

MEDIUM TERM FINANCIAL PLAN 2025/26 to 2029/30

AGENDA ITEM NO. 9

MEETING: POLICY AND RESOURCES

DATE: 10TH SEPTEMBER 2025

REPORT BY: FINANCE MANAGER AND TOWN CLERK

1.0 Purpose of the Report

- 1.1 The purpose of this report is to set out for Members' consideration and approval the Council's 2025/26 to 2029/30 Medium Term Financial Plan.
- 1.2 This report is intended to provide an executive summary of the Plan.

2.0 Background to the Report

- 2.1 Although there is no legislative requirement for the Council to produce a Medium-Term Financial Plan, ensuring a strategic and pro-active approach to the Council's financial planning is considered to be an essential element of the corporate and financial management of the Council. This is particularly important in challenging and uncertain economic times such as those being experienced at the present time.
- 2.2 This update of the Medium-Term Financial Plan covers the five-year period 2025/26 to 2029/30 and aims to review the impact of the ongoing economic difficulties and uncertainties on the Council's finances and adjust its financial strategy and budget planning as it looks ahead to what is likely to be a challenging few years.
- 2.3 The Plan also helps ensure that a link is established between the Council's strategic aims and targets and the priorities of the local community, as set out in the Service Delivery Plan, and the resources that are likely to be available to fund their delivery and achievement over the next five years.
- 2.4 It sets out the financial principles that will be applied, the national and local issues likely to impact upon the Council, and summarises the key challenges faced over the period, including an assessment of key risks.
- 2.5 It then forecasts the future financial outlook for the Council, based on a series of prudent assumptions, and sets out an indicative Revenue and Capital Budget for the five years, including projections of the likely level of Council Precept, Town Council Tax and balances and reserves.
- 2.6 The Plan puts in place the framework for the forthcoming setting of the 2026/27 Revenue and Capital Budget.
- 2.7 A copy of Medium-Term Financial Plan is attached to the report. However, please note that a summarised set of appendices has been included in order to save on paper, printing, and postage costs. The full set of appendices are available to view at the council offices, upon request.

3.0 Current Financial Situation

- 3.1 The current financial situation of the Council was summarised in the 2024/25 Revenue and Capital Budget Year-End Outturn Position Report presented to and approved at the Policy and Resources Committee on 4th June 2025 and in the 2025/26 Revenue and Capital Budget Position as at 30th June 2026, as reported in the covering letter to Members dated 23rd July 2025.
- 3.2 These reports both confirm that the Council's finances remain in a healthy position at the present time, despite the difficult and uncertain economic situation and the ongoing budget challenges relating to Council Tax Support Grant cuts, pressure on staffing budgets linked to National Living Wage increases and trade union demands, and inflationary pressures.
- 3.3 The Council continues to deliver its services in an efficient and cost-effective manner and has a proven track record of prudent financial management, achieving efficiency savings on its Revenue Budget over a number of years.
- 3.4 A significant, and higher than expected, saving of £380,209 or 19% achieved during 2024/25 and the reasons for this saving included:
- The budgeted contribution to capital reserves of £75,000;
 - Minimal use of the £13,500 contingency sum;
 - Savings on insurance premiums;
 - Substantially higher than budgeted investment income as a result of interest rates not being reduced and higher than expected balances due to lower than expected capital spending;
 - Savings on gas and electricity budgets due to a reduction in costs;
 - Savings on fuel costs due to a reduction in prices;
 - Savings on staffing costs following the agreement of the 2024/25 Local Government Pay Award, as the average increase across all pay points was less than the 5% budgeted;
 - Savings in staffing costs as a result of effective management of overtime budgets, vacancies at the Sports Complex and the frozen administration assistant vacancy in the council offices;
 - Significant savings on office supplies and services budgets with the continued move to more electronic ways of working;
 - Savings on the senior citizens excursions event as a result of issuing cash to an additional number of trip venues this year rather than providing a non-refundable, pre-booked, sit-down lunch;
 - Savings across most other community events due to effective management and control of all event costs;
 - Savings on the Large Community Events Budget as a result of a reduced number of one-off events last year;
 - Much higher than budgeted income at the sports complex as a result of increased usage across most sporting activities, increased gaming machine income and increased catering income;
 - Higher than budgeted funding income at the pre-school as a result of very high attendance numbers and increased SEN income as a result of the high SEN numbers; and
 - An increase in golf membership numbers and income.
 - Savings across some maintenance budgets, these budgets can vary year on year depending on repairs and maintenance required throughout the year.

