

OVERALL DRAFT 2026/27 REVENUE AND CAPITAL BUDGET

AGENDA ITEM NO. 13

MEETING: POLICY AND RESOURCES COMMITTEE

DATE: 22ND OCTOBER 2025

REPORT BY: FINANCE MANAGER

1.0 Purpose of the Report

- 1.1 The purpose of this report is to set out for Members' consideration, comments, and approval the Council's overall draft 2026/27 Revenue Budget and Capital Programme Budget.
- 1.2 The report also asks Members' to provisionally agree the proposed level of Precept and Town Council Tax for next year and note the likely movement on the Council's balances and reserves.

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 Working Groups 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 Revenue and Capital Budgets for each committee have also now been reported to and considered by the Recreation, Environment and Policy and Resources Committees.

- 2.8 This report brings together the budget figures from the draft 2026/27 Recreation, Environment and Policy and Resources Committee Revenue and Capital Budgets to present the overall draft Revenue and Capital Programme Budget for the Council for next year.
- 2.9 More importantly, the report sets out what the proposed 2026/27 Revenue Budget will mean in terms of the level of Precept and Town Council Tax for next year, sets out the proposed Capital Programme Budget for agreement, and highlights how the proposed Revenue and Capital Budgets may impact the Council's Balances and Earmarked Reserves moving forward.

3.0 Current Financial Situation and Future Outlook (MTFP)

- 3.1 The Medium-Term Financial Plan (MTFP) was approved by the Council in September and reviewed the ongoing 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 highlighted that the Council continues to face an ongoing challenging financial situation, both at the present time and looking ahead to next year and the medium-term.
- 3.4 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. 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 Council remains in good financial health at the present time 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. An underspend is expected against the 2025/26 Revenue Budget as reported in the Expected Outturn Report.
- 3.7 As previously reported, in light of the higher-than-expected Revenue Budget underspend delivered in the 2024/25 financial year, and the further savings in the first half of 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.
- 3.8 Looking ahead to next year, a number of budget challenges and risks need to be addressed including the 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.
- 3.9 The Medium-Term Financial Plan indicated that the 2026/27 Revenue Budget would require a 1.98% increase in the Council Tax, with savings and reductions in costs and increased income largely offsetting the forecast cut in Council Tax Support Grant, staff pay awards, and inflationary increases in costs.
- 3.10 However it was indicated in the MTFP that the limited staff grading restructure would add additional costs to the 2026/27 Revenue Budget and would result in an additional increase to the Precept and Town Council Tax.
- 3.11 Further details on the above issue and the assumptions made in setting the 2026/27 Revenue Budget are set out in Section 4 of the Report.
- 3.12 The draft Revenue Budgets will be updated to take into account feedback from members at this round of meetings, and then later in the year, if any changes are required in relation to new budget developments, prior to the budget being finalised and approved in January 2026.

- 3.13 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.
- 3.14 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.
- 3.15 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.
- 3.16 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.
- 3.17 Officers have undertaken an initial 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.
- 3.18 The Asset Management Sub-Committee considered and agreed the draft 2026/27 Capital Budget at a meeting on 6th October and agreed the officers' recommendations.

4.0 Overall Draft 2026/27 Revenue Budget

- 2.1 The initial draft 2026/27 Revenue Budget has been prepared in line with the key principles from the Medium-Term Financial Plan as summarised in paragraph 3.5.
- 2.2 Based on the draft 2026/27 Policy and Resources, Recreation and Environment Revenue Budgets already reported to committees, an overall summary of the draft 2026/27 Revenue Budget is attached, in detail, at **Appendix 1**. and a summary is set out in the table on the following page.

