

2026/27 REVENUE AND CAPITAL BUDGET APPROVAL

AGENDA ITEM NO. 11

MEETING: POLICY AND RESOURCES

DATE: 21ST JANUARY 2026

REPORT BY: FINANCE MANAGER

1.0 Purpose of the Report

- 1.1 The purpose of this report is to seek approval from Members for the setting of the Council's 2026/27 Revenue and Capital Budget.
- 1.2 The approval of the 2026/27 Revenue and Capital Budget at this meeting will enable the 2026/27 Precept and Town Council Tax to be set at the Council meeting next week and will be communicated to and confirmed with Durham County Council following that meeting.

2.0 Background to the Report

- 2.1 Members considered the initial draft Revenue and Capital Budget at the meetings of the Recreation and Environment Committees on 15th October 2025 and the Policy and Resources Committee on 22nd October 2025.
- 2.2 These reports provided the background to, and the full detail behind, the initial development of the 2026/27 Revenue and Capital Budget and Members may wish to re-read these reports to reappraise themselves of the background to the setting of the budget.
- 2.3 A further budget update, relating to the withdrawal of the Local Council Tax Reduction Scheme Grant by Durham County Council and the confirmation of the 2026/27 Council Tax Base figure was reported, via a briefing note, to the Policy and Resources Committee on 3rd December 2025.
- 2.4 A brief reminder of the key issues from the consideration and approval of the draft 2026/27 Revenue and Capital Budget is set out in the following section of the report for Members' information.

3.0 2026/27 Draft Revenue and Capital Budget

- 3.1 The draft 2026/27 Revenue and Capital Budget was prepared on the basis of 'business as usual', for the next financial year, based on the five key principles from the Medium-Term Financial Plan of:
1. Continuing to provide all Council services, facilities and events and maintaining current standards of service.
 2. Identifying and delivering efficiency savings where possible.
 3. Delivery of the Asset Management Plan via the Capital Programme Budgets.
 4. Safeguarding a prudent level of balances and reserves.
 5. Implementing an increase in council tax between the years 2026/27 to 2029/30 that finds a balance between recognising the 'cost of living' difficulties still being faced by local taxpayers and the budget pressures impacting upon the Council's finances in terms of grant cuts, pay awards and inflation, and the need to maintain the services valued by the local community.
- 3.2 It was reported at the time the draft budget was considered that the Council remained in good financial health, with a balanced Revenue Budget in place for the 2025/26 financial year and a healthy level of balances and reserves, despite the difficult and uncertain economic situation.
- 3.3 An underspend has been forecast against the 2025/26 Revenue Budget in the latest Expected Outturn Report as reported to this meeting.
- 3.4 As previously reported, in light of the higher-than-expected Revenue Budget underspend in the 2024/25 financial year, and the further savings in the 2025/26 financial year, the Finance Manager has undertaken a full review of the Revenue Budget and where possible reduced any underutilised expenditure budgets and increased some income targets.
- 3.5 Looking ahead to next year, the draft 2026/27 Revenue Budget highlighted a number of budget challenges and risks that needed to be addressed, including a forecast cut to the Council Tax Support Grant, staff pay awards and the need to undertake a limited restructure of the lower end of the Council's staff grading structure as a result of the deletion of the lowest local government pay point in April 2026, and increasing inflation on running costs.
- 3.6 Members will recall that the draft 2026/27 Revenue Budget continued to include some 'surplus' resources via the inclusion of a small contingency sum and a £75,000 contribution to capital reserves.
- 3.7 This is vitally important in the context of the significant capital investment commitments faced over the coming years linked to the Council's many assets which will mean that balances and reserves will fall significantly over the next few years, if and when these commitments are funded.

- 3.8 The Council's long term capital commitments from the Asset Management Plan, compared to the Council's current projected year-end balances are summarised below:-

<i>Capital Investment Commitments 2025/26 to 2034/35</i>	<i>£4,070,550</i>
<i>Projected Year End Balances at 31st March 2026</i>	<i>£2,101,400</i>
<i>Shortfall</i>	<i>£1,969,150</i>

- 3.9 The shortfall between current balances and future capital commitments highlights the need to ensure that balances and reserves continue to be 'topped up' from the Revenue Budget each year.
- 3.10 Members will recall that the initial draft 2026/27 Revenue Budget was prepared, on the basis of a 2.8% increase in the Council Tax.
- 3.11 This increase was made up of a core Town Council increase of 1.70%, with an additional 1.1% increase relating to the cost of the limited staff grading restructure.
- 3.12 A 2.8% increase would have increased the Town Council Tax at Valuation Band A by £5.61 per year from £200.26 to £205.87.
- 3.13 However as reported to the December Meeting of the Policy and Resources Committee, the Council is now facing a significant additional Revenue Budget commitment of £113,250 as a consequence of Durham County Council's proposal to withdraw the Local Council Tax Reduction Scheme Grant in its entirety with effect from 2026/27. This has been partly offset by a higher-than-expected increase in the Council Tax Base as a result of Durham County Council's proposed changes to the Local Council Tax Reduction Scheme which will require more taxpayers to make a contribution towards their council tax bills.
- 3.14 The Council agreed, in principle at this meeting, *"to fully offset the removal of the Local Council Tax Reduction Scheme Grant by Durham County Council, via the Precept, resulting in a forecast increase in the Town Council Tax next year of 6.92%"*.
- 3.15 It was then further resolved at the Full Council Meeting on 10th December 2025 that: *"the financial implications during the 2026/27 budget setting process, be reviewed, ensuring long-term stability, while being transparent with residents about the reasons for any necessary precept changes"*.
- 3.16 On the 18th December, correspondence was received from Durham County Council Pension Department providing details of the three-year valuation of the Pension Fund and advising of the expected employer contribution rate for Town and Parish Council from 1st April 2026. The current employer contribution rate for town and parish councils is 19.5%, with a proposed rate of 15.3% from April 2026. The correspondence went on to advise that no significant changes are expected ahead of the final report, and that the proposed rate can be used for planning purposes.
- 3.17 The reduced employers pension contribution rate will result in a significant saving of around £72,200 on the Council's staffing costs next year, which will partly offset the full withdrawal of the Local Council Tax Reduction Scheme Grant.