- 3.5 It is important to point out that a significant proportion of the savings in 2024/25 related to issues that have since been accounted for during the setting of the 2025/26 Revenue Budget and are therefore unlikely to be ongoing savings e.g. reductions in costs, increases in investment income, staff vacancies, increases in sports complex income etc.
- 3.6 However, it was acknowledged that the savings achieved in 2024/25 were much higher than originally forecast. For this reason a proportion of the savings made were agreed to be set aside in Community Support Fund to allow targeted investments to be made to benefit the local community.
- 3.7 Whilst there were genuine reasons for many of the savings, and a significant proportion have already been accounted for in the setting of the 2025/26 Revenue Budget, the level of savings made may indicate that there is some scope to deliver further savings and reductions in certain areas. This may be of help in setting and balancing the 2026/27 Revenue Budget.
- 3.8 It is the intention of the Finance Manager to undertake a full review of the Revenue Budget later this year, using the principles of zero-based budgeting, with a view to identifying any scope to reduce expenditure budgets and increase income targets.
- 3.9 The 2024/25 Revenue Budget saving was transferred to the Council's balances and reserves helping to replenish and increase those balances at a time when the Council's Asset Management Plan continues to forecast significant capital investment commitments over the longer term. This transfer has helped the Council to maintain a healthy financial position.
- 3.10 The financial position in the early part of the 2025/26 financial year highlights that the level of savings on the Revenue Budget is reduced. Whilst it is still likely that the Council will still deliver a saving on its Revenue Budget, via the planned contribution to capital reserves and contingency sum, and other savings, this is likely to be much reduced compared to previous years.
- 3.11 The Council made capital investment of £134,701 in Council and community assets last year, which was significantly lower than planned. However a large number of projects were ongoing at the end of the year and therefore financially complete early in the 2025/26 financial year, and a number of projects were deferred to future years following the Council's review of the 2024/25 Capital Programme. In addition, many of the projects included in the 2024/25 Capital Programme were 'provisional' sums which did not go ahead as the investment was not required. As a consequence, a large number of projects totalling £366,900 were carried forward to 2025/26.
- 3.12 The savings delivered on the Revenue Budget last year more than offset the capital investment made. Council Balances and Reserves therefore increased by £233,861 over the course of the 2024/25 year from £1.993 million to £2.227 million.
- 3.13 The positive financial situation that the Council currently finds itself in is a significant achievement in these challenging times and is an endorsement of the prudent management and planning of the Council's finances over the last few years.

- 3.14 The decision to increase the Town Council Tax over the last few years, to offset the ongoing high inflationary increases being faced and the cuts to the Local Council Tax Support Grant (LCTRS), by Durham County Council, has played a significant role in this positive financial situation and has also helped to keep the future year's increases indicated in this MTFP lower.
- 3.15 In addition to this, the actions taken by the Council in previous years to maintain a contingency sum and boost the contribution to capital reserves in the Revenue Budget, and monitor, control and reduce capital expenditure, have undoubtedly helped the Council to maintain a healthy level of balances and reserves.
- 3.16 This healthy financial position provides the Council with a very solid foundation on which to build, as it prepares this Medium-Term Financial Plan looking ahead to the next five years up to 2029/30.
- 3.17 This will be particularly important, bearing in mind the continuing challenges that the Council faces in the years ahead which are summarised in more detail in the following section of the report.

4.0 Future Challenges Facing the Council

- 4.1 As alluded to above, the Council faces a number of financial challenges in the years ahead, including:-
- the economic climate and Government spending and taxation plans e.g. possible public sector spending cuts and tax rises, increasing inflation, changes in interest rates and reduced consumer spending power.
 - the ongoing cuts to the Council Tax Support Grant funding on which the Council Revenue Budget is reliant and the risk of this funding being withdrawn in its entirety.
 - significant likely increases in the National Living Wage, and its subsequent impact on the local government pay scale, as well as union pressure for public sector pay to keep pace with inflation.
 - the risk of council tax referendum principles being extended to town and parish councils, with effect from 2026/27.
 - the implications of any new spending cuts made by Durham County Council, which could result in increasing pressure to take over local services which have been reduced or withdrawn by the county council.
 - increased requests for financial assistance from community and voluntary organisations.
 - providing for the significant future capital investment commitments facing the Council and ensuring the delivery of the Asset Management Plan;
 - maintaining a prudent level of balances and reserves, whilst meeting the cost of this capital investment, as well as the likelihood of reduced savings and top-up of reserves from the Revenue Budget.
- 4.2 The Council relies heavily upon the Precept and therefore the Town Council Tax to fund the services it provides and is limited in its ability to raise additional funds, other than through the Precept and Council Tax.

