

# 2025/26 BUDGET SETTING FRAMEWORK AND TIMETABLE

## AGENDA ITEM NO. 9

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**MEETING:** POLICY AND RESOURCES

**DATE:** 11<sup>TH</sup> SEPTEMBER 2024

**REPORT BY:** FINANCE MANAGER

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### **1.0 Purpose of the Report**

1.1 The purpose of this report is to seek approval from Members of the proposed framework and timetable for the setting of the Council's 2025/26 Revenue and Capital Programme Budgets.

### **2.0 Background to the Report**

2.1 The Council's Medium-Term Financial Plan, reported to this meeting, provides the background to the setting of the 2025/26 Revenue and Capital Budgets.

2.2 A reminder of the key issues, as they are relevant to the 2026/26 budget setting process, is set out in the following section of the report.

### **3.0 Key Issues from the Medium-Term Financial Plan**

3.1 The Council's annual update of its Medium-Term Financial Plan (MTFP) is reported to this meeting.

3.2 The Plan covers the five-year period 2024/25 to 2028/29 and reviews the impact of the economic uncertainties and various associated challenges on the Council's finances.

3.3 The MTFP puts in place the principles and framework for the planning of the Council's revenue and capital spending each year via the annual Budget and is therefore the main reference point for the setting of the 2025/26 Revenue and Capital Budgets

3.4 The current MTFP was 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, including the replenishment of those balances year to year; and
5. Implementing an increase in council tax that finds a balance between recognising the 'cost of living' difficulties still being faced by local taxpayers balanced against dealing with the budget pressures being faced by the Council in terms of pay awards and inflation, and the need to maintain the services valued by the local community.

- 3.5 The MTFP concluded that 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 healthy level of balances and reserves, although the ongoing impact of the economic difficulties, cuts to the Local Council Tax Reduction Scheme (LCTRS) Grant by Durham County Council, and significant capital investment commitments faced by the Council, continue to have an adverse impact on the Revenue and Capital Budgets.
- 3.6 The difficult financial situation continues to create some unbudgeted financial pressures, and this will mean that the setting of the 2025/26 Revenue Budget will remain a challenge for a number of reasons including:-
- The ongoing economic difficulties and the uncertainties created following the election of the new Labour Government and the potential impacts on taxation, inflation, interest rates and public spending from funding its manifesto promises and spending pledges;
  - The continuing pressures on expenditure budgets from higher than inflationary increases in some areas, particularly on insurance costs, service contracts and capital works;
  - The impact of the 2025/26 Local Government Pay Settlement, which is currently unknown, as well as likely significant increases in the National Living Wage by the new Government, and the subsequent pressure this creates on the Local Government Pay Scale;
  - The second and third-year reductions to the Local Council Tax Reduction Scheme (LCTRS) Grant, and uncertainty about the future payment of the remaining grant.
- 3.7 Looking ahead, the medium-term outlook for the Councils Revenue Budget over the next five years therefore continues to be challenging.
- 3.8 The strong current financial position of the Council means that it is starting from a strong foundation and is better placed than many other town councils in dealing with the financial challenges it faces.
- 3.9 The 2024/25 Revenue Budget continues to maintain surplus revenue budget resources via the contingency budget and a contribution to capital reserves, to help offset any unforeseen financial pressures and facilitate the replenishment of the Council's balances at a time when the Council is facing significant capital investment commitments over the medium-term.
- 3.10 Members will recall that options for identifying additional efficiency savings were explored in depth during the 2023/24 and 2024/25 budget setting processes with the 2024/25 Revenue Budget being very tight as a consequence. Any further efficiency savings from 2025/26 forward would therefore potentially impact on service delivery and current standards of service.
- 3.11 In overall terms, the MTFP Revenue Budget Forecast, reported at this Committee, indicates that the Council will be able to deliver a balanced Revenue Budget over the next five years that will ensure the delivery of the Council's strategic aims and maintenance of current services, facilities and events, on the basis of a small increase in the Town Council Tax each year.
- 3.12 Unfortunately, the funding of the 50% cut to the LCTRS Grant over three years by Durham County Council will mean that the increases in 2025/26 and 2026/27 will be much higher than they would have been in the absence of this grant cut.