- 3.18 With regards to the draft 2026/27 Capital Programme Budget, it was agreed that capital investment would continue to be closely scrutinised and controlled to protect the Council's balances and reserves moving forward, and as such only essential capital investment mainly linked to the delivery of the Council's Asset Management Plan was included.
- 3.19 The Council's Asset Management Sub-Committee has undertaken a review of the projects making up the 2026/27 Capital Programme Budget and agreed which projects are considered essential, which need to be included in the budget as provisional sums, which projects can be deferred to a future year, and which projects can be deleted from the programme.
- 3.20 An initial draft 2026/27 Capital Programme Budget totalling £314,250 was reported to the Council in October. Following the agreement of the above review, the following allocation of 2026/27 Capital Budget was agreed:
- *£202,650 to go ahead as essential projects;*
 - *£103,600 to be included as provisional sums;*
 - *£8,000 to be deferred to a future year*
 - *none to be deleted from the programme*
- 3.21 Members will recall that it was stressed at the time the draft budget was approved, that the budget proposals were subject to change in relation to a number of ongoing issues and possible future developments including:-
- The final notification of the Council Tax Support Grant and Council Tax Base figures by Durham County Council;
 - The Government Budget;
 - The impact on income and expenditure budgets of the ongoing economic difficulties and cost-of-living crisis and inflationary pressures on the cost of goods and services.
- 3.22 It was highlighted that the Council would need to respond to the latest situation in relation to these issues, as well as any other unforeseen developments, prior to the final budgets being approved and the Precept being set in January.
- 3.23 The following sections of this report will therefore concentrate on the latest situation in relation to any outstanding budget issues and new developments since the draft budgets were approved and highlight how these have impacted upon the final 2026/27 Revenue and Capital Budget.

4.0 Final 2026/27 Revenue Budget Proposals

- 4.1 The draft 2026/27 Revenue Budget proposals, as reported to the October cycle of Committee meetings, included detailed commentary on the key budget changes relating to each individual service revenue budget, and it is not intended to repeat any of this information in this report.
- 4.2 This report will concentrate instead on the outcome of the various outstanding issues, as well as any new developments since the draft budget was approved, and the changes that have subsequently needed to be made to the draft Revenue Budget.

- 4.3 The final 2026/27 Revenue Budget has been updated to take into account the financial impact of the following issues:-
- Final notification of the Council Tax Support Grant figure for 2026/27 from Durham County Council (grant to be withdrawn in its entirety);
 - Final notification of the 2026/27 Council Tax Base figure from Durham County Council;
 - Any changes to staffing budgets to incorporate any approved staffing changes, staff turnover, and recent recruitment exercises;
 - The reduced employers' pension contribution rate;
 - Any additional inflationary pressures;
 - Any approved changes agreed by the Council following the consideration of the draft budgets at the previous meetings;
 - Consideration and incorporation of any feedback received from individual Members following those meetings;
 - Consideration of feedback from the local community in response to the online budget survey;
 - Adjustments to the budget figures to take account of the latest income and expenditure projections for the current financial year;
 - Adjustments to budget figures to take account of any other new developments.
- 4.4 The outcome and final financial impact of each of the above issues is provided in the following section of the report.

Council Tax Support Grant

- 4.5 Members may recall in that in 2024/25, Durham County Council (DCC) approved a 50% cut to the Local Council Tax Reduction Scheme (LCTRS) Grant to town and parish councils over a three-year period (2024/25 to 2026/27). This equated to reductions for the Town Council of £32,734 in 2024/25, £26,927 in 2025/26 and a budgeted £32,000 cut in 2026/27.
- 4.6 However, a letter was received from DCC dated 10th November 2025 advising that the Reform Administration are now proposing, as part of their Medium-Term Financial Plan, to cease the LCTRS grant payments to town and parish councils in their entirety in 2026/27, to assist DCC in meeting its budget challenges.
- 4.7 The 2025/26 level of LCTRS grant received is £145,250 which will be lost in one go next financial year (this is £113,250, net of the grant cut already built into the draft 2026/27 Revenue Budget as reported to Policy and Resources Committee in October).
- 4.8 A briefing note on this issue was considered at the Policy and Resources Committee Meeting on 3rd December when it was resolved that:
- “The Council agree to fully offset the removal of the Local Council Tax Reduction Scheme Grant by Durham County Council, via the Precept, resulting in a forecast increase in the Town Council Tax next year of 6.92%”.*

- 4.9 The following motion in relation to the LCTRS Grant cut was agreed at the Full Council Meeting on 10th December:

"Durham County Council, under its new Reform UK Administration, is removing the Local Council Tax Reduction Scheme (LCTRS) grant payment to town and parish councils, from 2026/27 onwards, in its entirety, and contrary to the Government's intent for this funding.

