

OVERALL DRAFT 2025/26 REVENUE AND CAPITAL BUDGET

AGENDA ITEM NO. 11

MEETING: POLICY AND RESOURCES COMMITTEE

DATE: 16TH OCTOBER 2024

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 2025/26 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 2024/25 to 2028/29 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 2025/26 Revenue and Capital Budgets.
- 2.2 The Budget Framework and Timetable for the setting of the Council's 2025/26 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 2025/26 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 2025/26 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 2025/26 Capital Programme Budgets have also been reported to and agreed at the meeting of the Asset Management Sub-Committee.
- 2.7 The draft 2025/26 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 2025/26 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 2025/26 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 2025/26 budget setting process are set out in this section of the report.

3.3 The MTFP highlighted that the Council continues to face a challenging financial situation, both at the present time and looking ahead to next year and the medium-term.

3.4 The difficult financial situation continues to create unbudgeted financial pressures, and this will mean that the setting of the 2025/26 Revenue and Capital Budgets will be challenging for several reasons, including:

- The ongoing economic uncertainty and the residual impacts of the cost-of-living crisis and its impact on the economy and Government spending and taxation plans e.g. public sector spending cuts, levels of inflation and reduced consumer spending power;
- The agreed 50% cut to the Council Tax Support Grant funding by Durham County Council over three years commencing 2024/25;
- The continuing pressure on expenditure budgets from the higher than inflation increases on some goods and services;
- The uncertainty on the proposed 2024/25 Local Government Pay Award put forward by the National Employers, which has not yet been agreed, with the local government unions balloting their members for industrial action;
- The further impact of the 2025/26 Local Government Pay Settlement, which is currently unknown; and
- Significant capital investment commitments linked to the Council's many assets which will mean that balances and reserves will fall significantly over the next few years, if and when these commitments are funded.

3.5 However, there have been some positive budget developments and some of these budget pressures will therefore be offset by increases in income at the sports complex, golf complex and driving range and the pre-school.

- 3.6 The draft 2025/26 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 that finds a balance between the cost-of-living difficulties still being faced by local taxpayers and dealing with the budget pressures faced by the Council in terms of pay awards, inflation and capital investment requirements, and the need to maintain services valued by the local community.
- 3.7 The Council remains in good financial health at the present time with a balanced Revenue Budget in place for the 2024/25 financial year and a healthy level of balances and reserves, despite the difficult and uncertain economic situation. Some savings are expected against the 2024/25 Revenue Budget as reported in the Expected Outturn Report.
- 3.8 In relation to staffing costs, the staffing budgets have been based on the latest approved staffing structure of the Council, with the assumption that the local government pay award in the current year will increase each spinal point by £1,290 (pro rata for part time employees). This is based on this final pay offer from the Local Government Employers, although this has not yet been agreed and unions are balloting their members for industrial action.
- 3.9 A pay increase of 5% was provided for the 2024/25 Revenue Budget and, if the 2024/25 pay award is agreed based on the final offer made by the Local Government Employers, it would be sufficient to cover the additional costs. A further 4% local government pay increase has been assumed for the 2025/26 financial year.
- 3.10 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.
- 3.11 In relation to gas and electricity costs, prices have stabilised and fallen back compared to the very high costs experienced in 2022/23 at the height of the cost-of-living crisis. Further information on these budgets is included in Section 4 of the report below.
- 3.12 Despite the fall in the headline rate of inflation, with the Consumer Price Index currently at 2.2%, there continues to be significant increases in some costs incurred by the Council, with insurance premiums anticipated to increase in the region of 7.5% based on current premiums and some day-to-day supply and service costs and capital works still suffering from high increases in prices.
- 3.13 A general inflationary increase of 3% has been included in the draft Revenue Budgets, but only for those areas where increases in costs cannot be avoided and where costs have increased at a higher level than the prevailing inflationary rate.

- 3.14 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 2025.
- 3.15 **The draft 2025/26 Revenue Budget has been prepared, on the basis of a 3.75% increase in the Council Tax, as agreed when the Medium-Term Financial Plan was approved in September.**
- 3.16 **However, it is important to draw members attention to the fact that if the 50% cut in Council Tax Support Grant over three years, commencing in 2024/25 by Durham County Council had *not* been imposed, the Revenue Budget would be showing a reduced increase in Council Tax for next year at 2.13%.**
- 3.17 In relation to the 2025/26 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.
- 3.18 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.
- 3.19 The 2025/26 Capital Programme Budget has therefore been prepared on the basis of essential investment only, mainly linked to the delivery of the Asset Management Plan.
- 3.20 As part of the 2024/25 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 2025/26 Capital Budget will need to be undertaken as part of this budget setting process.
- 3.21 Officers have undertaken an initial review of the projects making up the draft 2025/25 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.
- 3.22 The Asset Management Sub-Committee considered and agreed the draft 2025/26 Capital Budget at a meeting on 9th October and agreed the officers' recommendations.