Overall Summary of the Draft 2026/27 Revenue Budget

Budget 2025/26 £	Budget Description	Inflation and Committed Growth £	Investment in Services £	Savings and Increased Income £	Budget 2026/27 £
937,350	Policy and Resources	92,800	-	(104,900)	925,250
955,100	Recreation	91,050	-	(89,300)	956,850
240,650	Environment	15,750	-	(3,150)	253,250
12,500	Contingency Sum	6,000	-	-	18,500
75,000	Contribution to Reserves	-	-	-	75,000
(145,250)	Less Council Tax Grant	32,000	-	-	(113,250)
2,075,350	Council Precept	237,600	-	(197,350)	2,115,600
Calculation of Town Council Tax:					
2,075,350	Precept				2,115,600
6,909	Council Tax Base				6,925
£300.38	Band D Council Tax				£305.50
£200.26	Band A Council Tax				£203.67
4.95%	% Increase / (Decrease)				1.70%
Calculation of Town Council Tax including Staff Grading Restructure					
	Precept				2,138,500
	Council Tax Base				6,925
	Band D Council Tax				£308.81
	Band A Council Tax				£205.87
	% Increase / (Decrease)				2.80%

- 2.3 **The draft 2026/27 Revenue Budget** as summarised above and attached in detail in **Appendix 1**, would lead to a requirement to set the **2026/27 Precept at £2,115,600**.
- 2.4 This is an increase of £40,250 or 1.94% on the 2025/26 Precept.
- 2.5 In the absence of any update from Durham County Council on the Council Tax Base figure, it has been estimated that the Tax Base will increase by sixteen properties to 6,925. **This level of Precept and assumed Tax Base would result an increase in the Town Council Tax of 1.70% next year.**
- 2.6 However, as identified in Section 3 above, it has been announced by the National Joint Council for Local Government Employers (NJC) that the lowest local government salary point (point 2) is to be deleted from the pay scale from April 2026 to ensure that the lowest salary point remains ahead of the uplifted National Living Wage. Following the deletion of salary point 2, the Council will need to undertake a limited staff grading restructure to ensure that the differentials between salary grades at the lower end of the pay scale can be maintained.

- 2.7 This is ahead of the NJC undertaking a more fundamental review of the pay scale over the coming years.
- 2.8 In advance of this, in order to address the immediate problem of erosion of differentials at the lower end of the Council's staffing structure, it is proposed that a limited staff grading restructure is undertaken incorporating salary points up to and including Salary Point 12. A report will be brought to the Personnel Sub-Committee in relation to this during the autumn. It is forecast that this will increase staffing costs in the region of £22,900.
- 2.9 **As shown in the table above, implementation of this grading restructure will increase the 2026/27 Revenue Budget Requirement or Precept to £2,138,500 with the associated increase in the Town Council Tax for next year increasing to 2.80%**
- 2.10 Further details on the calculation of the Town Council Tax are set out in Section 5 of the Report.
- 2.11 Further commentary on the overall draft 2026/27 Revenue Budget including the assumptions made and analysis of the changes between the 2025/26 and 2026/27 years are set out in the following section of the report.
- 2.12 A more detailed breakdown of the various increases and decreases in the Revenue Budget is included within **Appendix 1**.

Inflation, Pay Awards, and Other Unavoidable Budget Increases

- 2.13 **Pay awards, inflation, unavoidable increases in costs, and falls in income have added £237,600 or 11.4% to the 2026/27 Revenue Budget.**
- 2.14 In relation to staffing costs this includes provision for the Local Government Employers' 2025/26 pay award, at a net saving of around £18,000, as well as an assumed 4% staff pay award in 2026/27 costing a further £91,050.
- 2.15 The staffing budget is based on the latest approved staffing structure of the Council and any changes agreed by the Personnel Sub Committee up to the end of September.
- 2.16 The staffing budget also incorporates any contractual salary increments due to members of staff next year.
- 2.17 Any specific requirements identified by service managers e.g. changes to staff cover requirements and overtime provision, have also been incorporated in the budgets where these could be justified and evidenced.
- 2.18 With regard 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, some day-to-day supply and service costs and capital works still experiencing from high increases in prices.
- 2.19 Provision has also been made, only where absolutely unavoidable, for a number of inflationary increases on running costs. A general inflationary increase of 3.5% has also been included in the draft budget for those areas where increases in costs cannot avoided.