The Town Council notes the significant financial impact that this will have on local councils unless alternative arrangements are made.

This change will place upward pressure on the Town Council's Budget and potentially on the Precept unless action is taken at national level.

Accordingly, this Council resolves to:

- 1. Write to the Secretary of State for Housing, Communities and Local Government and the Chancellor of the Exchequer requesting that the LCTRS Grant element within Durham County Council's grant settlement be reviewed, given that it is no longer being passed on for its intended purpose.*
 - 2. Request the support of our Member of Parliament, the County Durham Association of Local Councils, and all the other affected town and parish councils.*
 - 3. Review the financial implications during the 2026/27 budget setting process, ensuring long-term stability, while being transparent with residents about the reason for any necessary precept changes.*
- 4.10 Officers have since actioned the above resolutions, writing to the Government, M.P. and CDALC, and have made a response to the DCC Budget Consultation expressing the Council's concern at the proposed withdrawal of the grant.

Council Tax Base

- 4.11 The letter received from DCC on 10th November also provided details of the Council's Tax Base figure for 2026/27. This is a calculation of the number of properties on which the Council Tax is set.
- 4.12 The draft 2026/27 Revenue Budget included a forecast Council Tax Base increase of 16.
- 4.13 However the increase in the Council Tax Base as detailed in the letter is an additional 102 band D equivalents. This increase is due to the proposed changes to the LCTRS by DCC, which is to move to an Income Banded Scheme, which will require taxpayers in receipt of Council Tax Support to make a small contribution towards their council tax bills for the first time.
- 4.14 The additional Council Tax income generated by this Council Tax Base increase, for Great Aycliffe Town Council, is in the region of £26,800, based on the figures included in the attached 2026/27 Revenue Budget.

2026/27 Local Government Pay Award and Staff Grading Restructure

- 4.15 The Council's draft 2026/27 Revenue Budget made provision for an assumed pay increase of 4% for all staff in 2026/27.
- 4.16 The Council has also recently approved a limited restructure of the lower end of the Council's staff grading structure to proactively address the problems created by increases in the National Living Wage and the deletion of the lowest Local Government Pay Point in April 2026.
- 4.17 There have been no further updates from the National Joint Council for Local Government Employees in relation to the pay award for 2026/27, although the local government unions have recently submitted a pay claim of an increase of at least £3,000 or 10% (whichever is greater) across all NJC spinal column points and a minimum pay rate of £15 an hour for the NJC pay spine. If a pay award was agreed at this level, this would create a significant additional Revenue Budget pressure next year.
- 4.18 The recently announced increases in the National Living Wage to £12.71 in April 2026 will create further pressure on the lower end of the Local Government Pay Scale, which may lead to another above inflation increase in local government pay next year, at least at the lower end of the pay scale.
- 4.19 If a higher pay award was subsequently agreed for 2026/27 (in excess of the 4% budgeted), this would need to be funded via use of the contingency sum and, potentially, balances.

Other Revenue Budget Changes

- 4.20 Inflation continues to put pressure on most expenditure budgets. However, it should also be noted that most additional general inflationary pressures have been absorbed within the final Revenue Budget.
- 4.21 As per normal Council policy, the increases to 2026/27 fees and charges agreed at the Special Meeting of the Policy and Resources Committee in November have *not* been incorporated into the final 2026/27 Revenue Budget, with the exception of some sports complex and golf green fees which were included in the draft budget reported in October.
- 4.22 As identified earlier in the report the final Revenue Budget incorporates the full withdrawal of the Local Council Tax Support Grant.
- 4.23 The cost of undertaking the aforementioned limited restructure of the lower end of the Council's staff grading structure as a result of the deletion of the lowest local government pay point in April 2026 has also been incorporated into the final Revenue Budget.
- 4.24 The Pre-School Early Years Funding budget target has been reduced following a reduction in projected attendance levels.
- 4.25 The Internal Audit Budget has been increased to reflect a required change to the internal audit provider from April 2026. This is a very late budget development, and a full report will be brought to this committee at the next round of meetings with further details. However additional financial provision needs to be made in advance of this report being considered.

- 4.26 The Business Rates Budgets have been updated to reflect the change in the multipliers next year and the revaluation exercise undertaken by the Valuation Office Agency on the rateable values of each property, which includes all Council properties.
- 4.27 A small increase in the Information Technology Budget has been made to reflect the annual Cyber Essentials certification cost, as referenced in the separate report on the agenda of this meeting.
- 4.28 A small reduction to the Contingency Sum Budget has also been built into the final Revenue Budget.
- 4.29 There have been no other approved Council decisions affecting the 2026/27 Revenue Budget, and there have been no proposed amendments from Members of the Council following their consideration of the draft Revenue Budgets in October.
- 4.30 In relation to the budget survey and the specific questions relating to the 2026/27 budget setting within it, a number of comments and suggestions have been received. There is also some useful feedback on priorities for investment and disinvestment which Members may wish to take into account in considering the final 2026/27 Revenue and Capital Budget proposals. Full details are set out in Section 8 of the report.