- 4.3 The Council Revenue Budget is also reliant on Council Tax Support Grant funding totalling £145,250 per year. Durham County Council have previously confirmed the reduction of this grant by 50% phased equally over three years from 2024/25 to 2026/27 (the final figure for 2026/27 has yet to be confirmed) it has been assumed that the reduction will be in the region of £32,000. Currently there is no indication of the level of grant to be passed to town and parish councils beyond 2026/27, but for the purpose of this plan a further 10% annual reduction has been assumed for the final three years of the plan.
- 4.4 This issue will be an ongoing concern as the Council remains dependent on the County Council's continued willingness to pass this funding on, particularly bearing in mind the financial pressure it will be under in the coming years and the fact that there is currently no statutory obligation to pass the funding on. There is also a very real and significant risk that the new Reform Administration may seek to remove this grant funding in its entirety. The very real risk of the phasing out of this grant altogether has been factored into the plan.
- 4.5 This MTFP has been prepared on the principle that any further cuts to the Council Tax Support Grant will be met from increases in the Precept and therefore Town Council Tax.
- 4.6 Over half of the Council's gross expenditure relates to officer pay costs and therefore annual officer pay awards, linked to the ongoing increases to the National Living Wage are likely to be one of the most significant cost pressures on the Council's Revenue Budget moving forward.
- 4.7 It is inevitable that there will be higher than usual staffing cost increases over the next few years, linked to increases in the National Living Wage and pressure for public sector pay to keep pace with inflation. It has already been announced that the lowest local government salary point will need to be deleted with effect from April 2026, as it is due to be overtaken by the National Living Wage.
- 4.8 Based on current estimates, it is forecast that the only way to avoid the National Living Wage overtaking the lowest local government pay grades in future years, even after accounting for the agreed deletion of Salary Point 2, and to retain the current 'differentials' between local government pay grades, working up through the pay grade, will be for the National Joint Council for Local Government Employers to agree an annual pay increase of between 3% to 4% per annum from 2026/27 onwards, and by more than this if substantial increases are made to the National Living Wage.
- 4.9 This pressure on the local government pay scale and erosion of differentials between salary grades is of significant concern, and there is a strong possibility that the Council will need to undertake a grading restructure in 2026/27, following the deletion of Salary Point 2, and that the National Employers will need to undertake a more fundamental review of the pay scale. Both would potentially bring with them significant increases in staffing costs in future years.
- 4.10 Inflation also remains stubbornly high in some areas of expenditure such as gas, electricity, insurance costs, information technology and service contracts, and this continues to be a pressure on the Revenue Budget.

- 4.11 The funding of all of these budget pressures will need to be made up in the Revenue Budget via a combination of increases to the Town Council Tax, council tax base growth, efficiency savings and budget reductions, and increases to fees and charges.
- 4.12 At the same time, it is important that the Council recognises the financial difficulties still being faced by local taxpayers as a result of the continuing cost-of-living crisis, and the need to keep future increases in the Town Council Tax as low as possible. This is also important in the context of the possibility of council tax referendum principles being extended to town and parish councils in future years, thereby placing a limit on how much the Council can increase its Precept by.
- 4.13 The Council is also facing the prospect of needing to undertake significant capital investment in its fixed assets over the medium to long term and ensuring that sufficient balances and reserves are maintained to meet these commitments, will be a significant challenge, particularly bearing in mind the likelihood of much reduced savings and therefore replenishment of reserves from the Revenue Budget.
- 4.14 The process of balancing Council's 2026/27 to 2029/30 Revenue Budgets will continue to be challenging and the situation is likely to remain difficult over the medium to long term.
- 4.15 In summary, while the Council's finances remain healthy at the present time, and the Council has a solid foundation on which to build, this position is likely to deteriorate in the short to medium term. The Council will need to plan its Revenue and Capital Budgets carefully over the period of this Medium-Term Financial Plan in order to meet the challenges that lie ahead, protect services, facilities and events, invest in assets, maintain a prudent financial position and level of balances and reserves, and limit increases in the Town Council Tax as much as possible.

5.0 2025/26 to 2029/30 Medium-Term Financial Plan

- 5.1 This Medium-Term Financial Plan has been prepared on the basis of the following key principles:-
1. Continuing to provide all Council services, facilities and events and maintaining current standards of service;
 2. Identifying and delivering efficiency savings wherever possible;
 3. Ensuring continued delivery of the Asset Management Plan via the Capital Programme Budgets;
 4. Safeguarding a prudent level of balances and reserves;
 5. Implementing an increase in council tax between the years 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 important services, facilities and events that are valued by the local community.

- 5.2 This Medium-Term Financial Plan makes provision for likely future increases in costs from pay awards, inflation, and any other unavoidable spending commitments, forecast increases and decreases in income, as well as accounting for any known savings, assumed increases in fees and charges, and council tax base growth.
- 5.3 The Revenue Budget Forecast, in the Plan, is based around the latest information available from Durham County Council with regard to the future of the Council Tax Support Grant and builds in the previously notified cut to the grant in 2026/27, this has been assumed to be a reduction in the region of £32,000, confirmation of the level of grant has not yet been received. Currently there is no indication of the level of grant to be passed to town and parish councils beyond 2026/27, but for the purpose of this plan a further 10% annual reduction has been assumed for the final three years of the plan. However, as highlighted earlier, there is a very real risk that the County Council may cut the grant by more than forecast or phase out the grant completely, and this eventuality has been considered in the Plan.
- 5.4 The key assumptions made in preparing the Revenue and Capital Budget Forecast are set out in detail in Section 7 of the Plan.
- 5.5 The 2025/26 to 2029/30 Revenue and Capital Budget Forecast is set out in Section 8 of the Plan and includes projections of the likely changes to the budgets and required increases in the Town Council Tax over the five-year period and the likely movement in the Council's balances and reserves.
- 5.6 A summary of the Revenue and Capital Programme Budget Forecast for the five-year period 2025/26 to 2029/30 is set out on the following page:

