan will be fully repaid by the end of this Medium-Term Financial Plan period.

9.8 The Revenue Budget forecasts detailed in Section 8 provide fully for repayments and interest payable on the Council's existing borrowing.

9.9 **It has been assumed for the purposes of the MTFP that there will not be any early repayment or rescheduling of the Council's outstanding loans over the period of the Plan,** particularly bearing in mind the likely deterioration in the Council's balances and reserves over this period.

9.10 **However, this position will continue to be reviewed on an annual basis when possible options for rescheduling or early repayment of debt will be assessed**, taking into account various issues including the premiums that may be payable and the level of Council balances and reserves likely to be available to fund such a repayment.

Investments

9.11 The Council currently invests its earmarked reserves in a deposit account with the Council's bank, with any other surplus cash balances held in the Public Sector Deposit Fund.

9.12 Investment income is credited to the Revenue Budget and varies year-to-year depending upon the level of balances available to invest and interest rates. Investment income has been extraordinarily high in recent years due to the increases in the Bank of England Base Interest Rate as a consequence of the cost-of-living crisis and high levels of balances and reserves.

9.13 Investment income increased from £400 in 2021/22 to £23,500 in 2022/23, £91,350 in 2023/24, reaching a high of £102,400 in 2024/25, before dropping back to £84,750 in 2025/26.

9.14 An income target of £48,950 has been set for the 2026/27 financial year, based on the forecast interest rate and level of balances, and it is currently anticipated that this will be exceeded in the current year.

9.15 The Bank of England has been reducing its Base Rate over the last two years following the falls in the level of inflation and the current interest rate is 3.75%, having been cut from 5.25% two years ago. However, the Bank of England will need to balance any further reductions against the need to control inflation which may increase again and is currently above the target level of 2%. This may mean that rates are not cut further, at least in the short term.

9.16 Investment income is projected to reduce over the remainder of the plan, as a result of an assumed gradual reduction in interest rates, and the forecast fall in Council balances and earmarked reserves.

9.17 For the purposes of the Revenue Budget Forecast in this Plan, it has been assumed that interest rates on Council investments will fall to 3.5% in 2027/28 and 2028/29, reducing to 3% in 2029/30, and 2.5% in 2030/31, while average invested balances are forecast to fall from £1.5 million to around £750,000 over the period. This will see investment income fall from £48,950 in 2026/27 to £18,750 in 2030/31.

Long Term Treasury Management Issues

9.18 The inclusion of a £75,000 contribution to capital reserves during 2026/27 to 2029/30 and a £92,250 contribution in 2030/31 in the Revenue Budget will help ensure that Council balances are partly replenished to a level sufficient to meet the Council's medium-term capital investment commitments.

9.19 Looking ahead beyond the life of the Plan, balances will continue to deteriorate, as Revenue Budget savings diminish and longer-term capital investment is financed.

9.20 However, it is also possible that capital receipts from land sales and longer-term council tax base growth, particularly from the forthcoming Copelaw housing development, may offer the Council an alternative means of replenishing its balances and reserves in the future.

9.21 Additional borrowing could also be considered if absolutely necessary, with any repayments of borrowing having to be met by the revenue budget and precept.

Section 10 Climate Emergency Issues

Introduction

10.1 The Council resolved at its meeting in September 2019 that:-

(i) *The Council agrees to the declaration of a Climate Emergency.*

(ii) *The Council agrees to work towards making this Council carbon neutral by 2030.*

(iii) *The Council agrees to work towards making this Council carbon zero by 2050.*

10.2 Following a series of update reports, the Council subsequently agreed that:

a) *Officers are instructed to prepare a Carbon Footprint Calculation for the Council to encapsulate Scope 1 and Scope 2 emissions (direct and indirect) only, which will provide a baseline for recording future progress in realising the Council's aim of being carbon neutral by 2030 and carbon zero by 2050.*

b) *Climate change and carbon reduction implications are included in every report to the Council and its committees, sub-committees and working groups under the "Environment, Biodiversity and Climate Change Implications" section of the report, in order to ensure that climate change is a key consideration in any decision coming before the Council.*

c) *The feasibility studies into EV charging points and solar panels be completed and reported to Council.*

d) *Officers develop a Climate Emergency Policy and Carbon Reduction Action Plan with a view to reporting these to Council and having these agreed and in place by 31st March 2025, subject to staffing capacity and other priorities.*

e) *The MTFP Capital Programme Budgets and Asset Management Plan continue to be updated with the cost of low carbon alternatives for all building works and replacement vehicles and machinery and ensure that sufficient financial provision is made for any additional costs.*

f) *Awareness raising and training where relevant, is rolled out to Council staff in all service areas in order to highlight the importance of reducing carbon emissions.*

g) *Twice yearly progress reports on climate change and carbon reduction are reported to Council moving forward'.*

10.3 It has recently been agreed by the Council to delete the target of the Council being carbon neutral by 2030 and instead put in place a process of continuous improvement, with the retention of the target to be carbon zero by 2050.