Revenue Budget Contingency Sum

- 4.31 The Revenue Budget Contingency Sum Budget has been reduced from £18,500 to £16,000.
- 4.32 The contingency sum provides limited surplus resources to offset any unforeseen costs in 2026/27, such as a higher-than-expected pay award or any further inflationary pressures.

Council Tax Referendum Limit

- 4.33 The Government has recently announced in the Provisional Local Government Finance Settlement for 2026/27 to 2028/29 that parish and town councils will be exempt from referendum principles on excessive council tax increases during the three-year period covered by the settlement. This means the Council will be free to increase the Town Council Tax over the next three years without any restrictions.

Overall Summary of the 2026/27 Revenue Budget

- 4.34 A full copy of the final 2026/27 Revenue Budget broken down by each committee, and showing the individual budgets for each service area, is attached at **Appendix 1**.
- 4.35 In addition, a detailed breakdown and explanation of the changes made to the Revenue Budget, since the consideration and approval of the draft budgets in October, is attached at **Appendix 2**.

4.36 The final 2026/27 Revenue Budget set out in this report and the attached appendices is largely based on the previously approved draft 2026/27 Revenue Budget and the agreement, in principle, to increase the Revenue Budget in line with the financial impact of the withdrawal of the Local Council Tax Reduction Scheme Grant by Durham County Council, and also updated to take into account the various changes referred to in previous sections of this report, including the positive budget development in relation to reduced employers' pension contributions.

4.37 A summary of the overall final 2026/27 Revenue Budget is set out below:-

Budget 2025/26 £	Budget Description	Inflation and Committed Growth £	Investment in Services £	Savings and Increased Income £	Budget 2026/27 £
937,350	Policy and Resources	117,300	-	(152,050)	902,600
955,100	Recreation	99,750	-	(111,200)	943,650
240,650	Environment	15,750	-	(3,550)	252,850
12,500	Contingency Sum	3,500	-	-	16,000
75,000	Contribution to Reserves	-	-	-	75,000
(145,250)	Council Tax Support Grant	145,250	-	-	-
2,075,350	Precept	381,550	-	(266,800)	2,190,100
Calculation of Town Council Tax:					
2,075,350	Precept				2,190,100
6,909	Council Tax Base				7,011.0
£300.38	Band D Council Tax				£312.38
£200.26	Band A Council Tax				£208.25
4.95%	% Increase / (Decrease)				3.99%

4.38 In overall terms, **agreement of the final 2026/27 Revenue Budget** as set out above and attached in detail at Appendix 1, **would result in a 2026/27 Council Precept of £2,190,100**, which is an increase of £114,750 or 5.5% on the 2025/26 Precept.

4.39 Based on the final Council Tax Base figure, as notified by Durham County Council of 7,011, which represents a year-on-year increase of 102 properties, **this level of Precept would result in a 3.99% increase in the Town Council Tax.**

4.40 **However, it is critically important to draw members attention to the fact that if Local Council Tax Reduction Scheme Grant had not been withdrawn by Durham County Council, the 2026/27 Revenue Budget would be showing a much-reduced level of Precept and the Council would likely have been in a position to freeze or even marginally reduce the Town Council Tax next year.**

- 4.41 The final 2026/27 Revenue Budget continues to include a contribution to capital reserves of £75,000 in order to help to replenish the Council's earmarked capital reserves each year.
- 4.42 As highlighted earlier, a contingency sum of £16,000 has also been maintained in the Revenue Budget. The contingency sum provides limited surplus resources which could be used next year to fund any unforeseen budget issues such as a higher than budgeted pay award, inflationary pressures, or income losses.
- 4.43 The 2026/27 Revenue Budget makes prudent provision for the various changes in income and expenditure faced, and will enable the Council to maintain all services, facilities and events next year, whilst finding a balance between making efficiency savings and increasing fees and charges, and increasing the Precept and Town Council Tax.
- 4.44 The sole reason for the increase in the Precept and Town Council Tax, is the withdrawal of the LCTRS Grant by DCC, although Members will note that this has been partly offset following the recent notification in relation to the reduced employers' pension contribution rate from April 2026.
- 4.45 It is important to note that, following on from the 2023/24, 2024/25 and 2025/26 budget setting processes, where significant savings were identified and implemented to keep the Town Council Tax increases as low as possible, this has resulted in budgets being stripped back with little scope of the budget absorbing any further inflationary increases, if there are further falls in income and if the cost-of-living crisis continues, or if there are any further unforeseen budget pressures. There is therefore a risk that some of the assumptions made, and the budget provision subsequently put in place may not be sufficient.
- 4.46 It is also considered unlikely that any significant savings will be achieved in the Revenue Budget next year, beyond the resources set aside in the contingency sum and contribution to capital reserves, and this will make the full replenishment of the Council's balances and reserves moving forward increasingly difficult.
- 4.47 In light of the medium-term challenges faced in relation to inflationary pressures, continued increases in the National Living Wage and local government pay, and the need to replenish council balances and reserves, no additional budget has been put in place for further investment in existing services or for the development of any new services next year.
- 4.48 Any additional investment, if this was agreed by the Council, would need to be funded from the contingency sum, reducing the contribution to capital reserves, the implementation of a higher council tax increase, or by identifying savings or cuts in existing budgets.
- 4.49 The update of the Council's Medium Term Financial Plan later in the year will continue to be crucial in forecasting the longer-term impact on the Council's finances of the ongoing economic difficulties and significant capital commitments, and will seek to shape the Council's financial strategy for the coming years.

