

2025/26 DRAFT ENVIRONMENT REVENUE AND CAPITAL BUDGETS

AGENDA ITEM NO. 10

MEETING: ENVIRONMENT COMMITTEE

DATE: 16TH OCTOBER 2024

REPORT BY: FINANCE MANAGER

1.0 Purpose of the Report

1.1 The purpose of this report is to present for Members' consideration, comments, and approval the draft 2025/26 Revenue and Capital Budgets for the Environment Committee.

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 Sub-Committees 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 Environment Revenue and Capital Budgets are set out in this report and the attached appendices for Members' consideration.

3.0 Current Financial Situation / Medium-Term Financial Plan

- 3.1 The Medium-Term Financial Plan (MTFP) was approved by the Council in September and reviewed 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 again be challenging for a number of 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 been yet agreed, with 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 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. Ensuring the continued delivery of the Asset Management Plan via the Capital Programme Budgets.
 4. Safeguarding a prudent level of balances and reserves.
 5. Implementing an increase in council tax 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 and inflation, and the need to maintain important services, facilities and events that are 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.
- 3.8 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.
- 3.9 A general inflationary increase of 3% has been included in the draft 2025/26 Revenue Budgets, but only for those areas where increases in costs cannot be avoided and where costs have increased at a higher level than the prevailing inflationary rate.
- 3.10 The draft 2025/26 Revenue Budgets will be updated to take into account feedback from members at this round of meetings and then later in the year if there are any changes that are required prior to the budget being finalised and approved in January 2025.
- 3.11 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.
- 3.12 In light of this, the Council has previously agreed that future capital investment will continue to be closely monitored and controlled with only essential expenditure being incurred during these challenging economic times in order to protect and preserve Council reserves.
- 3.13 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.
- 3.14 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.

4.0 Draft 2025/26 Environment Revenue Budgets

- 4.1 The detailed draft 2025/26 Environment Revenue Budgets are attached at **Appendix 1** for Members' consideration.
- 4.2 Members will note that the attached draft budget figures include the actual outturn figures for the last two financial years; 2022/23 and 2023/24.
- 4.3 The prior year income and expenditure figures are included to enable Members to take actual spending and income figures into account, in their consideration of the draft 2025/26 budget proposals.

- 4.4 A summary of the draft 2025/26 Environment Revenue Budgets is shown below:

Budget 2024/25 £	Environment Revenue Budget	Inflation and Committed Growth £	Investment in Service £	Savings and Increased Income £	Budget 2025/26 £
121,600	Environment	4,350	-	(2,000)	123,950
8,900	Street Equipment	150	-	(200)	8,850
59,900	Cemeteries	13,600	-	(150)	73,350
25,800	Allotments	1,650	-	(300)	27,150
7,150	Church Works	350	-	(50)	7,450
223,350	Total Budget	20,100	-	(2,700)	240,750

- 4.5 The draft 2025/26 Environment Committee Revenue Budget shows an increase of £17,400 or 7.8% to £240,750.
- 4.6 Unavoidable inflationary increases in costs including staffing recharge cost increases linked to the forecast local government pay award and reductions in cemetery burial and purchases income, have added £20,100 or 9% to the budget. However, these increases have been offset by some small savings across all budgets totalling £2,700 or 1.2%. These include a reduction in the tree works budget and a small increase in the allotment's income budget
- 4.7 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 increases.
- 4.8 In relation to gas and electricity costs, these have stabilised and fallen back compared to the very high costs experienced in 2022/23 at the height of the cost-of-living crisis
- 4.9 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.
- 4.10 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 DCC prior to the budgets being finalised in January.

4.11 The impact of the national economic situation may result in further changes to expenditure budgets, and these will need to be monitored and factored into the final 2025/26 Revenue Budget ahead of the setting of the Precept in January.

4.12 No discretionary additional or new investment in services in the Environment Budgets has been provided for, in light of the ongoing challenging financial situation being faced by the Council. This is in order to help balance the 2025/26 Revenue Budget and restrict the Council Tax increase.

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

4.14 **Environment and Open Spaces**

This budget has increased by £2,350 to a net running cost of £123,950. This increase is largely as a result of additional budget for increases in staffing costs from the forecast local government pay award and some inflationary increases in running costs.

4.15 **Street Equipment**

This budget has reduced by £50 to a total running cost of £8,850 as a result of reduced electricity costs, offset by a slight increase in insurance costs and staffing recharges.

4.16 **Cemeteries**

This budget has increased by £13,450 to £73,350 largely due to provision for increases in staffing recharge costs from the forecast local government pay award, as well as inflationary increases in running costs.

The income budgets have also been reduced in line with reduced burial and advance purchase income over the last couple of years.