4.0 Overall Draft 2025/26 Revenue Budget

- 4.1 The initial draft 2025/26 Revenue Budget has been prepared in line with the key principles from the Medium-Term Financial Plan as summarised in paragraph 3.6.
- 4.2 Based on the draft 2025/26 Policy and Resources, Recreation and Environment Revenue Budgets already reported to committees, an overall summary of the draft 2025/26 Revenue Budget is attached, in detail, at **Appendix 1**. and a summary is set out below:

Overall Summary of Draft 2025/26 Revenue Budget

Budget 2024/25 £	Budget Description	Inflation and Committed Growth £	Investment in Services £	Savings and Increased Income £	Budget 2025/26 £
893,100	Policy and Resources	86,800	-	(84,900)	895,000
942,000	Recreation	108,050	-	(87,900)	962,150
223,350	Environment	20,100	-	(2,700)	240,750
13,500	Contingency Sum	4,100	-	-	17,600
75,000	Contribution to Reserves	-	-	-	75,000
(172,177)	Less Council Tax Grant	31,977	-	-	(140,200)
1,974,773	Council Precept	251,027	-	(175,500)	2,050,300
Calculation of Town Council Tax:					
1,974,773	Precept				2,050,300
6,899.8	Council Tax Base				6,905
£286.21	Band D Council Tax				£296.93
£190.80	Band A Council Tax				£197.95
4.38%	% Increase / (Decrease)				3.75%
Calculation of Town Council Tax excluding LCTRS grant reduction					
1,942,039	Precept				2,018,323
6,899.8	Council Tax Base				6,905
£281.46	Band D Council Tax				£292.30
£187.64	Band A Council Tax				£194.87
2.65%	% Increase / (Decrease)				2.13%

- 4.3 **The draft 2025/26 Revenue Budget** as summarised above and attached in detail in **Appendix 1**, would lead to a requirement to set the **2025/26 Precept at £2,050,300**.
- 4.4 This is an increase of £75,527 or 3.8% on the 2024/25 Precept.

- 4.5 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 five to 6,905. **This would result an increase in the Town Council Tax of 3.75% next year.**
- 4.6 **However, it is important to draw members attention to the fact that if the 50% cut in Council Tax Support Grant over three years from 2024/25 had not been implemented by Durham County Council, the 2025/26 Precept would be lower at £2,013,323, and the Revenue Budget would be showing a reduced increase in Council Tax for next year at 2.13%.**
- 4.7 Further details on the calculation of the Town Council Tax are set out in Section 5 of the Report.
- 4.8 Further commentary on the overall draft 2025/26 Revenue Budget including the assumptions made and analysis of the changes between the 2024/25 and 2025/26 years are set out in the following section of the report.
- 4.9 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

- 4.10 **Pay awards, inflation, unavoidable increases in costs, and falls in income have added £219,050 or 11% to the 2025/26 Revenue Budget.**
- 4.11 In relation to staffing costs this includes provision for the Local Government Employers' final pay 2024/25 offer, at a net saving of around £6,700, as well as an assumed 4% staff pay award in 2025/26 costing a further £88,000.
- 4.12 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.
- 4.13 The staffing budget also incorporates any contractual salary increments due to members of staff next year.
- 4.14 Provision has also been made, only where absolutely unavoidable, for a number of inflationary increases on running costs. A general inflationary increase of 3% has also been included in the draft budget for those areas where increases in costs cannot avoided. 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 and machine rentals. 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.
- 4.15 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 2025/26 on current premiums. However, there was a saving on premiums in the current year due to the Council agreeing an extension of the three-year stability agreement which has largely offset the 2025/26 increases.

- 4.16 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 2025/26 financial year they have been unable to provide advice on future costs at this moment and continue to base their projections on the 2021/22 base line data.
- 4.17 The 2025/26 gas and electricity budgets have therefore been prepared based on limited information provided for 2024/25 and inflated, taking into account current usage. These will be updated if any additional information is provided by Durham County Council prior to the budgets being finalised in January.
- 4.18 There have also been some further increases in electricity costs following Ofgem undertaking a Targeted Charging Review, which resulted in recovery of transmission and distribution costs. These have now been split from consumption charges. These changes have significantly increased the charges on the Council's half hourly meter sites, and the depot, driving range and sports complex have been affected by this change.
- 4.19 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 bar and catering supplies, gaming machines rentals and driving range ball stocks, all of which are linked to increases in sales and income.
- 4.20 Finally, provision has been made for any reductions in income such as reduced investment income due to the projected fall in interest rates, reduced income at the golf complex in relation to a reduction in the use of golf buggies, a fall in golf equipment sales and reductions in income at the cemeteries due to a fall in the number of burials and purchases.