5.0 2026/27 Town Council Tax

- 5.1 The Town Council Tax is calculated using the 'Tax Base' figure for the Great Aycliffe Parish.
- 5.2 The Tax Base is calculated by Durham County Council, as the Council Tax Billing Authority, for every Parish in the County.
- 5.3 The Tax Base is a calculation of the number of 'chargeable' properties in the Great Aycliffe Parish for council tax calculation purposes.
- 5.4 The total number of properties in the Parish is adjusted to take account of the number of households in receipt of council tax support, discounts, and exemptions, as well as empty properties, and the council tax collection rate.
- 5.5 The Town Council Tax is calculated by dividing the Council Precept by the Tax Base figure. This provides the Band D Council Tax figure.
- 5.6 The Council's 2025/26 Tax Base figure was 6,909 properties.
- 5.7 The final Council Tax Base figure for 2026/27 has been notified by Durham County Council at 7,011.
- 5.8 This is an increase of 102 properties.
- 5.9 As highlighted earlier, this higher than anticipated increase is due to the proposed changes to the Local Council Tax Reduction Scheme by Durham County Council, which will require some taxpayers currently in receipt of Council Tax Support to make a small means tested contribution towards their council tax bills for the first time.
- 5.10 The Council's 2026/27 Precept, as based on the 2026/27 Revenue Budget attached at Appendix 1, would need to be set at £2,190,100.
- 5.11 **Based on the final 2026/27 Tax Base figure of 7,011 properties, setting the Council Precept at £2,190,100 would result in a Band D Town Council Tax of £312.38.**
- 5.12 **This is an increase of £12.00 per year, which equates to £1.00 per month or 23p per week.**
- 5.13 **This represents a 3.99% increase in the Town Council Tax.**
- 5.14 **The Town Council Tax at Valuation Band A, which is the valuation band within which nearly 60% of the properties in the Parish are currently valued, would increase to £208.25. This represents an increase of £7.99 per year or 67p per month or 15p per week.**
- 5.15 **However, it is again important to point out that the 2026/27 Revenue Budget incorporates the full withdrawal, by Durham County Council, of the Local Council Tax Reduction Scheme Grant.**
- 5.16 **If the withdrawal of this grant had not gone ahead, and the grant had been cut as previously indicated by DCC, taken alongside the recently announced reduction in employer's pension contributions, the 2026/27 Revenue Budget would be showing a much-reduced level of Precept and the Council would likely have been in a position to freeze or even marginally reduce the Town Council Tax next year.**

- 5.17 It is important to stress that the Revenue Budget will still enable the Council to maintain all services, facilities and events next year, whilst retaining a £16,000 contingency sum and a £75,000 contribution to capital reserves.
- 5.18 This will assist the Council in partially replenishing its earmarked capital reserves at a time when they are likely to be depleted financing capital investment over the medium to long term, whilst also ensuring that some surplus resources are available to fund any additional or unforeseen budget commitments.
- 5.19 For information, if the Council chose to freeze the Town Council Tax next year in recognition of the ongoing cost-of-living difficulties being faced by local taxpayers, a total of £84,150 in additional savings would need to be found in the 2026/27 Revenue Budget. This course of action is *not* recommended.
- 5.20 Ultimately, the Council needs to try and achieve a balance between its own financial needs, both now and in the future, and the financial pressures faced by its local taxpayers.
- 5.21 All things considered, bearing in mind the ongoing economic situation, high inflation in many areas of expenditure, pressures around future staffing pay awards, and the withdrawal of the Local Council Tax Reduction Scheme Grant by Durham County Council, it is recommended that the 3.99% increase to the Town Council Tax highlighted in the report is implemented.
- 5.22 **It is therefore requested that Members approve the 2026/27 Precept at £2,190,100 and the 3.99% increase in the Town Council Tax.**
- 5.23 This will enable the Precept and Council Tax to be formally set at the Council Meeting next week.
- 5.24 As highlighted earlier, it is critically important to note that the required Council Tax increase is entirely as a result of the withdrawal of the LCTRS Grant by Durham County Council. If the withdrawal of the grant had *not* been implemented, it is likely that the Council would have been in a position to consider freezing or even reducing the Town Council Tax next year, due to the savings delivered and significant reduction in employers' pension costs.

6.0 Final 2026/27 Capital Programme Budget

- 6.1 The Council's approved Asset Management Plan and Medium-Term Financial Plan provide the main drivers for the development of the Council's Capital Programme Budgets over the medium and long term.
- 6.2 The Asset Management Plan sets out the capital investment likely to be required to ensure that all of the Council's fixed assets i.e. its land, buildings, plant, vehicles, machinery, play areas, street equipment and office equipment, continue to effectively meet the Council's strategic aims and the operational requirements of its services over the long term.
- 6.3 In relation to the 2026/27 Capital Programme Budget, the Medium-Term Financial Plan highlighted a risk that the Council faces some potentially significant capital investment commitments in relation to its assets over the coming years, linked to the delivery of the Asset Management Plan, and that the funding of this investment will see a deterioration in the level of the Council's balances and reserves over the medium term.