Budget Description	Budget 2025/26 £	Estimate 2026/27 £	Estimate 2027/28 £	Estimate 2028/29 £	Estimate 2029/30 £
Policy and Resources Budgets	937,350	928,150	983,350	1,023,500	1,053,400
Recreation Budgets	955,100	957,650	992,150	1,022,650	1,054,850
Environment Budgets	240,650	253,300	257,850	262,550	266,700
Contingency Sum	12,500	25,000	12,200	15,000	15,000
2029 Election	-	-	-	-	30,000
Less LCTSS Grant	(145,250)	(113,250)	(101,900)	(91,750)	(82,550)
Add Contribution to Reserves	75,000	75,000	75,000	75,000	75,000
Total Revenue Budget	2,075,350	2,125,850	2,218,650	2,306,950	2,412,400
Capital Programme Budgets	981,400	309,250	460,800	193,000	372,800
Revenue and Capital Budget	3,056,750	2,435,100	2,679,450	2,499,950	2,785,200
<u>Less Use of Reserves:</u>					
Funding of 2029 Election	-	-	-	-	(30,000)
Funding of Capital Budgets	(981,400)	(309,250)	(460,800)	(193,000)	(372,800)
Council Precept	2,075,350	2,125,850	2,218,650	2,306,950	2,382,400

Council Tax Base	6,909	6,940	6,965	6,990	7,090
Band D Council Tax	£300.38	£306.32	£318.54	£330.04	£336.02
Band A Council Tax	£200.26	£204.21	£212.36	£220.02	£224.02
% Increase in Council Tax	4.95%	1.98%	3.99%	3.61%	1.81%
Savings Required to limit Council Tax increase to 2%	£0	-£505	£42,472	£35,804	£4,353
Savings Required to limit Council Tax increase to 3%	£0	-£21,352	£21,137	£13,538	-£27,752
Savings Required to Freeze the Council Tax	£0	£41,188	£85,142	£80,336	£42,446

5.7 In overall terms, the Revenue Budget forecast shows that the Council may need to increase the Precept by around £307,050 or 14.8% over the four-year period between 2026/27 and 2029/30.

5.8 It is important to highlight that these potential Precept increases are higher than would have been the case if Durham County Council had not chosen to make significant cuts to the Council Tax Support Grant.

- 5.9 If further cuts are confirmed for the 2026/27 to 2029/30 period, as was the case in the 2025/26 budget year, it will be important for the Council to highlight how much of any increase in Precept and Council Tax is down to the grant cut and how much is the 'core increase' by the Town Council to offset the various spending pressures that the Council faces in relation to pay increases, unavoidable inflation on running costs, and pressures on usage and income in respect of some services.
- 5.10 The need to increase the Precept each year also reflects the importance of maintaining a prudent level of contribution to reserves, which will help to facilitate the replenishment of the Council's earmarked capital reserves, in light of the substantial capital investment faced by the Council over the medium to long term.
- 5.11 The Revenue Budget Forecast and indicative increases to the Council Precept and Council Tax over the medium term have been offset, as far as possible, from efficiency savings and reduction of under-utilised budgets, as well as assumed increases in fees and charges and council tax base growth each year.
- 5.12 The identification of further efficiency savings is an ongoing process, although it must be stressed that significant savings were identified and removed as part of previous years' budget setting processes.
- 5.13 However there may be further opportunities for delivering efficiency savings via procurement exercises, capital investment, and the completion of service reviews.
- 5.14 Additionally, as highlighted earlier, in light of the higher-than-expected Revenue Budget savings delivered in the 2024/25 financial year, it is the intention of the Finance Manager to undertake a full review of the Revenue Budget later this year, using the principles of zero-based budgeting, with a view to identifying any further scope to reduce expenditure budgets and increase income targets.
- 5.15 This may restrict the need to increase the Precept in any given year, although it is not possible to quantify any such savings and include them in this Medium-Term Financial Plan until such a time as these savings have been realised.
- 5.16 **Based on the Revenue Budget Forecast** included in this Plan and assumptions around Council Tax Base growth, and assuming that no further efficiency savings can be generated, **the Council would need to consider increasing the Town Council Tax by around £307,050 or 14.8% over the four year period between 2026/27 and 2029/30.**
- 5.17 **This represents an average increase of around 3.7% per year.**
- 5.18 **In real terms, this would equate to an average increase of around £9 per year at Council Tax Valuation Band D or £6 per year at Band A.**
- 5.19 As highlighted earlier, these potential increases in the Town Council Tax are higher than would have been the case if Durham County Council had not implemented cuts to the Council Tax Support Grant.