10.4 The Council has made some significant progress in relation to making the Town Council carbon neutral in recent years.

10.5 A summary of specific actions is provided below:-

- Calculation of the Council's Carbon Footprint each year.
- Development and approval of a Climate Emergency Policy and Carbon Reduction Action Plan
- The installation of the Council Offices solar panel system.
- The purchase of electrical works machinery and putting in place of a budget for a rolling programme of replacements for petrol-powered small machines moving forward.
- Replacement of works vehicles with electric vehicles.
- Considering hybrid and electric alternatives for larger machines and vehicles, where a suitable alternative is available e.g. a hybrid mower was recently purchased.
- The roll out of LED lighting across most buildings and facilities.
- Replacement of parish lights with energy efficient LED lights.
- The purchase of green electricity via DCC energy contracts.
- Considering the location of contractors, equipment and parts when undertaking procurement.
- Planting of new woodland, wildflower meadows, habitat creation, and a policy of planting three trees for every tree that is removed.
- Composting of green waste.
- Recycling of scrap metal.
- Creation of bee plots at the allotments.
- Investigating the feasibility of implementing hybrid council meetings when legislation allows.
- Implementation of improved recycling arrangements linked to the Simpler Recycling legislation including composting of food waste.
- Installation of water free urinals at the sports complex.
- Significant reductions in the use of paper at the offices.
- Grant funded tree planting programme on Town Council land across the Parish, in partnership with Durham County Council.
- Major grant funded tree planting initiative on the golf course.
- Partnership with Livin to create a new wildflower meadow at Horndale.
- Protection of green open space in the Neighbourhood Plan.
- The specific consideration of climate change as a standing agenda item at staff management meetings.
- The specific consideration of carbon reduction implications as a standing item on all committee and Council reports.
- Working in partnership with Durham County Council to install EV Charging Points at the Oak Leaf Sports Complex and Golf Complex.
- Planning the installation of solar panels at the Oak Leaf Sports Complex during 2026/27.
- Investigating the feasibility of installing solar panels on other buildings.
- The Asset Management Plan and Medium-Term Financial Plan both now include consideration of the medium and longer-term financial impacts of the Council becoming carbon neutral.
- Phasing out of single use plastics, as per Defra guidance on the single-use plastics ban.
- Five officers have undertaken the Certificate in Understanding Climate Change and Environmental Awareness qualification.
- Officers have expressed an interest, via DCC, in accessing a funded energy audit for Council buildings via the 'BEEP' project.

10.6 The annual Revenue and Capital Budgets have already made financial provision for the various investments related to the above and the Medium-Term Financial Plan and Asset Management Plan both now include consideration of the medium-and longer-term financial impacts of the Council becoming carbon zero such as the additional costs of electric vehicles, provision for the sports complex solar panel system etc.

10.7 Future updates of the MTFP will factor in the financial implications of any further decisions taken by the Council in relation to the Climate Emergency and delivering its stated aim of becoming carbon zero by 2050.

Section 11 Risk Assessment

Introduction

11.1 The Council has an approved Risk Management Strategy in place, supported by a Corporate Risk Register, which is updated on a quarterly basis. All key decisions made by the Council are also subject to a formal risk assessment where this is considered relevant.

11.2 The Corporate Risk Register covers all identified risks applicable to the Council and the services that it provides. The register provides full details of the risks broken down by service area, with an assessment of the impact of the risk and the likelihood of the risk occurring (low, medium or high), the controls put in place to minimise the risk, and any further actions required.

11.3 All relevant financial risks have been identified and assessed during this process and are included within the Council's Risk Register. **An extract from the Risk Register detailing all current financial risks is attached at Appendix F.**

Links to Medium Term Financial Plan

11.4 The Council is subject to a range of political, economic, demographic, sociological and technological influences. Many of these factors change on a regular basis resulting in new, and sometimes unexpected, financial pressures.

11.5 The Council keeps under constant review the key challenges and risks impacting on its financial position. This identification and assessment of risk is an essential element of the financial planning process and a key factor in informing financial planning decisions. The key influences and challenges facing the Council over the next five years were considered in Section 6 of the Plan.

11.6 The Medium-Term Financial Plan provides for the continued inclusion of a contingency sum and contribution to capital reserves within the Revenue Budget for the duration of the Plan.