Council Tax Support Grant Funding

- 4.21 The 2025/26 Revenue Budget has been prepared on the basis of the latest information available in relation to the Council Tax Support Grant.
- 4.22 The Council relies heavily upon the Council Tax Support Grant funding which totalled £172,177 in 2024/25.
- 4.23 In 2024/25 Durham County Council implemented a 50% cut to the Local Council Tax Revenue Support Grant phased over 3 years. The draft 2025/26 Revenue Budget incorporates the second-year reduction in the grant.
- 4.24 **The final figure for 2025/26 has not yet been confirmed by Durham County Council. However it has been assumed that the reduction will be in line with the reduction in the current year, this would see this grant reduce by around £31,977 to £140,200 next year.**
- 4.25 It is also important to note that this level of cut will be replicated in 2026/27 which will see the grant further reduced to around £108,223. There is no indication at the current time what the intention is beyond 2026/27 but further cuts remain a real possibility.
- 4.26 This is something that the Council will need to plan for in future updates of the Medium-Term Financial Plan.

Additional Investment in the Revenue Budget

4.27 No discretionary additional or new investment in services has been provided for in the 2025/26 draft Revenue Budget in light of the continuing financial situation of the Council and the requirement to restrict the Council Tax increase.

Efficiency Savings, Budget Reductions, and Increased Income

4.28 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.

4.29 The staffing budget incorporates savings in respect of staff who have opted out or not joined the pension scheme resulting in savings in employer's pension contributions.

4.30 Other budget reductions, savings and increased income incorporated into the draft 2025/26 Revenue Budget include:-

- Net savings on the 2024/25 Local Government pay offer;
- Reductions in underutilised administration budgets due to paper light office and electronic communications (printing, postage and stationery)
- Deletion of the corporate conferences budget;
- Reductions in the vehicle fuel costs;
- Reduction in the golf course water irrigation budget due to wet weather;
- Reduction in the underutilised consultancy budget;
- An increase to the pre-school income budget from an anticipated increase in attendance rates from 75% to 80%;
- Increases in most sporting activities income at the sports complex;
- Increases in gaming machine income at the sports complex;
- Increases in sports complex bar, catering and vending machine income;
- Increases at the golf complex due to increased membership numbers and green fee income;
- Increases in driving range income; and
- Increased income from the previously agreed price increase in allotments rents.

4.31 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.

4.32 An analysis of the savings already incorporated into the draft 2025/26 Revenue Budget is included in the 'Analysis of Revenue Budgets Changes from 2024/25 to 2025/26 attached in **Appendix 1**.

4.33 **Total savings, budget reductions and increased income identified in the draft 2025/26 Revenue Budget amount to £175,500 or 8.9%.**

Contingency Sum and Contribution to Capital Reserves

- 4.34 **The Revenue Budget Contingency Sum has been increased to £17,600.**
- 4.35 The Contingency Sum provides some limited scope to deal with any unforeseen budget pressures that may arise during next year.
- 4.36 **The Contribution to Capital Reserves has been frozen at £75,000.**
- 4.37 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

- 4.38 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.
- 4.39 Those powers replaced the previous council tax capping powers available to the government.
- 4.40 The excessiveness limit has varied up and down over the years, but the core principle, which was increased by government in the Autumn 2023 Statement, 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.
- 4.41 Any increase above these limits would still be subject to a referendum with local taxpayers.
- 4.42 Currently this legislation *does not* apply to town and parish councils and the Government confirmed in the 2024/25 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 2024/25 year.
- 4.43 The previous government indicated that it will be keeping a watching brief over Town and Parish Council Precept increases and will therefore be keeping this situation under review. There is currently no indication of the new Labour Government's views on this issue.
- 4.44 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.
- 4.45 As previously highlighted, the draft 2025/26 Revenue Budget has been prepared on the basis of an increase in the Town Council Tax of 3.75%.

- 4.46 The current council tax referendum limit set by Government for principal councils (excluding the additional limit allowed for social care) is 3%.
- 4.47 If this limit was to be extended to town and parish councils, the Council would need to find savings to balance the 2025/26 Revenue Budget in the region of £14,750.