- 5.20 It is important to highlight that the forecast council tax increases in 2027/28 and 2028/29, would be above the current 3% Government council tax referendum limit, if this was to be extended to town and parish councils at any stage over the coming years.
- 5.21 **Limiting the Council Tax increase to 3% per year in 2027/28 and 2028/29 would require additional savings of nearly £35,000 to be identified and removed from the Revenue Budgets over these two years. Restricting the increase to 2% would require further savings of £78,276.**
- 5.22 More detailed commentary on the key issues and financial implications in each individual year is detailed in the following part of the report.

2025/26 Revenue Budget

- 5.23 **The 2025/26 Revenue Budget was set by the Council in January 2025, when a 4.95% increase in the Town Council Tax was agreed.**
- 5.24 The increase was approved and implemented in recognition of the significant budget pressures faced by the Council at the time.
- 5.25 However it is important to note that the increase, excluding the second-year impact of the Council Tax Support Grant cut would have been lower at 3.59%. The Government announcement of an increase to the Employer's National Insurance rate and threshold also resulted in a further significant and unexpected budget pressure. Excluding both this and the Council Tax Support Grant cut, the Council's core Council Tax increase would have been closer to 2% in 2025/26.
- 5.26 The 2025/26 Revenue and Capital Budget ensured the protection and maintenance of all Council services, facilities and events to current standards this year, and continued capital investment in community assets.
- 5.27 The 2025/26 Revenue Budget also maintains some surplus resources via a contingency budget and a contribution to capital reserves in order to ensure that Council balances and reserves can be replenished at a time when the Council is facing significant capital investment commitments over the medium to long term.

2026/27 Revenue Budget

- 5.28 Next year, the Council will continue to face pressures on the Revenue Budget as a consequence of staff pay awards and inflation, plus a 22% cut by Durham County Council to the Local Council Tax Reduction Support Grant, as explained in detail in the Plan.
- 5.29 Based on the latest information available in relation to the National Living Wage and Local Government Pay, the Plan is forecasting a minimum 4% pay increase across the board for Council staff next year.
- 5.30 Additionally next year, as detailed earlier in the report, due to increases in the National Living Wage catching up with and exceeding the lowest local government salary, it has been agreed as part of the latest Local Government pay agreement that Salary Point 2 will be deleted from April 2026. Unfortunately to ensure differentials between pay grades are

maintained at the lower end of the pay scale, it is likely that the Council will need to undertake a limited grading restructure to reestablish differentials, as it did in 2019. Whilst this has not been factored into the Revenue Budget Forecast in the Plan, an early assessment of the cost of undertaking such a restructure has been estimated at somewhere between £23,000 and £38,500.

- 5.31 In addition inflation remains high in relation to some areas of supplies and services with gas and electricity costs forecast to increase by 8 and 6% respectively, insurance premiums anticipated to increase by 7.5%, and unavoidable increases in other areas such as service contracts, machine rentals, bar supplies, catering supplies, information technology etc.
- 5.32 These increases in costs will be partly offset by a small amount of Council Tax Base growth, and assumed increases to fees and charges for services. The Finance Manager's review of the Revenue Budget later this year, using the principles of zero-based budgeting, may identify further scope to reduce expenditure budgets and increase income targets which would help to further limit the council tax increase.
- 5.33 A number of budget reductions, increases in income, and efficiency savings have already been accounted for in the 2026/27 financial year, including the reductions in gas and electricity prices and fuel costs, efficiency savings in printing and postage costs, senior citizens' trips and bank charges, and increases in golf memberships.
- 5.34 In light of these savings and bearing in mind the budget pressures faced in subsequent year, the opportunity has been taken to increase the Revenue Budget Contingency in 2026/27 from £12,500 to £25,000, whilst the contribution to capital reserves has been maintained at £75,000.
- 5.35 **Based on the assumptions and projections made in this Plan, in overall terms, the Council would need to increase the Precept by around £50,500 in 2026/27.**
- 5.36 However, it is important to note that there may be a further required increase next year, linked to the likely need to undertake a limited grading restructure. Based on the initial cost estimates, this would increase the required Council Tax increase to between 3% and 3.8%.
- 5.37 **This would represent a council tax increase in the region of 1.98% next year.**
- 5.38 **In real terms, this would result in a £6 per year increase in the Council Tax at Band D and a £4 per year at Council Band A.**
- 5.39 This level of increase would be below the current Government excessiveness limit on council tax increases of 3%, although these rules do not currently apply to town and parish councils.

2027/28 Revenue Budget

- 5.40 The Council faces further budget pressures in 2027/28, although it has been assumed that the economic difficulties will have eased by then and that the rate of inflation will have fallen back closer to normal levels across most areas of expenditure.
- 5.41 A further 3.5% pay award has been assumed to ensure that local government pay keeps pace with the expected National Living Wage rate along with more modest further inflationary increases on some running costs as well as an assumed 10% cut in the Local Council Tax Reduction Support Grant by Durham County Council.
- 5.42 Again it has been assumed that some of these increases will be offset by a small amount of council tax base growth, and increases to fees and charges for services.
- 5.43 **In overall terms, it is likely that the Council may need to increase the Precept by around £92,800 in 2027/28, which would represent a council tax increase in the region of 3.99%.**
- 5.44 **In real terms, this would result in a £12 per year increase in the Council Tax at Band D and £8 per year at Council Tax Band A.**