- 3.13 The MTFP identifies a forecast Council Tax increase in 2025/26 in the region of 3.75%, or 2.14% excluding the LCTRS Grant cut.
- 3.14 The 2025/26 Revenue and Capital Budget Framework will enable detailed work to take place around the setting of the revenue and capital budgets and will confirm the actual Precept and Council Tax requirements for next year.
- 3.15 In line with the approved principles of the MTFP, the 2025/26 Revenue Budget will be prepared on the principle of maintaining existing services, facilities and events and staffing levels, with additional provision being made for all unavoidable increases in costs such as pay awards and inflation, and changes in income.
- 3.16 As highlighted, any requirement to identify further efficiency savings in the 2025/26 Revenue Budget will be very difficult to achieve with impacts on service delivery and standards, as the 2023/24 and 2024/25 budgets have already incorporated significant savings to enable the precept to be kept as low as possible and all budgets are currently very lean with minimal scope for any additional efficiency savings.
- 3.17 In relation to the Capital Programme Budget, the MTFP highlighted that the Council is still facing potentially significant commitments over the medium term of up to £1.536 million in planned future capital budget expenditure for the four-year period 2025/26 to 2028/29, or more than £2 million including the 2024/25 Capital Programme.
- 3.18 The funding of this capital investment will undoubtedly see the Council's balances and reserves fall back significantly over the five years, although this will be partly mitigated by the £75,000 annual contribution to capital reserves *if* this can be maintained in the Revenue Budget.
- 3.19 A review of capital expenditure priorities has been undertaken by the Asset Management Sub Committee in the last two years, with a view to restricting and controlling expenditure in the current year, and the development and planning of future year's capital budgets will continue to need to be closely scrutinised in this way.
- 3.20 The 2025/26 Capital Programme Budget will be prepared with key reference to the Council's Asset Management Plan and MTFP, and it is likely that only essential capital investment will be included in order to continue to safeguard Council balances and reserves.

#### **4.0 2025/26 Budget Setting Framework and Process**

- 4.1 The Budget Framework provides the means by which the Council's Medium-Term Financial Plan will be delivered, setting out the overall principles and assumptions for the development of the annual Revenue and Capital Budgets.
- 4.2 The 2025/26 Revenue and Capital Budget will be developed in accordance with the key principles set out in the current Medium-Term Financial Plan as highlighted in paragraph 3.4

- 4.3 The purpose of the budget setting process is to clearly identify and estimate, in a prudent, transparent, and realistic way, the revenue costs and income associated with running the various services of the Council, and the capital investment that needs to be undertaken in order to deliver the Council's Asset Management Plan.
- 4.4 The aim is to ensure that sufficient budgetary provision is put in place in 2025/26 to ensure that all services can continue to be delivered effectively, that the Council's strategic aims and targets, as set out in the Service Delivery Plan, can be achieved, and that the Council can proactively respond to community needs and priorities.
- 4.5 This needs to be balanced against the financial resources that are likely to be available, bearing in mind the financial challenges being faced by the Council, including the second year cut to the Council Tax Support Grant funding, ongoing economic difficulties and spending pressures including pay awards, higher than inflation increases on some running costs and capital investment commitments, and the significant forecast fall in the Council's balances and reserves over the medium term.
- 4.6 The 2025/26 Revenue Budget will be prepared on the key principle of maintaining existing services and staffing levels.
- 4.7 Additional budget provision will be automatically made for unavoidable inflation, pay awards and any other unavoidable or committed increases in costs or falls in income.
- 4.8 An incremental budgeting process will be used in setting the 2025/26 Revenue Budget which will use the 2024/25 Revenue Budget as the starting point, and make adjustments to take account of the following changes in costs and income between the two years:-
- Unavoidable inflationary increases in running costs;
  - Officer pay awards and salary increments;
  - Any other unavoidable budget growth e.g. new legislative requirements, increased demand for services, contractual increases in costs;
  - Any committed budget growth arising from previously approved Council decisions;
  - Any approved additional revenue budget requests from service managers or Members, although these have been discouraged due to the ongoing financial situation;
  - Efficiency savings or budget reductions that have already been achieved and that can be removed from the budget;
  - Any new efficiency savings that have been identified; and
  - Changes in income such as increases in fees and charges for services, cuts to grant funding and increased or decreased demand for services.
- 4.9 The principles of zero-based budgeting will also be applied in setting the 2025/26 Revenue Budget, in order to help identify possible efficiency savings and help demonstrate the achievement of value for money to local council tax payers.

- 4.10 In practice this means in that expenditure budgets and income targets in respect of all service areas will be reviewed and service managers will be expected to justify and provide evidence for existing budget provision, whilst key regard will also be given to actual spending and income in the current year as well as previous years, with a view to identifying under-utilised budgets and possible opportunities for savings and budget reductions, although as previously highlighted this will be difficult in relation to the 2025/26 budget as the current budget is considered to very lean.
- 4.11 There is currently no indication of the new Labour Government's intentions with regard to town and parish council referendum limits for the period 2025/26 onwards.
- 4.12 It will be assumed for the purpose of the 2025/26 budget setting process that referendum principles will *not* be applied to town and parish councils, and that the Council will be free to increase the Town Council Tax by as much as it considers prudent and appropriate to help offset the financial pressures created by the economic challenges and the second year reduction in LCTRS.
- 4.13 Once the initial draft budget is finalised it will be reported to the various committees and sub-committees of the Council as set out in the timetable summarised in Section 5 of the Report and attached at Appendix 1.
- 4.14 In relation to the 2025/26 Capital Programme Budget, the Council's Medium-Term Financial Plan highlights that the Council continues to face some quite 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 significant deterioration in the level of the Council's Balances and Reserves.
- 4.15 In light of this, it is recommended that capital investment continues to be closely monitored and controlled in order to protect and preserve Council balances moving forward, and that the 2025/26 Capital Programme Budget is focussed on essential investment only, mainly on capital projects already identified in the Asset Management Plan.
- 4.16 The Medium-Term Financial Plan currently identifies a Capital Programme Budget for 2025/26 of up to £706,100, and is made up of projects including building works, roofing surveys, replacement works vehicles and machinery, computer hardware, the woodland burial site, solar panel system at the sport complex, drainage works, A167 street lighting, continued works in relation to Ash Tree Dieback Disease and footpath and safety surface repairs.