- 6.4 In light of this, the Council has previously agreed that future capital investment will continue to be closely monitored and controlled with only essential expenditure being incurred during these challenging economic times in order to protect and preserve Council balances, and the 2026/27 Capital Programme Budget has been prepared on the basis of essential investment only, mainly linked to the delivery of the Asset Management Plan.
- 6.5 To be clear, it is *not* being recommended that *all* capital investment is restricted, more that investment should be focussed on those essential projects that contribute towards the delivery of the Asset Management Plan, such as building works, vehicle and machine replacement, footpath repairs and play area safety surfacing replacement.
- 6.6 The 2026/27 Capital Budget has been prepared largely on the basis of the investment already identified in the Medium-Term Financial Plan and Asset Management Plan, adjusted for any changes in costs, as well as the addition of any new projects identified by service managers as being of an essential nature.
- 6.7 Officers have undertaken a review of the projects making up the draft 2026/27 Capital Budget and made recommendations as to which projects are considered essential, which need to be included in the budget as provisional sums, which projects can be deferred to a future year, and which projects can be deleted from the programme.
- 6.8 The Council, in considering and agreeing the draft 2026/27 Capital Programme Budget, have considered and agreed the officers' recommendations.
- 6.9 An initial draft 2026/27 Capital Programme Budget totalling £314,250 was reported to the Council in October, and this included provision for the following projects:-
- Replacement heating system and external door works at the Council Offices;
 - Alarm works and separation tank cleaning at the Depot;
 - Kitchen refurbishment at the main pre-school and internal and external decoration at both settings.
 - Annual felt flat roof inspections;
 - Replacement of the works section water bowser;
 - Purchase of electrical alternatives for petrol powered works machinery;
 - Ongoing computer replacements and website development;
 - Council Chamber PA System replacement;
 - Provision for miscellaneous information technology investments, in particular relating to cyber security;
 - The ongoing programme of replacement festive lighting;
 - A replacement events marquee;
 - Replacement of the Santa Tours sleigh sides and Santa Letter post-boxes;
 - Replacement door and window at Simpasture Pavilion;
 - Toilet refurbishment at St Oswald's Park Pavilion;
 - Town Park street light column testing;
 - Replacement goal posts;

- The ongoing programme of play area surfacing replacement;
- Golf Shop toilets and changing rooms refurbishment;
- Provision for ongoing repairs to the golf course irrigation system, as well as essential electrical repairs;
- Provision for essential repairs to the golf course footpaths;
- Replacement of the golf shop launch monitor;
- Replacement golf buggies;
- Replacement of the golf course vertidrain machine;
- Provision for ongoing drainage repairs at the sports complex;
- Refurbishment of the ladies toilets at the sports complex;
- Refurbishment of the male and female changing rooms at the sports complex;
- Replacement events tables and chairs at the sports complex;
- Provision for window and door replacement and drainage improvements at Stephenson Way Cemetery;
- Provision for shutter replacement and drainage improvement works at West Cemetery;
- Provision for resurfacing at the Council Offices visitors car park;
- Provision for general painting and repairs to Council owned bridges;
- Provision for Rapid Response CCTV camera movement;
- Ongoing provision for essential repairs to bus shelters;
- Provision for the testing of the Durham County Council owned street light columns on which the festive lighting are mounted;
- Ongoing provision for the removal of trees affected by Ash dieback disease and emergency tree works;
- Provision for the ongoing programme of footpath repairs; and
- A new capital contingency sum of £10,000.

6.10 Following the review of the draft 2026/27 Capital Programme Budget by the Asset Management Sub-Committee and Policy and Resources Committee in October, the following allocation of 2026/27 draft Capital Budget was agreed:

- £202,650 to go ahead as essential projects;
- £103,600 to be included as provisional sums;
- £8,000 to be deferred to a future year
- none to be deleted from the programme

6.11 Detailed information on each of the above projects was included within the draft 2026/27 Capital Programme Budget was set out in the Committee Budget Reports and has not therefore been repeated in this report.

6.12 The only amendments to the draft 2026/27 Capital Programme Budget are as follows:-

- An additional budget provision of £9,000 for audiovisual technology investment in the Council Chamber as previously agreed by the Council;
- The agreed deferment of the £5,000 capital budget for the refurbishment of the golf shop toilet and showers;
- The agreed deferment of the £3,000 capital budget to replace the events marquee.

- 6.13 The final proposed 2026/27 Capital Programme Budget now totals £315,250, broken down as follows:
- £202,650 to go ahead as essential projects;
 - £112,600 to be included as provisional sums;
 - none to be deleted from the programme
- 6.14 A full breakdown of the 2026/27 Capital Programme Budget is attached at **Appendix 3**.
- 6.15 It is also likely that that a large number of capital projects, mainly relating to provisional sums and deferred capital works, from the current financial year will be carried forward to 2026/27, as identified in the 2025/26 Expected Outturn Report.
- 6.16 These projects include various roofing and building works, information technology infrastructure investment, works at the golf complex and various building works at the sports complex.
- 6.17 The proposed 2026/27 Capital Programme will ensure the continued delivery of the Council's Asset Management Plan and will keep all major building works and replacements of vehicles, machinery, office equipment, street equipment and play equipment on schedule.
- 6.18 The budget will be funded from the Council's Earmarked Capital Reserves which have been built up and set aside for this purpose.
- 6.19 The Council will continue to seek opportunities to secure external capital grants or contributions such as Section 106 Agreement monies, Durham County Council Members Initiative Fund contributions and funding from the Newton Aycliffe and Sedgefield Local Network, and any external funding that is secured would provide resources over and above those set aside in the draft 2026/27 Capital Programme Budget.
- 6.20 The Council does not currently need to consider any further borrowing in light of the Earmarked Capital Reserves currently available, although the option of leasing capital assets will be considered where relevant.
- 6.21 In accordance with the Council's Standing Orders for Contracts and Procurement, all capital projects identified in the 2026/27 Capital Programme over the value of £6,000, will be subject to the obtaining of competitive quotes, and approval by the appropriate spending Committee and Council, before going ahead.