2028/29 Revenue Budget

- 5.45 The Council faces similar ongoing budget pressures in 2028/29, with a further 3% assumed pay award, some inflation on running costs and an assumed 10% cut in the Local Council Tax Reduction Support Grant.
- 5.46 As in previous years, it has been assumed that some of these increases will be offset by a small amount council tax base growth and increases to fees and charges for services.
- 5.47 **In overall terms, it is likely that the Council may need to increase the Precept by around £88,300 in 2028/29, which would represent a council tax increase in the region of 3.61%.**
- 5.48 **In real terms, this would result in a £11.50 per year increase in the Council Tax at Band D and £7.50 per year at Council Tax Band A.**

2029/30 Revenue Budget

- 5.49 The Council faces a similar situation in 2029/30, with a further 3% assumed pay award, some inflation on running costs and an assumed 10% cut in the Local Council Tax Reduction Support Grant.
- 5.50 However, these increases will be largely offset in 2029/30 by an assumed higher level of council tax base growth in this year from the Copelaw development, increases to fees and charges for services and the repayment this year of the Council's remaining loan.
- 5.51 **In overall terms, it is likely that the Council may need to increase the Precept by around £75,450 in 2029/30, which would represent a council tax increase in the region of 1.81%.**

5.52 **In real terms, this would result in a £6 per year increase in the Council Tax at Band D and £4 per year at Council Tax Band A.**

2030/31 Onwards

5.53 From 2030/31 onwards, ongoing National Living Wage pressures, pay awards and inflation will continue to cause stress on the Revenue Budget, in excess of efficiency savings and increased income, although there may be some light at the end of the tunnel via more significant Council Tax Base growth from the Copelaw housing development which may help to reduce the pressure on the Revenue Budget and the need to increase the Precept and Town Council Tax.

5.54 However, this is by no means guaranteed, and the Council could still find itself in a situation towards the end of the decade whereby there will be very limited surplus resources remaining in the Revenue Budget, and where all options for achieving further savings, without making cuts to services, will have been exhausted.

5.55 It will therefore be important that the Council continues the process of reviewing its services in the years leading up to the end of the decade, with a view to determining where possible budget cuts will be made in the longer term, if they are required.

Possible Withdrawal of the Council Tax Support Grant

5.56 As highlighted earlier in the Plan, Durham County Council have previously agreed to cut the Council Tax Support Grant by 50%, phased over three years between 2024/25 and 2026/27.

5.57 This is a significant reduction in grant for the Council, and has seen the grant cut from £204,911 in 2023/24 to an estimated £113,250 in 2026/27.

5.58 Whilst there is no indication in the current proposals that the Council Tax Support Grant will be withdrawn in its entirety by Durham County Council, over the following three years between 2027/28 and 2029/30, it is considered prudent to set out the impact of this '**worst case scenario**' within this Plan.

5.59 This is particularly pertinent in light of the possibility of public sector spending cuts by the Government to help address the national budget deficit and the changed priorities of the new Reform Administration at Durham County Council.

5.60 As a consequence, a decision may be made by Durham County Council to cut the grant by more than has been forecast in this Plan or to phase out the grant completely to assist in balancing their budget and to fund their own priorities.

5.61 This plan currently assumes the final year of the previously notified 50% cut in the grant in 2026/27 and then a 10% cut in each of the 2027/28, 2028/29 and 2029/30 financial years, and that this will be offset via increases to the Council Precept in each of these years.

- 5.62 If Durham County Council took the decision to completely withdraw the Council Tax Support Grant at any stage over the life of the Plan, this would leave the Council needing to make further substantial savings to balance the Revenue Budget, or to ask the taxpayers of Great Aycliffe, potentially via a referendum, to consider a substantial increase to the Town Council Tax in order to maintain services.
- 5.63 **Withdrawal of the Council Tax Support Grant beyond the current proposed cut in 2026/27, would leave the Council needing to make up an additional shortfall of between £82,550 and £113,250 in the Revenue Budget, with the actual amount depending upon which year the withdrawal was made.**
- 5.64 This would equate to a further increase in the Town Council Tax of up to 5.4% and would add as much as £16.32 per year to the current Band D Council Tax bill.
- 5.65 Alternatively, a further £82,550 to £113,250 would need to be 'cut' from the Council Revenue Budget which would inevitably lead to services being cut, redundancies and job losses.