11.7 As highlighted earlier, the Council's balances and reserves should be able to be maintained at a prudent, albeit much reduced level, over the five-year period of the plan, via a combination of the contribution to capital reserves, efficiency savings and restricting capital investment to essential projects only.

11.8 These balances provide protection against any unforeseen budget pressures that might arise, as well as providing resources to fund capital investment requirements. The level of contingencies, balances and reserves will be reviewed annually as part of the budget setting process, and a strategy investigated and implemented to further replenish them if required.

11.9 The MTFP and annual Revenue and Capital Budgets are developed on a prudent basis taking into account all known commitments and spending pressures. The key assumptions made in the MTFP Revenue and Capital Budget forecasts were set out in Section 7 of the Plan.

Key Risk Areas

11.10 The key risk areas over the medium term that could potentially adversely impact upon the forecasts set out in the MTFP, have been identified and are summarised below. This includes details of how these risks might be mitigated.

11.11 Pandemics

There remains a risk of the emergence of a new pandemic, and the introduction of Government restrictions. However this is considered to be a relatively low risk due to the existence of the vaccination programmes and lessons learned from the Coronavirus Pandemic and has not been factored into the assumptions and forecasts in this Plan.

11.12 UK Economy and Cost of Living Crisis

The economic situation continues to have an impact on the Council's financial planning and budgets, particularly in relation to inflationary pressure on certain supplies and services, and consumer demand of services. The impact of the current economic difficulties has been prudently factored into the forecasts made within the Plan and the Council can take some comfort from the fact that its current financial situation is relatively healthy, and the levels of contingencies and balances held provide it with a strong foundation to weather the storm and offset any financial liabilities.

11.13 Public Sector Spending Cuts by Central Government

Linked to the above and the forthcoming Government Budget, there is a risk that the Government may implement public sector spending cuts to offset the national budget deficit and the funding of its spending commitments. This would in turn could have a negative impact on local government. For example funding cuts for principal councils such as Durham County Council could result in services being cut and increasing pressure for town and parish councils to step in and take over, as well as increased requests for financial assistance from community and voluntary organisations whose grant funding has been cut. Again the Council can take some comfort from its healthy current financial situation and the levels of contingencies and balances held.

11.14 Inflation

There is a risk that inflation, particularly in respect of gas, electricity, fuel and insurance, but also general supplies and services, could be higher than provided for in the MTFP. However, the assumptions made within the MTFP are considered to be prudent with full provision made for any unavoidable inflationary increases in costs based on the latest information available. In addition, the Revenue Budget Contingency Sum provides some scope to meet any additional costs.

11.15 National Living Wage and Annual Staff Pay Awards

As highlighted earlier in the Plan, the National Living Wage is expected to increase significantly over the coming years to keep pace with the rising cost of living. The forecasts made within this Plan assume that the National Living Wage will increase to at least £13.21 per hour in 2027. In the longer term, further expected increases in the National Living Wage could bring about increasing compaction at the lower end of the local government pay scale. There is also a risk that the Government could increase the National Living Wage by more than previously forecast, or that union action could result in actual pay awards being higher than provided for in the Plan. The Revenue Budget contingency sum provides some scope to meet any additional costs should this be the case.

11.16 Restructure of the Local Government Pay Scale

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. The Council undertook a limited grading restructure in 2026/27, following the deletion of Salary Point 2. However, if local government pay increases return to a more realistic level in the medium to longer term, it is likely that future increases in the National Living Wage will again further overtake the pay points at the lower end of the Local Government Salary Scale. This would likely require a fundamental restructure of the local government pay scale and job evaluation exercise. This is an issue that has been recognised by the Local Government Employers and represents a key risk to the Council's financial planning over the longer term.

11.17 Extension of Council Tax Referendum Principles

The possible extension of council tax referendum principles to large town councils by the Government represents a key risk to the Council's Revenue Budget planning as this would severely restrict the Council's ability to offset budget pressures via Precept and Council Tax increases. This risk has been recognised within the Plan and the financial impact has been factored into the Revenue Budget Forecast with the savings that would be required if this was to happen have been quantified.

11.18 Members' Allowances

Whilst the Council does not currently have any plans to review the Members' Allowance rate, there is a risk that they be reviewed by the Independent Remuneration Panel at Durham County Council during the life of the Plan, particularly bearing in mind the cost-of-living crisis. This could result in significant increases in allowances. No increase has currently been factored into the Revenue Budget Forecast in this Plan and any increases would need to be met from the Revenue Budget Contingency Sum which provides some scope to meet any additional costs.