7.0 Council Balances and Earmarked Reserves

- 7.1 **Council Balances and Earmarked Reserves are expected to stand at around £2.101 million at the end of the 2025/26 financial year.**
- 7.2 This level of balances is better than forecast in the current Medium-Term Financial Plan, largely due to a number of capital projects being provisional sums and therefore unlikely to incur expenditure in 2025/26, as well as ongoing Revenue Budget savings in some service areas this year.

- 7.3 The level of balances and reserves currently held is a significant achievement in these unprecedented times and a positive endorsement of the prudent management and planning of the Council's finances over a long period of time, including the actions taken to set aside contingency resources in the Revenue Budget, restrict capital expenditure, and protect and replenish the Council's balances and reserves.
- 7.4 For information, if the whole 2025/26 Capital Programme Budget had gone ahead this year, balances would have fallen to around to £1.492 million.
- 7.5 The 2026/27 Revenue and Capital Programme Budgets have been prepared on the principle of ensuring that the Council's Balances and Reserves can be protected and maintained at sufficient levels to support future years' capital spending commitments.
- 7.6 In a worst-case scenario, after accounting for the funding of the full 2026/27 Capital Programme Budget of £315,250 and the full forecast 2025/26 Capital Programme carry forward of £571,900 from earmarked reserves next year, whilst providing for the £75,000 contribution to capital reserves, and assuming that there will be no use of the Revenue Budget Contingency Sum, **Council Balances and Reserves would fall further to around £1,305,250 by the end of 2026/27.**
- 7.7 However, please note that if the provisional sums identified within the 2026/27 Capital Programme Budget are not required, this would reduce the 2026/27 Capital Programme Budget and result in balances at the end of 2026/27 being higher. Balances would also be higher *if* any savings are delivered on the 2026/27 Revenue Budget.
- 7.8 Whilst balances and reserves will have fallen from the peak of £2.227 million held at the beginning of this financial year, this is still considered to be a prudent level of balances to support the Council's medium-term capital investment requirements, particularly if the contribution to capital reserves remains at £75,000 in the Revenue Budget.
- 7.9 This contribution to capital reserves enables the Council's balances and reserves to be partially 'topped up' each year, while balances would be further boosted if significant savings are achieved in the Revenue Budget next year, although this is considered unlikely in the current financial circumstances.
- 7.10 Of concern in the longer term is the likelihood that Council Balances and Reserves will continue to deteriorate as capital investment commitments are funded. The contribution to capital reserves of £75,000 assists in partially replenishing balances, however it does not replenish reserves completely from the resulting annual capital expenditure. Therefore, if there is no in year savings achieved from the Revenue Budget, reserves and balances will ultimately be depleted over the longer term.
- 7.11 Future updates of the Council's Medium-Term Financial Plan will need to factor in these risks and concerns and put in place a strategy to replenish balances and reserves.
- 7.12 A full analysis of the likely movement on the Council's Balances and Reserves as a result of the proposed 2026/27 Revenue and Capital Budget is attached at **Appendix 4.**

- 7.13 The 2026/27 Precept Setting Report due to be reported to Full Council on 28th January will include a dedicated section providing ‘assurance on the adequacy of the Council’s balances’, providing a summary of best practice guidance on local authority reserves, and explaining how the Finance Manager comes to a view on the Council’s Balances and Reserves Policy.

8.0 2026/27 Budget Consultation Survey

8.1 Consultation on the Council’s draft 2026/27 budget proposals was undertaken this year via an online Budget Survey which was widely publicised on the Council website, in the local press, and on the Council’s social media channels. Hard copies of the survey were also placed in a number of community locations including the library and community centres.

8.2 A total of 55 responses were received, which is below the 65 responses received last year.

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

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

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

Yes	44	80%
No	11	20%

2. 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%

3. 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%

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

Top 10 Most Important Services in Priority Order

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

Top 10 Least Important Services in Priority Order

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

- 8.5 In overall terms, a majority of survey respondents (72.7%) were in support of the overall draft budget proposals and proposed increase in the Town Council Tax next year, which includes the additional increase to fund the withdrawal of the Council Tax Support Grant by Durham County Council. This increased to 78.2% of respondents supporting the core increase in the Council Tax next year. A total of 80% of respondents also felt that the Council is currently delivering value for money.
- 8.6 The feedback received in relation to priorities for investment and disinvestment will be useful moving forward, as the Council deals with increasing financial pressures and the possible need to review and prioritise the services that it provides to the community.
- 8.7 Finally, a number of specific comments were received in relation to the Council's budget plans, areas where the Council could make investment and suggestions for areas in which the Council could save money.