Capital Programme Forecast 2025/26 to 2029/30

- 5.66 The Capital Programme Budget Forecast has been based on the capital investment requirements set out in the approved 2025/26 Capital Programme Budget, including the agreed carry forward of on-going commitments from 2024/25 and all additional capital budget approvals, as well as the likely capital commitments for the following four years, as identified in the Council's Asset Management Plan.
- 5.67 **The five-year Capital Programme Budget Forecast provides for a total potential capital investment at £2.3 million, and this would need to be funded, in full, from the Council's Earmarked Capital Reserves.**
- 5.68 The Capital Programme Forecast focusses on investment linked to the delivery of the Council's Asset Management Plan and ensuring all essential building works and replacements of vehicles, machinery, office equipment, street equipment and play equipment are kept up to date.
- 5.69 Planned projects including roofing replacement, window replacement, heating systems, toilet refurbishment, alarm system upgrades, electrical testing, redecoration works, replacement works vehicles, tractor, ride on mowers and machinery, electrical machinery, golf course and driving range machinery, the ongoing programmes of footpath repairs and play area safety surfacing replacement, computer replacements, investment in the ICT infrastructure and cyber security and website development, festive lighting, play area upgrades, bus shelter refurbishment, bridge repairs and Ash Dieback Disease tree felling and replanting works, School Aycliffe Wetlands footpath, council offices visitors' car park resurfacing, and provision for maintenance works to West Park lakes.
- 5.70 A full list of potential capital projects is included in Appendix B to the Medium-Term Financial Plan.
- 5.71 It is important to stress that the five-year Capital Programme Budget forecast is an indicative budget and will be reviewed on a year to year and

project by project basis, in line with actual needs, requirements and priorities and the actual level and availability of Council Reserves.

- 5.72 This is in line with the recommendations made in previous year's Medium-Term Financial Plans to more closely scrutinise and control capital investment to help maintain and protect the Council's balances and reserves over the longer-term.
- 5.73 This capital investment would need to be funded, in full, from the Council's Earmarked Capital Reserves and, if all of this investment went ahead, this would inevitably lead to a significant fall in the Council's reserves.
- 5.74 It is for this reason that an annual £75,000 contribution to capital reserves was established in the Revenue Budget, which will allow the Council to partially replenish its balances and reserves in each year of the Plan moving forward.
- 5.75 Alongside this, it would also be prudent for the Council to continue its policy of scrutinising and controlling capital investment and undertaking only essential capital projects over the period of this MTFP and beyond, in order to preserve Council balances and earmarked reserves for as long as possible.

Council Balances and Reserves

- 5.76 **The Council held Balances and Earmarked Reserves at the end of the 2024/25 financial year, totalling £2.227 million.**
- 5.77 As highlighted earlier, the Capital Programme Budget forecast for the five-year period potentially totals up to £2.3 million and would need to be funded from earmarked reserves.
- 5.78 It is clear therefore that the Council's balances and reserves would be used up funding capital investment commitments over the next five years if they cannot be replenished via the Revenue Budget.
- 5.79 However, as highlighted earlier, the inclusion in the Revenue Budget of the £75,000 contribution to capital reserves will allow balances and reserves to be partly replenished each year and will make a contribution towards maintaining balances at prudent levels over the period of this Plan.
- 5.80 Any savings that can be achieved on the Revenue Budget over the five-year period will also be used to top up balances and reserves. However, as previously highlighted the savings removed from the budget in previous years coupled with the ongoing pressures faced in relation to pay awards and inflation will significantly reduce the savings coming forward to replenish balances over the coming years.
- 5.81 It is difficult to accurately estimate exactly how balances and reserves may change over the five-year period due the uncertainty around the various budget pressures and the level of savings that may or may not be delivered on the Revenue Budget.
- 5.82 Under the worst-case scenario set out in the Plan, balances could fall as low as around £235,000 by the end of the 2029/30 financial year.

- 5.83 However, using a more realistic set of assumptions, the Medium-Term Financial Plan forecasts that balances and reserves will fall to around £975,000 by the end of the 2029/30 financial year.
- 5.84 Additionally, if capital investment is closely monitored and controlled and limited to essential investment only over the five-year period, balances and reserves would be higher still and may be able to be maintained at a level of closer to £1 million over the five-year period of the Plan.
- 5.85 **A balances and reserves level of £1 million would be considered to be the minimum for a 'prudent level of balances' bearing in mind the capital investment commitments faced over the longer term.**
- 5.86 A detailed projection of the likely movement on the Council's Balances between 2025/26 and 2029/30, under the two scenarios highlighted above is attached in Appendix C to the Plan.

6.0 Overall Conclusions

- 6.1 **The Council remains in good financial health at the present time** with a balanced Revenue Budget in place for the 2025/26 financial year, some ongoing efficiency savings, and healthy levels of balances and reserves.
- 6.2 The Council is therefore **working from a strong foundation** and is better placed than many town councils in dealing with the financial implications of the ongoing economic uncertainty and cost-of-living crisis, and **maintaining a healthy financial position over the medium term.**
- 6.3 **However, the medium-term outlook for the Council's Revenue Budget over the next five years remains challenging.**
- 6.4 In particular, the ongoing reductions in the Council Tax Support Grant by Durham County Council has and will continue to put additional pressure on the Town Councils Revenue Budget, and the significant pressure on the Local Government Pay Scale from the National Living Wage is another key financial risk, that could bring with it significant increases in costs.
- 6.5 **The previous Council decisions to increase the Town Council Tax by 4.38% in 2024/25 and 4.95% in 2025/26, to offset the Council Tax Support Grant cuts and the significant inflationary increases during the cost-of-living crisis have helped to ensure that the Council continues to be in a strong position to deal with the ongoing budget pressures and has played a significant role in helping to keep the future year's increases indicated in this MTFP lower than they would have been, particularly in the 2026/27 year.**
- 6.6 Based on the assumptions and projections made in this Plan, in overall terms, **it is likely that the Council may need to increase the Precept by around £50,500 in 2026/27. This would represent a council tax increase in the region of 1.98% next year.**
- 6.7 **Between 2027/28 and 2029/30, assuming that inflation remains low, pay awards fall back to a level of 3%, and that the Local Council Tax Support Grant, is not cut by more than 10% per year, the Council is looking at**