11.19 Reduced Consumer Spending Power, Demand for Services, and Income

The economic difficulties and cost-of-living crisis continue to have an impact on usage of Council services, particularly for services such as the sports and golf complex. This could cause income in respect of these facilities to fall. The Revenue Budget Forecast within this Plan does not currently assume any fall in usage or income beyond that already experienced. If usage and income did fall, this would have a negative impact on the projections made. The Revenue Budget Contingency Sum provides some scope to meet any future losses.

11.20 Pre-School Funding

The level of pre-school funding is an ongoing area of risk within the Council's Revenue Budget. The level of funding is very much dependent upon a number of uncontrollable factors including the number of children attending, waiting lists, and how many children are eligible for funding. The estimates of pre-school funding have been based around the pre-school operating at 70% capacity and it has been assumed that there will be a 3% annual increase in the early years funding rate and a 3% increase in fees over the life of the Plan. The estimates are therefore considered to be prudent. However, any significant reduction in the numbers of children attending the pre-school or lower than estimated funding rates over the period of the Plan could have a significant impact on the Revenue Budget. Any shortfall would need to be met from the Revenue Budget Contingency Sum.

11.21 Insurance Claims
A significant increase in the number or value of insurance claims would represent a financial risk to the Council as this would have an adverse impact on the Council's future insurance premiums, which would then impact on the Revenue Budget. However, the Council has a good recent claims history. The Council's Risk Management Strategy also helps to minimise the Council's exposure to risk and this in turn should help to keep the number of future insurance claims to a minimum.

11.22 VAT
There is a financial penalty if the Council breaches the VAT Partial Exemption limit. However, this is regularly monitored and is not anticipated that the Council would ever breach the limit.

11.23 Climate Emergency and Carbon and Plastic Reduction Initiatives
As highlighted in Section 10 of the Plan, the Council has declared a Climate Emergency and committed to becoming carbon zero by 2050. It has also pledged to reduce the use of unnecessary single use plastics in all of its services over the next few years. The ongoing efforts to reduce use of carbon and plastic such as the move to electric vehicles and machines and energy efficient heating systems over the medium term are likely to bring additional costs. The Revenue Budget Contingency Sum provides some scope to meet any additional revenue costs, whilst Earmarked Capital Reserves will need to provide for capital investment such as moving the Council's vehicle fleet over to electric alternatives. As highlighted earlier, significant progress has already been made in relation to this issue and officers have begun the process of factoring additional costs into the Capital Budgets within this Plan and the Asset Management Plan.

11.24 General Data Protection Regulation (GDPR)
There are significant financial penalties under the GDPR if the Council suffers a significant loss of personal data. However, measures have been put in place to ensure the Council complies with GDPR and to minimise the risk of a breach occurring and the potential impact.

11.25 Council Balances and Reserves
The Council's balances are projected to fall significantly over the five-year period of the Plan. However, the £75,000 contribution to capital reserves set aside in the Revenue Budget will help to facilitate the partial replenishment of those balances and will help to mitigate this risk. It is also possible that capital receipts from land sales and longer-term council tax base growth, particularly from the forthcoming Copelaw housing development, may offer the Council an alternative means of replenishing its balances and reserves in the future, whilst additional borrowing could also be considered if absolutely necessary.

11.26 Capital Programme and Asset Management Plan Requirements
Making budget provision available for the potentially significant longer-term Capital Programme and Asset Management Plan requirements represents a key risk to the Council. However, as highlighted above, the £75,000 contribution to capital reserves, taken alongside possible capital receipts from land sales and longer-term council tax base growth may help to replenish Council balances and reserves to prudent levels over this period.

Mitigating Financial Risks

11.27 In terms of managing and mitigating financial risks, in the event of an unforeseen event during the year creating a substantial budget pressure, the following list details examples of the action that could be taken to mitigate the risk:-

- use of Revenue Budget Contingency Sum;
- short-term use of Council Balances and Earmarked Reserves;
- investigation of external funding opportunities;
- income generation activity e.g. pricing review, marketing;
- enhanced approval process for making financial commitments;
- recruitment freeze;
- all non-statutory spend frozen; and
- service reviews.

Conclusion

11.28 The MTFP makes a key contribution towards the risk management process by putting in place a financial planning framework to efficiently manage the Council's finances, considering the key influences on its financial position and the main risks facing the Council.

11.29 Financial forecasts are reviewed and updated annually and regularly monitored throughout the year. The key challenges and risks that could have implications for the Council's financial position in the following year and over the medium term are subject to annual review.

11.30 Fortunately, the Council remains in a relatively healthy financial position at the present time and this, as well as the implementation of this Medium-Term Financial Plan, will mean it is as well placed as it can be to meet the risks and the challenges that the next five years are likely to bring.