- 2.20 There are some areas of expenditure where costs have increased at a higher level than the prevailing inflationary rate. These include service agreements, information technology, water, machine rentals and additional costs associated with the new regulations on simpler recycling.
- 2.21 Most other budgets have been frozen at existing levels with an expectation that inflationary increases will be absorbed, although this is becoming more difficult with the revenue budgets now being so stripped back.
- 2.22 One area of expenditure where there has been continued high inflationary pressure is insurance premiums. The Council's insurance broker has indicated that insurance costs are anticipated to increase in the region of 7.5% in 2026/27 on current premiums.
- 2.23 Members will be aware that gas and electricity supplies are procured on the Council's behalf by Durham County Council Energy Management Team. Unfortunately, ahead of the 2026/27 financial year they have been unable to provide advice on future costs and have provided limited information and incomplete data.
- 2.24 After some further work and research by the Finance Manager, it is estimated that these budgets will deliver an underspend in the current financial year, with estimated increases of 8% on gas and 6% on electricity costs in 2026/27.
- 2.25 The 2026/27 gas and electricity budgets have therefore been prepared based on the research undertaken and projected taking into account the current usage. These budgets will be updated if any additional information is provided by DCC prior to the budgets being finalised in January.
- 2.26 Additional budget provision has also been put in place to meet any other committed or unavoidable increases in costs, such as increases in spending on catering supplies and golf subscriptions, all of which are linked to increases in sales and income.
- 2.27 Finally, provision has been made for any reductions in income such as the fall in golf equipment sales, reduced football pitch income due to the changes in team usage and reductions in income at the cemeteries due to a fall in the number of advance purchases.

Council Tax Support Grant Funding

- 2.28 The 2026/27 Revenue Budget has been prepared on the basis of the latest information available in relation to the Council Tax Support Grant.
- 2.29 The Council relies heavily upon the Council Tax Support Grant funding which totalled £145,250 in 2025/26.
- 2.30 In 2024/25 Durham County Council implemented a 50% cut to the Local Council Tax Revenue Support Grant phased over 3 years. The draft 2026/27 Revenue Budget incorporates the third-year reduction in the grant.
- 2.31 **The final figure for 2026/27 has not yet been confirmed by Durham County Council. However it has been assumed that the reduction will be in line with the reduction originally notified in 2024/25, this would see this grant reduce by around £32,000 to £113,250 next year.**

Additional Investment in the Revenue Budget

2.32 No discretionary additional or new investment in services has been provided for in the 2026/27 draft Revenue Budget in light of the financial challenges faced, and the requirement to restrict the Council Tax increase.

Efficiency Savings, Budget Reductions, and Increased Income

2.33 There have been a number of reductions in expenditure budgets and increases in income which have helped to offset the increases in costs and falls in income highlighted earlier.

2.34 The staffing budget incorporates savings from the deletion of the vacant part-time Administration Assistant post as agreed by Personnel Sub Committee in February this year, resulting in a saving in staffing costs.

2.35 Other budget reductions, savings and increased income incorporated into the draft 2026/27 Revenue Budget include:-

- Net savings on the 2025/26 Local Government pay offer;
- Net reduction on gas and electricity costs;
- Reductions in underutilised administration budgets due to paper light office and electronic communications (printing, postage and stationery);
- Reduction in bank charges; namely PDQ charges;
- Reductions in the vehicle fuel costs;
- An increase to the pre-school income budget from an anticipated increase in attendance rates in the two-year-old setting from 80% to 85%;
- A reduction in the Events Senior Citizens' Excursions budget following the providing of £15 cash for refreshments for all trips rather than a sit-down meal;
- Savings on telephone budgets following the change in contract and the cancellation of discontinued lines;
- A reduction in the sports complex bar stocks budget as a result of aligning the costs to the income budget;
- Increases in investment income as a result of higher-than-expected levels of balances;
- Increases in some sporting activities income at the sports complex;
- Increases in sports complex bar, catering and vending machine income;
- Increases at the golf complex due to substantially increased membership numbers and increased green fee income; and
- Increases in driving range hot beverage income; and

2.36 These savings and increases in income have helped to partly offset the additional budget provision made for pay awards, inflation, and other unavoidable budget increases.

2.37 An analysis of the savings already incorporated into the draft 2026/27 Revenue Budget is included in the 'Analysis of Revenue Budgets Changes from 2025/26 to 2026/27 attached in **Appendix 1**.