further Precept increases to balance the Revenue Budget in the region of £256,550 over the three years.

- 6.8 **This would result in Council Tax increases of 3.99% in 2027/28, reducing to 3.61% in 2028/29 and then 1.81% in 2029/30.**
- 6.9 Any decision to increase the Town Council Tax will need to recognise of the cost-of-living difficulties still being faced by local taxpayers, balanced against the cuts to the Council Tax Support Grant and other budget pressures faced by the Council, the need to maintain the services, facilities and events valued by the local community, ensure that the capital investment identified in the Asset Management Plan can be delivered, and maintain Council balances and reserves at prudent levels.
- 6.10 It is also important to stress that the Revenue Budget Forecast has been prepared on the key assumption that the current 3% Government limit on principal council tax increases will *not* be applied to larger town councils. If this was to change, the financial forecast would worsen and there would be a need to deliver savings of up to £34,675 in the 2027/28 and 2028/29 financial years in order to balance the Revenue Budget.
- 6.11 **In addition to the Revenue Budget pressures faced, the Council also has significant capital investment commitments, with potential spending of up to £2.3 million over the next five years.**
- 6.12 **Council balances and reserves are therefore projected to fall significantly over the five-year period**, although this will be mitigated by the contribution to capital reserves, contingency sum, any efficiency savings on the Revenue Budget and restrictions on capital expenditure, and **the Council should hold balances of at between around £235,000 and £975,000 at the end of the 2029/30 financial year.**
- 6.13 **A balances and reserves level of £1 million would be considered to be the minimum for a ‘prudent level of balances’.**
- 6.14 **In the longer term it is also apparent that the process of balancing the Revenue Budget will remain challenging as the Council moves beyond the life of this Plan into the new decade.**
- 6.15 The Council faces further increases in staffing costs linked to future increases in the National Living Wage and the likely restructure of the local government pay scale, and inflation on running costs, although it is hoped that these pressures will ease as the economy recovers.
- 6.16 It is vital that the Council aims to maintain surplus resources in the Revenue Budget for as long as possible, in order to provide protection against any unforeseen budget pressures and ensure that earmarked capital reserves can be replenished each year and maintained at prudent levels to fund future year’s capital investment commitments.
- 6.17 **It is possible, towards the end of the decade, the Council may reach the position whereby it may need to begin using up the resources set aside in the contingency sum and contribution to capital reserves in order to balance the Revenue Budget.**

- 6.18 This could lead to a situation in the early part of the new decade whereby there will be very limited surplus resources remaining in the Revenue Budget, and where all options for achieving further savings, without making cuts to services, will have been exhausted.
- 6.19 **In this scenario, the Council would likely to need to begin the difficult process of considering reductions to services and reassessing its priorities in light of the limited resources that will be available.**
- 6.20 **It will therefore be important that the Council continues with its programme of service reviews and annual appraisal of the Council's strategic aims and community priorities, in the years leading up to the end of the decade, with a view to determining which services are to be protected and where possible budget cuts will be made in the longer term, if they are required.**
- 6.21 However there may be some light at the end of the tunnel for the Council in the form of significant Council Tax Base growth from the Copelaw housing development from 2029/30 onwards, which may help to reduce the pressure on the Revenue Budget and the need to increase the Precept and Town Council Tax in the longer term.
- 6.22 These issues will need to be considered, in detail, via future budget setting processes, when the options for delivering any required budget reductions and efficiency savings, if these are required, would need to be drawn up and agreed.

7.0 Policy Implications

7.1 The preparation and annual update of the Medium-Term Financial Plan helps the Council conform to the following Strategic Aims:-

Aim 1 “To provide good quality governance and management of the Council”

Aim 2 “To manage the Council’s finances and assets in a responsible manner”.

8.0 Staffing Implications

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

9.0 Financial Implications

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

10.0 Crime and Disorder Implications

10.1 None.

11.0 Equal Opportunities Implications

11.1 None.

12.0 Environment, Biodiversity and Climate Change Implications

12.1 None.

13.0 Risk Assessment

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

14.0 General Data Protection Regulation (GDPR)

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

15.0 Recommendations

15.1 It is recommended that the 2025/26 to 2029/30 Medium Term Financial Plan is approved.