## 5.0 2025/26 Budget Setting Timetable

5.1 A detailed copy of the 2025/26 Budget Setting Timetable is attached in Appendix 1 to this report. The timetable is summarised below:-

- **Early to Mid-September:** Development of the draft Revenue and Capital Budget proposals by Service Managers and the Finance Manager.
- **Late September and Early October:** Performance Management Group and Chairmen and Vice Chairmen Group to review the draft budgets.
- **9<sup>th</sup> October:** Draft Capital Programme Budgets reported to the Asset Management Sub Committee;
- **16<sup>th</sup> October:** Draft Environment and Recreation Budgets reported to Environment and Recreation Committees;
- **23<sup>rd</sup> October:** Draft Policy and Resources Budgets reported to Policy and Resources Committee;
- **Early to Mid-November:** Special Policy and Resources Committee to consider proposed fees and charges increases for 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;
- **4<sup>th</sup> December:** Budget update report to Policy and Resources Committee setting out details of the above, if required;
- **22<sup>nd</sup> January 2025:** Final 2025/26 Revenue and Capital Budgets to be reported to and approved by Policy and Resources Committee;
- **29<sup>th</sup> January 2025:** 2025/26 Precept to be approved by Full Council and Council Tax increase to be declared.

## 6.0 2025/26 Budget Consultation

- 6.1 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.
- 6.2 Since the Coronavirus pandemic budget consultations have been undertaken via an online budget survey.
- 6.3 It is proposed that an online budget survey is again used for the 2025/26 budget. This 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 (Facebook and Twitter) as well as hard copies being made available at the library, community centres, the two secondary schools and other community venues in the town.
- 6.4 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.

## **7.0 Progress on Budget Setting Process to Date**

- 7.1 The deadline for service managers to finalise and submit their draft budgets for 2025/26 is the 18<sup>th</sup> September.
- 7.2 The senior officer Performance Management Group and the Chairmen and Vice Chairmen Group are due to meet in late September and early October to review the draft budget proposals, before the draft 2025/26 Revenue and Capital Budgets are presented to Environment, Recreation and Policy and Resources Committees on 16<sup>th</sup> and 23<sup>rd</sup> October respectively.
- 7.3 Progress has been made to date in the preparation of the draft budget submissions, and no problems are anticipated in meeting the deadlines set out in the budget timetable.

## **8.0 Policy Implications**

- 8.1 The 2025/26 Budget Framework and Timetable conforms to Strategic Aim 2 in the Council's Service Delivery Plan:

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

## **9.0 Staffing Implications**

- 9.1 Service managers are responsible for the development of the budgets for their areas of responsibility.
- 9.2 All service managers have been issued with a copy of the Budget Framework and Timetable as well as detailed guidance notes for setting of the 2025/26 Revenue and Capital Budgets.
- 9.3 Managers will be fully supported by the Finance Manager in the preparation of their draft budget submissions.
- 9.4 The Finance Manager is managing and co-ordinating the budget setting process and the draft budgets will be agreed by the senior officer Performance Management Group before being reported to Members.

## **10.0 Financial Implications**

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

## **11.0 Crime and Disorder Implications**

- 11.1 None.

## **12.0 Equal Opportunities Implications**

- 12.1 None.

## **13.0 Environment, Biodiversity and Climate Change Implications**

- 13.1 None.

## **14.0 Risk Assessment**

- 14.1 A risk assessment is not necessary at this early stage of the budget setting process.
- 14.2 A full risk assessment is included in the Medium-Term Financial Plan and a further risk assessment will be included prior to the setting of the 2025/26 Precept in January, confirming the robustness of the budget estimates and the adequacy of the proposed levels of balances and contingencies.

## **15.0 General Data Protection Regulations (GDPR)**

- 15.1 There is not any personal or sensitive data required for this proposal which may have any implications for GDPR.

## **16.0 Recommendations**

- 16.1 It is recommended that:-
- (i) the Budget Framework and Timetable for the setting of the Council's 2025/26 Revenue and Capital Budgets is approved;
  - (ii) The proposed online budget consultation as part of the 2025/26 budget process is agreed.