2.38 **Total savings, budget reductions and increased income identified in the draft 2025/26 Revenue Budget amount to £197,350 or 9.5%.**

Contingency Sum and Contribution to Capital Reserves

- 2.39 **The Revenue Budget Contingency Sum has been increased from £12,500 to £18,500.**
- 2.40 The Contingency Sum provides some limited scope to deal with any unforeseen budget pressures that may arise during next year.
- 2.41 **The Contribution to Capital Reserves has been frozen at £75,000.**
- 2.42 The existence of this budget enables the partial replenishment of the Council's balances and reserves each year in line with the policy established in previous Medium-Term Financial Plans and was increased last year in light of the significant capital commitments faced by the Council over the medium-term.

Referendums to Veto Excessive Council Tax Increases

- 2.43 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.
- 2.44 Those powers replaced the previous council tax capping powers available to the government.
- 2.45 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
- 2.46 Any increase above these limits would still be subject to a referendum with local taxpayers.
- 2.47 Currently this legislation *does not* apply to town and parish councils and the Government confirmed in the 2025/26 Local Government Finance Settlement that any consideration of the extension of council tax referendum principles to higher spending parish and town councils will be deferred i.e. until the end of the 2025/26 year.
- 2.48 The National Association of Local Councils (NALC) is lobbying the Government for a multi-year settlement or a complete exemption in the future.
- 2.49 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 require to do so, without any restraint from the Government.

- 2.50 The Council has taken advantage of this flexibility in recent 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 when significant cuts were made to the Local Council Tax Support Grant by Durham County Council in the last two years.
- 2.51 There is currently no indication of the Government's intentions with regard to town and parish council referendum limits for the period 2026/27 onwards.
- 2.52 As previously highlighted, the draft 2026/27 Revenue Budget has been prepared on the basis of an increase in the Town Council Tax of 1.7% prior to any limited staffing restructure, and this increases to 2.8% when incorporating the costs of this restructure.
- 2.53 The current council tax referendum limit set by Government for principal councils (excluding the additional limit allowed for social care) is 3%.
- 2.54 The Town Council's draft 2026/27 Council Tax increase is therefore below this limit *if* it was to be extended to town and parish councils.

Future Revenue Budget Developments

- 2.55 It is important to stress, particularly in the ongoing economic situation, that the 2026/27 Revenue Budget remains a *draft budget* and the Council will need to respond to any further developments between now and the end of January, when the Precept is due to be set.
- 2.56 The key areas which will need to be monitored closely prior to the 2026/27 budget being finalised include:
- An increased reduction in the LCTRS Grant;
 - Council Tax Base changes;
 - The Government Budget;
 - The rate of inflation;
 - Interest rate changes;
 - Changes in electricity and gas costs;
 - Changes in the cost of fuel; and

Fees and Charges

- 2.57 The draft 2026/27 Revenue Budget has assumed some increases in fees and charges, with some sports complex activities and golf green fees including an assumed 3% increase.
- 2.58 The Revenue Budget does not, as yet provide for any increases in fees and charges for other services such as the cemeteries, pre-schools, sports pitches, golf complex memberships and the driving range.
- 2.59 Fees and charges are due to be considered separately at a Special Meeting of the Policy and Resources Committee in November.
- 2.60 Until 2023/24 it has been previous Council policy *not* to build any fees and charges increases into the Revenue Budget until the following year.

- 2.61 This policy would mean that any additional income that is generated from fees and charges increases next year, other than those already identified, would provide surplus resources within the 2026/27 Revenue Budget, helping to generate savings and providing a boost to Council balances and reserves.
- 2.62 However, if the Council decide they wish to reduce the Town Council Tax increase, or need to find savings to balance the 2026/27 Revenue Budget later in the year, changing this policy as the Council did in 2023/24 and 2024/25, and building in all of the additional income raised from any increases in fees and charges, would be one of the available options for doing so. The additional unbudgeted income this would generate will be quantified in the fees and charges report due to be considered in November.