Future Revenue Budget Developments

- 4.48 It is important to stress, particularly in the ongoing economic situation, that the 2025/26 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.
- 4.49 The key areas which will need to be monitored closely prior to the 2025/26 budget being finalised include:
- The rate of inflation;
 - Interest rate changes;
 - The Government Budget e.g. there is a possibility of increases to employers' national insurance rates
 - Changes in electricity and gas costs;
 - Changes in the cost of fuel; and
 - Local Government Pay Award.

Fees and Charges

- 4.50 The draft 2025/26 Revenue Budget has assumed some increases in fees and charges. Cemeteries include a 10% increase, sports pitches and green fees include an assumed 3% increase.
- 4.51 The Revenue Budget does not, as yet provide for any increases in fees and charges for other services such as the sports complex, pre-schools, golf complex memberships and the driving range.
- 4.52 Fees and charges are due to be considered separately at a Special Meeting of the Policy and Resources Committee.
- 4.53 Until 2023/24 it has been previous Council policy *not* to build any increases into the Revenue Budget until the following year.
- 4.54 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 2025/26 Revenue Budget, helping to generate savings and providing a boost to Council balances and reserves.
- 4.55 However, if the Council decide they wish to reduce the Town Council Tax increase, or need to find savings to balance the 2025/26 Revenue Budget, changing this policy as the Council did in 2023/24, and building in 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 due course.

5.0 2025/26 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 2024/25 Tax Base figure was 6,899.8 properties.
- 5.7 **In the absence of any provisional 2025/26 Council Tax Base figures from Durham County Council to date, and based on the change in 2024/25 it has been assumed there will be a very small increase of 5 equivalent band D properties to 6,905 in 2025/26.**
- 5.8 **This figure will be updated following notification from Durham County Council of the Council Tax Base.**
- 5.9 **The draft 2025/26 Revenue Budget as set out earlier in this report would result in a draft 2025/26 Precept of £2,050,300.**
- 5.10 **A 2025/26 Precept of £2,050,300 divided by the estimated 2025/26 Tax Base figure of 6,905 would result in a Town Council Tax at Valuation Band D next year of £296.93.**
- 5.11 **This would represent an increase of £10.72 per year or 89p per month (21p per week) on the Band D Council Tax bill.**
- 5.12 **This is equivalent to a 3.75% increase.**
- 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 £197.95 per year, which is an increase of £7.15 per year, or 60p per month (14p per week).**
- 5.14 **However, it is important to point out that the draft 2025/26 Revenue Budget includes the second year cut of £31,977 by Durham County Council to the Council Tax Support Grant.**
- 5.15 **If this grant cut *did not* go ahead, the level of 2025/26 Precept would be reduced to £2,018,323, which would result in a lower Council Tax increase next year of 2.13%.**
- 5.16 **This would represent an increase of £6.09 per year or 51p per month (12p per week) on the Band D Town Council Tax bill to £292.30 per year, or a £4.07 per year or 34p per month (8p per week) increase on the Band A Council Tax to £194.87 per year.**

- 5.17 Even though the draft 2025/26 Revenue Budget includes provision for a number of cost increases and the second year cut in 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 pay award.

6.0 Draft 2025/26 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 2025/26 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 2025/26 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 2024/25 budget setting process a review of the 2024/25 Capital Budget took place with a view to reducing capital spending and protecting balances, and a similar review of the 2025/26 Capital Budget will be undertaken as part of the 2025/26 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 2025/26 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 and made recommendations as to which projects are considered essential, which need to be included in the budget as provisional sums, which projects can be deferred to a future year, and which projects can be deleted from the programme. This 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.
- 6.9 **The draft 2025/26 Capital Programme Budget is attached at Appendix 2 and would total £666,600 if all identified projects go ahead.**
- 6.10 The budget includes provision for the following projects:-
- Various works at the Council Offices including window replacement, redecoration and toilet refurbishment;
 - Various works at the Depot including window and door replacement and heating system replacement;
 - Window and door replacement at the Pre-School 'Tots in the Park';
 - Periodic roofing surveys;
 - Annual felt roof inspections;
 - Replacement of a works vehicle and ride on mower;
 - Ongoing purchase of electrical works machinery;
 - Ongoing computer replacements and website development;
 - The ongoing programme of replacement festive lighting;
 - Simpasture Pavilion building works including door and window replacement and internal refurbishment of the changing rooms;
 - Simpasture Playing Fields drainage improvements;
 - Town Park public toilet refurbishment and replacement doors and windows;
 - The ongoing programme of play area surfacing replacement;
 - Routine maintenance of the Skate Park;
 - Refurbishment of Aycliffe Village Play Area;
 - Replacement driving range utility vehicle;
 - Driving Range bay dividers and targets;
 - Works to the golf shop changing rooms;
 - Provision for ongoing repairs to the golf course irrigation system;
 - Replacement golf buggies;
 - Replacement golf course greens top dresser machine;
 - Various works to the sports complex building including window replacement, flooring and carpet replacement, disabled access lift and catering lift works, automatic door replacement, alarm and emergency lights system replacement, fridge/freezer replacement, replacement floor cleaner and drainage repairs;
 - Provision for the Sports Complex Solar Panel System;
 - Second phase of the development of the woodland burial site;
 - Moore Lane Eco Centre building works including flooring replacement and internal and external decoration;
 - Stephenson Way Cemetery window and door replacement and drainage improvements;
 - West Cemetery drainage improvements;