- 8.8 It is requested that Members consider the feedback received in the budget survey and consider what, if any, changes the Council should make to its 2026/27 Revenue and Capital Budget, or future budget setting exercises in response to the comments received.

9.0 Policy Implications

- 9.1 Conforms to Aim 2 of the Council's Strategic Aims and Targets – *"To manage the Council's finances and assets in a responsible manner"*.

10.0 Staffing Implications

- 10.1 All Revenue and Capital Budgets have been agreed by the relevant Service Managers and the Performance Management Group.

11.0 Financial Implications

- 11.1 The financial implications for the Council in terms of the setting of the 2026/27 Revenue and Capital Budget are fully set out in the report.

12.0 Crime and Disorder Implications

- 12.1 None.

13.0 Equal Opportunities Implications

- 13.1 None.

14.0 Environment, Biodiversity and Climate Change Implications

- 14.1 None.

15.0 Risk Assessment

- 15.1 The 2026/27 Revenue Budget has been prepared in accordance with the key financial principle of prudence.
- 15.2 The 2026/27 Revenue Budget includes a small £16,000 contingency sum and £75,000 contribution to reserves, while the 2026/27 Capital Programme Budget has been restricted to essential expenditure only to help preserve Council Balances and Reserves.
- 15.3 The 2026/27 Revenue Budget makes provision for the various cost increases and falls in income faced next year and will still enable the Council to maintain all services, facilities, and events in line with the key principle from the MTFP.
- 15.4 Following on from the 2023/24, 2024/25 and 2025/26 budget setting processes where significant savings were identified and incorporated into the revenue budgets to keep the Town Council Tax as low as possible, this has resulted in budgets being stripped back.

- 15.5 This will leave little scope of the budget absorbing any further increases in costs, for example, if staff pay awards are higher than expected, if inflation increases, if there are further falls in income and if the cost-of-living crisis continues or if there are any further unforeseen budget pressures.
- 15.6 There is therefore a risk that some of the assumptions made, and the budget provision subsequently put in place may not be sufficient.
- 15.7 There is also a risk of a serious deterioration in the level of Council balances and reserves over the medium to long term as capital commitments are funded, and this will need to be considered in future updates of the MTFP to ensure that a strategy is put in place to protect and replenish balances.
- 15.8 A risk assessment has been undertaken in relation to the setting of the 2026/27 Revenue Budget, and this has identified a number of potential risks that could result in actual costs or income being materially different to those budgeted. These risks are as follows:-
- The ongoing economic difficulties causing further revenue losses and additional costs into the 2026/27 financial year e.g. via higher inflation;
 - A higher than budgeted local government pay award;
 - Non-take up of places and falls in attendance levels adversely affecting pre-school funding income;
 - Increased pressures on pre-school staffing as a result of further increases in the number of special educational needs children;
 - Poor weather conditions adversely affecting usage of the golf complex;
 - Reduced attendance and access of the facilities at the sports complex reducing income;
 - Continued reduction in burials and purchases in the cemeteries subsequently reducing income;
 - Any other unforeseen budget pressures adding to the running costs or reducing the income of Council services; and
 - Reduced replenishment of reserves and balances due to revenue budgets having been reduced to the bare minimum.
- 15.9 The budget includes provision for a 4% 2026/27 local government pay award, and also makes provision for inflationary increases in running costs and possible falls in income.
- 15.10 The Revenue Budget includes a contingency sum of £16,000 to protect against any unforeseen spending commitments, such as a higher pay award, and a £75,000 contribution to capital reserves, which provides added protection, as well as a means of partially replenishing the Council's balances and reserves.
- 15.11 Council Balances and Reserves are projected to stand at £2.101 million at the end of this financial year, and the proposed 2026/27 Revenue and Capital Budget would result in estimated balances and reserves of £1.305 million being available at the end of 2026/27 in the worst-case scenario.
- 15.12 This is considered a satisfactory level of reserves to support future capital investment, as set out in the Council's Asset Management Plan, at least over the medium term, as well as providing some protection against any unforeseen revenue budget pressures, particularly bearing in mind the £75,000 'top up' to reserves that is built into the Revenue Budget.

- 15.13 However, it must be noted that it is considered unlikely, in the current financial circumstances, that any notable savings will be achieved in the Revenue Budget next year, beyond the resources set aside in the contingency sum and contribution to capital reserves, and this will make the full replenishment of the Council's balances and reserves moving forward very difficult.
- 15.14 This risk is identified within the Medium-Term Financial Plan and Risk Register and arrangements have been made to continue the Council's programme of service reviews, with a view to identifying possible savings to enable a greater replenishment of capital reserves.
- 15.15 The update of the Council's Medium Term Financial Plan later in the year will be crucial in forecasting the longer-term impact of these risks on the Council's finances of the ongoing economic difficulties and will seek to shape the Council's financial strategy for the coming years.

16.0 General Data Protection Regulations (GDPR)

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

17.0 Recommendations

- 17.1 It is recommended that Members:-

- a) Receive the final 2026/27 Revenue and Capital Budget proposals and note the changes made to the draft budget;
- b) Receive the feedback from the 2026/27 Budget Survey;
- c) Approve the Council's 2026/27 Revenue and Capital Budget as set out in the report and the attached appendices;
- d) Approve the 2026/27 Precept at £2,190,100 and agree the proposed increase of 3.99% to the Town Council Tax.