5.0 2026/27 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 numbers 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 **In the absence of any provisional 2026/27 Council Tax Base figure from Durham County Council to date, it has been assumed there will be a small increase of 16 equivalent band D properties, to 6,925, in 2026/27.**
- 5.8 **This figure will be updated following notification from Durham County Council of the actual Council Tax Base.**
- 5.9 **The draft 2026/27 Revenue Budget as set out earlier in this report would result in a draft 2026/27 Precept of £2,115,600.**
- 5.10 **A 2026/27 Precept of £2,115,600 divided by the estimated 2026/27 Council Tax Base figure of 6,925 would result in a Town Council Tax at Valuation Band D next year of £305.50.**
- 5.11 **This would represent an increase of £5.12 per year or 43p per month (10p per week) on the Band D Council Tax bill.**
- 5.12 **This is equivalent to a 1.7% increase in the Town Council Tax.**
- 5.13 **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 £203.67 per year, which is an increase of £3.41 per year, or 28p per month (7p per week).**

- 5.14 However, as highlighted earlier, it is important to point out that the draft 2026/27 Revenue Budget also needs to reflect the proposed limited staff grading restructure to ensure that it retains the differentials between local government pay grades at the lower end of the pay scale, following the planned deletion of pay point 2 from April 2026.
- 5.15 **The inclusion of this limited staff grading restructure will result in an additional cost of £22,900, resulting in a higher Precept of £2,318,500 which would raise the Town Council Tax increase next year to 2.8%.**
- 5.16 **This would represent an increase of £8.43 per year or 70p per month (16p per week) on the Band D Town Council Tax bill to £308.81 per year, or a £5.61 per year or 47p per month (11p per week) increase on the Band A Council Tax to £205.87 per year.**
- 5.17 Even though the draft 2026/27 Revenue Budget includes provision for a number of cost increases and the third year cut in the Council Tax Support Grant, it is important to stress that the current draft budget would still enable the Council to maintain all services, facilities, and events next year, whilst retaining a small contingency sum and a contribution to capital reserves of £75,000 within the Revenue Budget.
- 5.18 This would ensure that the Council can continue to partially replenish its earmarked capital reserves at a time when they are likely to be depleted financing capital investment over the coming years, whilst also ensuring that some surplus resources are available to fund any additional or unforeseen budget commitments.
- 5.19 Clearly the draft Revenue budget is subject to change over the coming months depending upon the outcome of various uncertainties including the final Council Tax Support Grant and Council Tax Base figures.

6.0 Draft 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 As part of the 2025/26 budget setting process, a review of the 2025/26 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 be undertaken as part of the 2026/27 budget setting process.
- 6.6 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.
- 6.7 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.
- 6.8 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.
- 6.9 This review was included in the Committee Budget Reports previously reported for Members' consideration and approval and the Asset Management Sub-Committee have considered and agreed the officers' recommendations.
- 6.10 **The draft 2026/27 Capital Programme Budget is attached at Appendix 2 and would total £314,250 if all identified projects go ahead.**
- 6.11 The budget includes 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 vertidrainer 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.

6.12 Detailed information on each of above projects 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.

6.13 Members' consideration and final decisions on the officers' recommendations in relation to the above projects will determine which are included in the final 2026/27 Capital Budget.

6.14 If all officers' recommendations are agreed, the allocation of 2026/27 Capital Budget would be as follows:-

- £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

6.15 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 Sedgfield 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.

7.0 Council Balances and Earmarked Reserves

- 7.1 The draft 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.
- 7.2 **Council Balances and Earmarked Reserves are expected to stand at around £1.844 million at the end of the 2025/26 financial year.**
- 7.3 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. If the whole 2025/26 Capital Programme Budget went ahead this year, balances would fall to around to £1.450 million.
- 7.4 The healthy level of balances and reserves at the present time is an endorsement of the careful and prudent manner in which this Council has managed and planned its finances in recent years.
- 7.5 After accounting for the funding of the full draft 2026/27 Capital Programme Budget of £314,250 and the forecast 2025/26 Capital Programme carry forward of £394,200 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 £1,229,500 by the end of 2026/27.**
- 7.6 However, please note that if the officer's recommendations on the classification of the 2026/27 Capital Programme Budget are agreed, this may 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.
- 7.7 Whilst balances and reserves will have fallen significantly from the peak of £2.227 million held at the beginning of this financial year, this is still considered to be a reasonably 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.
- 7.8 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 savings are achieved in the Revenue Budget next year, although is considered unlikely in the current financial circumstances.