- Kendrew Close Bridge works;
 - Ash Tree Dieback Disease works;
 - Provision for the renewal of the A167 street lighting 10-year commuted sum;
 - Provision for movement of the Rapid Response CCTV Cameras;
 - Bus shelter repairs; and
 - The ongoing programme of footpath repairs
- 6.11 Detailed information on each of above projects included within the draft 2025/26 Capital Programme Budget was set out in the Committee Budget Reports and has not therefore been repeated in this report.
- 6.12 Members' consideration and final decisions on the officers' recommendations in relation to the above projects will determine which are included in the final 2025/26 Capital Budget.
- 6.13 If all officers' recommendations are agreed, the allocation of 2025/26 Capital Budget would be as follows:-
- £343,100 to go ahead as essential projects;
 - £283,500 to be included as provisional sums;
 - £40,000 to be deferred to a future year
 - none to be deleted from the programme
- 6.14 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 2025/26, as identified in the Expected Outturn Report.
- 6.15 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.
- 6.16 The proposed 2025/26 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.
- 6.17 The budget will be funded from the Council's Earmarked Capital Reserves which have been built up and set aside for this purpose.
- 6.18 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 Great Aycliffe and Middridge Area Action Partnership, and any external funding that is secured would provide resources over and above those set aside in the draft 2025/26 Capital Programme Budget.

7.0 Council Balances and Earmarked Reserves

- 7.1 The draft 2025/26 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 £1.798 million at the end of the 2024/25 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 2024/25. If the whole 2024/25 Capital Programme Budget went ahead this year, balances would fall to around to £1.587 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 2025/26 Capital Programme Budget of £666,600 and the forecast 2024/25 Capital Programme carry forward of £210,850 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 £983,400 by the end of 2025/26.**
- 7.6 However, please note that if the officer's recommendations on the classification of the 2025/26 Capital Programme Budget are agreed, this may reduce the 2025/26 Capital Programme Budget and result in balances at the end of 2025/26 being higher. Balances would also be higher *if* any savings are delivered on the 2025/26 Revenue Budget.
- 7.7 Whilst balances and reserves will have fallen significantly from the peak of £1.993 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 partially to replenish 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 2025/26 Revenue and Capital Budget is attached at **Appendix 3**.

8.0 Consultation on the 2025/26 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 has been very poor in recent years, whilst engagement with the online survey has been much better.
- 8.4 It was agreed when approving the 2025/26 Budget Framework and Timetable that the 2025/26 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 2025/26 Budget Setting Timetable

- 9.1 The remaining timetable for the setting of the 2025/26 Revenue and Capital Budgets is summarised below:-
- **Mid November:** Special Policy and Resources Committee to consider proposed fees and charges increases for 2025/26;
 - **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;
 - **4th December:** Budget update report to Policy and Resources Committee setting out details of the above, if required;
 - **22nd January:** Final 2025/26 Revenue and Capital Budgets to be reported to and approved by Policy and Resources Committee;
 - **29th January:** 2025/26 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 2025/26 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 2025/26 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 2025/26 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 down to the bare minimum 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 that if the £75,000 contribution to capital reserves is reduced in the Revenue Budget to help restrict the Council Tax increase, this would restrict the means of topping up the Council's balances and earmarked capital reserves at a time when they 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 2025/26 Budget, at the final stage of the budget setting process, when the Council determines and approves the 2025/26 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 2025/26 Revenue Budget, including:-
 - i) The draft 2025/26 Precept of £2,050,300;
 - ii) The proposed increase of 3.75% in the Town Council Tax;
 - iii) The draft 2025/26 Capital Programme Budget of £666,600 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 £0.983 million by the end of 2025/26.
- c) Provide any comments, feedback and proposed amendments to the 2025/26 draft Revenue and Capital Budgets to the Chairman or Vice Chairmen of the Committee and officers as soon as possible.