

2026/27 DRAFT ENVIRONMENT REVENUE AND CAPITAL BUDGETS

AGENDA ITEM NO. 11

MEETING: ENVIRONMENT COMMITTEE

DATE: 15TH OCTOBER 2025

REPORT BY: FINANCE MANAGER

1.0 Purpose of the Report

1.1 The purpose of this report is to present for Members' consideration, comments, and approval the draft 2026/27 Revenue and Capital Budgets for the Environment Committee.

2.0 Background to the Report

2.1 The Council approved the 2025/26 to 2029/30 Medium Term Financial Plan (MTFP) in September. The MTFP sets the scene for and provides the overriding strategy and principles for the setting of the Council's 2026/27 Revenue and Capital Budgets.

2.2 The Budget Framework and Timetable for the setting of the Council's 2026/27 Revenue and Capital Budgets were approved at the September meeting of the Policy and Resources Committee.

2.3 The Budget Framework provided details of the background to the budget setting process, linked to the MTFP, and set out the key principles to be applied and the budget setting methodology that would be used for the setting of the 2026/27 Revenue and Capital Budgets.

2.4 The Budget Timetable provided the timeframe for the setting of the budgets and the reporting of the draft budget to the various Committees and Sub-Committees of the Council.

2.5 Officers have subsequently been working on the development of the draft 2026/27 Revenue and Capital Budgets for each Committee and the draft budgets have now been agreed by senior officers at a Performance Management Group Meeting, and at a meeting of the Chairmen and Vice Chairmen of the Committees and political group spokespeople.

2.6 The draft 2026/27 Capital Programme Budgets have also been reported to and agreed at the meeting of the Asset Management Sub-Committee

2.7 The draft 2026/27 Environment Revenue and Capital Budgets are set out in this report and the attached appendices for Members' consideration.

3.0 Current Financial Situation / Medium-Term Financial Plan

3.1 The Medium-Term Financial Plan (MTFP) was approved by the Council in September and reviewed the impact of the challenging and uncertain economic times on the Council's finances and budgets.

3.2 A reminder of the key issues relating to the 2026/27 budget setting process are set out in this section of the report.

3.3 The MTFP concluded that the Council remains in good financial health at the present time with a balanced Revenue Budget in place for the 2025/26 financial year and healthy level of balances and reserves.

3.4 However, looking ahead, the medium-term outlook for the Council's Revenue Budget over the next five years continues to highlight a number of potential budget challenges over the coming years, and this will mean that the setting of the 2026/27 Revenue Budget will need to consider a number of risks and potential financial challenges, including:

- The current economic climate and Government spending and taxation plans e.g. possible public sector spending cuts, tax increases, increasing inflation, changes in interest rates and reduced consumer spending power;
- The third-year reduction to the Local Council Tax Reduction Scheme (LCTRS) Grant by Durham County Council;
- The continuing pressures on expenditure budgets from higher than inflation increases in some areas, particularly on insurance, water, service contracts and capital works;
- Significant likely increases in the National Living Wage, and its subsequent impact on the local government pay scale (including the deletion of the lowest salary scale point in April 2026), as well as union pressure for public sector pay to keep pace with inflation; and
- The changed priorities of the new Reform Administration at Durham County Council, and the very real risk that a decision may be made to cut the Council Tax Support Grant by more than has been forecast or to phase out the grant completely to assist in balancing their budget and fund their own priorities.

3.5 The draft 2026/27 Revenue and Capital Budgets have been developed in line with the five key principles from the Medium-Term Financial Plan which are:

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. Ensuring the continued delivery of the Asset Management Plan via the Capital Programme Budgets.
4. Safeguarding a prudent level of balances and reserves.
5. Implementing an increase in council tax between the years 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.

- 3.6 The draft 2026/27 Revenue Budgets make provision for a 4% increase in staffing costs to account for the expected pay award next year.
- 3.7 Gas and electricity costs have stabilised and fallen back and it is estimated that these budgets will deliver an underspend in the current year, with increases of 8% on gas and 6% on electricity costs in 2026/27.
- 3.8 In relation to inflation on running costs, despite the Consumer Price Index currently standing at 3.8%, there continues to be significant increases in some costs incurred by the Council, with insurance premiums anticipated to increase in the region of 7.5% based on current premiums, and some day-to-day supply and service costs and capital works still experiencing from high increases in prices.
- 3.9 A general inflationary increase of 3.5% has been included in the draft 2026/27 Revenue Budgets, but only for those areas where increases in costs cannot be avoided and where costs have increased at a higher level than the prevailing inflationary rate.
- 3.10 As previously reported, in light of the higher-than-expected Revenue Budget underspend delivered in the 2024/25 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.
- 3.11 The draft 2026/27 Revenue Budgets will be updated to take into account feedback from members at this round of meetings and then later in the year if there are any changes that are required prior to the budget being finalised and approved in January 2026.
- 3.12 In relation to the 2026/27 Capital Programme Budget, the Medium-Term Financial Plan highlights a risk that the Council faces some potentially significant capital investment commitments in relation to its assets over the coming years, linked to the delivery of the Asset Management Plan, and that the funding of this investment will see a deterioration in the level of the Council's balances and reserves.
- 3.13 In light of this, 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 reserves.
- 3.14 The 2026/27 Capital Programme Budget has therefore been prepared on the basis of essential investment only, mainly linked to the delivery of the Asset Management Plan.
- 3.15 As part of the 2025/26 budget setting process, a review of the Capital Budget took place with a view to controlling capital spending and protecting balances, and a similar review of the 2026/27 Capital Budget will need to be undertaken as part of this budget setting process.