- 7.9 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. If there is no in year savings achieved from the Revenue Budget, reserves and balances will ultimately be depleted over the longer term. 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.
- 7.10 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 3**.

8.0 Consultation on the 2026/27 Budget

- 8.1 It is important that the Council consults with local taxpayers on its future spending plans and takes those views into account when making spending decisions and setting the annual budgets.
- 8.2 In previous years, the Council has sought the views of local taxpayers via an online budget survey, promoted via the Council website, local press, social media, and Council newsletter, as well as holding budget consultation events with the Council's Customer Panel group and via public drop in events.
- 8.3 As previously reported, public engagement with the Customer Panel budget consultation meetings and drop in events was very poor in previous years, whilst engagement with the online survey has been much better.
- 8.4 It was agreed when approving the 2026/27 Budget Framework and Timetable that the 2026/27 budget consultation will be undertaken via an online survey.
- 8.5 The online budget survey will be published in mid-November, and widely publicised on the Council website, in the local press, and on the Council's social media channels. Paper copies of the survey will also be distributed to community centres, the library, and schools.
- 8.6 The survey will focus on seeking feedback from local taxpayers on the challenges facing the Council and the options for addressing these, including what would be a reasonable level of Council Tax increase and what their priorities are in terms of services, facilities and events that should be protected and maintained.
- 8.7 Feedback from the budget consultation would then be reported back to members to inform the final decisions regarding the setting of the Council Budget in January.

9.0 2026/27 Budget Setting Timetable

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

- **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.

10.0 Policy Implications

10.1 The approval of the draft 2026/27 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".

11.0 Staffing Implications

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

12.0 Financial Implications

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

13.0 Crime and Disorder Implications

13.1 None.

14.0 Equal Opportunities Implications

14.1 None.

15.0 Environmental, Biodiversity and Climate Change Implications

15.1 None.

16.0 Risk Assessment

- 16.1 The draft 2026/27 Revenue and Capital Programme Budgets have been prepared with regard to the key accounting principle of prudence and the levels of balances and contingences included within the Revenue Budget are considered to be adequate.
- 16.2 Whilst the draft 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 principles from the MTFP.
- 16.3 Following on from the 2023/24 and 2024/25 budget setting processes where significant savings were identified and implemented to keep the Town Council Tax 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.
- 16.4 A further concern is the limited top of balances and reserves via the £75,000 contribution to capital reserves, at a time when Revenue Budget savings are likely to diminish significantly, and when balances and reserves are likely to be significantly depleted financing capital investment over the medium to long term.
- 16.5 The risk of a serious deterioration in the level of Council Balances and Reserves will need to be considered and factored into future updates of the MTFP to ensure that a strategy is put in place to replenish balances.
- 16.6 A full risk assessment will be included in respect of the setting of the Council's 2026/27 Budget, at the final stage of the budget setting process, when the Council determines and approves the 2026/27 Precept.

17.0 General Data Protection Regulations (GDPR)

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

18.0 Recommendations

18.1 It is recommended that Members:-

- a) Receive the report;
- b) Consider and agree the attached overall summary of the draft 2026/27 Revenue Budget, including:-
 - i) The draft 2026/27 Precept of £2,138,500, including the cost of the limited staff grading restructure;
 - ii) The proposed increase of 2.8% in the Town Council Tax;
 - iii) The draft 2025/26 Capital Programme Budget of £314,250 and confirm which projects should go ahead as essential works, which should be retained as provisional sums, which can be deferred to a future year, and which can be deleted from the programme altogether;
 - iv) The possible fall in the Council's Balances and Reserves to as low as £1.229 million by the end of 2026/27.
- c) Provide any comments, feedback and proposed amendments to the 2026/27 draft Revenue and Capital Budgets to the Chairman or Vice Chairmen of the Committee and officers as soon as possible.