4.0 Draft 2026/27 Environment Revenue Budgets

- 4.1 The detailed draft 2026/27 Environment Revenue Budgets are attached at **Appendix 1** for Members' consideration.
- 4.2 Members will note that the attached draft budget figures include the actual outturn figures for the last two financial years; 2023/24 and 2024/25.
- 4.3 The prior year income and expenditure figures are included to enable Members to take actual spending and income figures into account, in their consideration of the draft 2026/27 budget proposals.
- 4.4 A summary of the draft 2026/27 Environment Revenue Budgets is shown below:

Budget 2025/26 £	Environment Revenue Budget	Inflation and Committed Growth £	Investment in Service £	Savings and Increased Income £	Budget 2026/27 £
123,850	Environment	5,350	-	(1,200)	128,000
8,800	Street Equipment	100	-	(800)	8,100
73,350	Cemeteries	8,550	-	(600)	81,300
27,200	Allotments	1,350	-	(500)	28,050
7,450	Church Works	400	-	(50)	7,800
240,650	Total Budget	15,750	-	(3,150)	253,250

- 4.5 The draft 2025/26 Environment Committee Revenue Budget shows an increase of £12,600 or 5.2% to £253,250.
- 4.6 Unavoidable inflationary increases in costs, including staffing recharge cost increases linked to the forecast local government pay award as well as reductions in cemetery purchases income, have added £15,750 or 6.5% to the budget. However, these increases have been offset by some small savings across all budgets totalling £3,150 or 1.3%. These include a reductions in the electricity budgets and small increases in the allotment's and environment income budgets.
- 4.7 The impact of the national economic situation may result in further changes to the income and expenditure budgets, and these will need to be monitored and factored into the final 2026/27 Revenue Budget ahead of the setting of the Precept in January.
- 4.8 No discretionary additional or new investment in services in the Environment Revenue Budgets has been provided for, in light of the ongoing challenging financial situation being faced by the Council. This is in order to help balance the 2026/27 Revenue Budget and restrict the Council Tax increase.

4.9 A summary of the main changes in respect of each individual environment budget area is detailed on the following pages.

4.10 **Environment and Open Spaces**

This budget has increased by £4,150 to a net running cost of £128,000.

This increase is largely as a result of additional budget for increases in staffing costs from the forecast local government pay award and some inflationary increases in running costs.

The increases have been partly offset by an increase in income to reflect the recharge of electricity costs for the occupancy of the Environment Centre by Green Arts. The associated electricity budget has been adjusted to reflect this.

4.11 **Street Equipment**

This budget has reduced by £700 to a total running cost of £8,100 as a result of reduced electricity costs, offset by a slight increase in staffing recharges.

4.12 **Cemeteries**

This budget has increased by £7,950 to £81,300, largely due to provision for increases in staffing recharge costs from the forecast local government pay award, as well as inflationary increases in running costs.

The advance purchase income budget has been reduced in line with income over the last couple of years, with other income budgets frozen.

4.13 **Church Works**

This budget reflects the time spent by works staff undertaking grounds maintenance works at St Clare's Church and St Andrew's Church, as well as providing for income from any burials at St Andrew's Church and income from the church for grounds maintenance. The budget has increased marginally by £350 to a net running cost of £7,800.

4.14 **Allotments**

This budget has increased by £850 to a net running cost of £28,050 with the increase being largely in staffing recharge costs from the forecast local government pay award.

4.15 **Environment Fees and Charges**

The Environment Revenue Budget has not provided for any increases in the fees and charges for the cemeteries in 2026/27 (allotment rents are set a year in advance in accordance with allotments law).

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

5.0 Draft 2026/27 Environment Capital Programme Budgets

- 5.1 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.
- 5.2 In light of this, the Council has previously agreed that future capital investment will continue to be closely monitored and controlled with only essential expenditure being incurred during these challenging economic times in order to protect and preserve Council balances, and the 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.
- 5.3 As part of the 2025/26 budget setting process a review of the Capital Budget took place with a view to reducing capital spending and protecting balances, and a similar review of the 2026/27 Capital Budget will need to be undertaken as part of this budget setting process.
- 5.4 To be clear, it is *not* being recommended that *all* capital investment is restricted, more that investment should be focussed on those essential projects that contribute towards the delivery of the Asset Management Plan, such as building works, vehicle and machine replacement, footpath repairs and play area safety surfacing replacement.
- 5.5 The draft 2026/27 Environment Capital Programme Budget is attached at **Appendix 2** and currently stands at **£71,100**.
- 5.6 The budget includes all of the capital projects included in the Medium-Term Financial Plan and Asset Management Plan. Officers have undertaken a review of the projects and made recommendations as to which projects are considered essential, which need to be included in the budget as provisional sums, which projects can be deferred to a future year, and which projects can be deleted from the programme. This proposed classification of the capital projects making up the draft budget was considered by the Asset Management Sub-Committee on 6th October.
- 5.7 A list and description of the projects making up the draft 2026/27 Environment Capital Budget is detailed below, including the officers' recommendations:

Stephenson Way Cemetery Works £7,500

This budget provides a sum of £2,500 for the ongoing drainage improvement works at Stephenson Way Cemetery and a budget of £5,000 for window and door replacement to the building. It is recommended that the drainage improvements is included as essential work and that the budget for the window and door replacement is held as a provisional sum for any required repairs or works.

West Cemetery Works £7,500

This budget provides a sum of £2,500 for the ongoing drainage improvement works at West Cemetery and a budget of £5,000 for shutter replacement to the building. It is recommended that the drainage improvements is included as essential work and that the budget for the shutter replacement is held as a provisional sum for any required repairs or works.

Footpath Repairs £15,000

This budget provides for the ongoing programme of repairs to Council owned footpaths, car parks and access roads. This budget is used to fund a prioritised programme of essential repairs and it has therefore been recommended that this budget be included as essential work.

Council Offices Visitors Car Park Resurfacing £20,000

This budget provides for the resurfacing the Council Offices visitors car park. It has been recommended that this budget is included as a provisional sum to be utilised only in the event of any repairs or resurfacing work being required.

Bus Shelter Repairs £2,500

This is an annual budget provision provides for the ongoing repair of the Council's bus shelters, on a prioritised programme of works, and it is recommended that this budget be included as essential work.

Bridge Repairs £5,000

This is budget provides for repainting and repair works to Council owned bridges. It has been recommended that this budget is included as a provisional sum to be utilised only in the event of any repairs or repainting work being required to bridges.

Street Light Column Testing £2,500

This budget provides for the testing of the Durham County Council street light columns on which the festive lighting are mounted which are due to be undertaken next year. It is therefore recommended that this budget is included as an essential sum.

Ash Dieback Disease and Emergency Tree Works £10,000

This budget provides for the ongoing programme of works to remove and replace trees affected by Ash Dieback Disease as well as any emergency tree works required across the Parish and it is recommended that this budget be included as a provisional sum for any identified works.

CCTV Cameras £1,100

This is an annual budget provision providing funding for targeted moving of the Rapid Response CCTV Cameras, in partnership with Newton Aycliffe Police, and it is recommended that this budget be included as an essential sum.

- 5.8 Members are asked to consider the proposed 2026/27 Environment Capital Programme Budget and confirm which projects should go ahead as essential, which should be retained as provisional sums, and which should be deferred to a future year or deleted altogether.

6.0 Budget Timetable

6.1 The remaining timetable for the setting of the 2026/27 Revenue and Capital Budgets is summarised below:

- **22nd October:** Draft Policy and Resources Budgets reported to Policy and Resources Committee;
- **Early to Mid-November:** Special Policy and Resources Committee to consider proposed fees and charges increases for 2026/27
- **Mid-November:** Issue of the online budget survey;
- **November and December:** Consideration of feedback from the October committee meetings and the budget consultation, and development of the final budget proposals, following the final notification of the Council Tax Support Grant and Council Tax Base figures;
- **3rd December:** Budget update report to Policy and Resources Committee setting out details of the above, if required;
- **21st January:** Final 2026/27 Revenue and Capital Budgets to be reported to and approved by Policy and Resources Committee;
- **28th January:** 2026/27 Precept to be approved by Full Council and Council Tax increase to be declared.

7.0 Policy Implications

7.1 The consideration of the 2026/27 draft Environment Revenue and Capital Budgets contributes towards the achievement of Strategic Aim 2 in the Council's Service Delivery Plan:

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

8.0 Staffing Implications

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

9.0 Financial Implications

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

10.0 Crime and Disorder Implications

10.1 None.

11.0 Equal Opportunities Implications

11.1 None.

12.0 Environmental, Biodiversity and Climate Change Implications

12.1 No direct implications.

13.0 Risk Assessment

13.1 A full risk assessment will be included in respect of the setting of the Council's 2026/27 Revenue and Capital Budget, at the final stage of the budget setting process, when the Council determines and approves the 2026/27 Precept in January 2026.

14.0 General Data Protection Regulations (GDPR)

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

15.0 Recommendations

15.1 It is recommended that Members:-

- a) Receive the report;
- b) Consider and agree the draft 2026/27 Environment Revenue Budget and feedback any proposed amendments to officers;
- c) Consider the draft 2026/27 Environment Capital Programme Budget and confirm which projects should go ahead as essential works, which should be retained as provisional sums, and which should be deferred to a future year or deleted altogether.