4.17 **Church Works**

This budget reflects the time spent by works staff undertaking grounds maintenance works at St Clare's Church and St Andrew's Church, as well as providing for income from any burials at St Andrew's Church and income from the church for grounds maintenance. The budget has increased marginally by £300 to a net running cost of £7,450.

4.18 **Allotments**

This budget has increased by £1,350 to a net running cost of £27,150 with the increase being largely in staffing recharge costs from the forecast local government pay award.

4.19 Environment Fees and Charges

The Environment Revenue Budget has assumed a 10% increase in fees and charges for cemeteries in 2025/26 and the aforementioned increase in allotments rents which are set a year in advance in accordance with allotments law.

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

5.0 Draft 2025/26 Environment Capital Programme Budgets

- 5.1 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.
- 5.2 In light of this, the Council has previously agreed that future capital investment will continue to be closely monitored and controlled with only essential expenditure being incurred during these challenging economic times in order to protect and preserve Council balances, and the 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.
- 5.3 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.
- 5.4 To be clear, it is *not* being recommended that *all* capital investment is restricted, more that investment should be focussed on those essential projects that contribute towards the delivery of the Asset Management Plan, such as building works, vehicle and machine replacement, footpath repairs and play area safety surfacing replacement.
- 5.5 The draft 2025/26 Environment Capital Programme Budget is attached at **Appendix 2** and currently stands at **£157,500**.
- 5.6 The budget includes all of the capital projects included in the Medium-Term Financial Plan and Asset Management Plan. Officers have undertaken a review of the projects and made recommendations as to which projects are considered essential, which need to be included in the budget as provisional sums, which projects can be deferred to a future year, and which projects can be deleted from the programme. This proposed classification of the capital projects making up the draft budget was considered by the Asset Management Sub-Committee on 9th October.

5.7 A list and description of the projects making up the draft 2025/26 Environment Capital Budget is detailed below, including the officers' recommendations:

5.8

Woodland Burial Site £26,000

This budget provides for the development of the woodland burial site, phased over three years. This is the second-year budget sum and provides for fencing works. It is recommended that the budget is included as a provisional sum to be utilised as the project progresses.

Stephenson Way Cemetery Works £7,500

This budget provides a sum of £2,500 for the ongoing drainage improvement works at Stephenson Way Cemetery and a budget of £5,000 for window and door replacement to the building. It is recommended that the drainage improvements are included as essential work and that the budget for the window and door replacement is deferred to a future year as this is not currently required.

West Cemetery £2,500

This budget provides for the ongoing improvement works to the drainage at West Cemetery. It is recommended that it is included as essential work.

Moore Lane Eco Centre Building Works £4,000

This budget provides for several building related works to Moore Lane Eco Centre including flooring replacement and internal and external decoration. It is recommended that this is included as an essential sum, with officers to work with the current occupants (Green Arts) with the view to securing a contribution towards to the works required.

Footpath Repairs £15,000

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

Bus Shelter Repairs £2,500

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

Kendrew Close Bridge Works £30,000

This budget provides for repainting and repairs to Kendrew Close Bridge. It is recommended that it is included as essential works, pending further investigation and advice.

Ash Dieback Disease Works £10,000

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

A167 Street Lighting £60,000

This budget provides for the possible renewal of the 10-year commuted sum / service level agreement with Durham County Council to retain the lighting on the A167 by funding the energy and maintenance costs of running the lights. The current commuted sum runs out in 2025. It was

indicated by Durham County Council when the current agreement was signed that *“another 10-year commuted sum would be offered at the prevailing rates to retain the street lights for a further period of ten years and that if the commuted sum is not provided at any ten-year interval then the street lighting would be removed subject to a risk assessment confirming that it is safe to do so”*. It is recommended that this budget is included as a provisional sum pending a Council decision regarding the renewal of the agreement.

5.9 Members are asked to consider the proposed 2025/26 Environment Capital Programme Budget and confirm which projects should go ahead as essential, which should be retained as provisional sums, and which should be deferred to a future year or deleted altogether.

6.0 Budget Timetable

6.1 The remaining timetable for the setting of the 2025/26 Revenue and Capital Budgets is summarised below:

- **23rd 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;
- **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.

7.0 Policy Implications

7.1 The consideration of the 2025/26 draft Environment Revenue and Capital Budgets contributes towards the achievement of Strategic Aim 2 in the Council’s Service Delivery Plan:

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

8.0 Staffing Implications

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

9.0 Financial Implications

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

10.0 Crime and Disorder Implications

10.1 None.

11.0 Equal Opportunities Implications

11.1 None.

12.0 Environmental, Biodiversity and Climate Change Implications

12.1 No direct implications.

13.0 Risk Assessment

13.1 A full risk assessment will be included in respect of the setting of the Council's 2025/26 Revenue and Capital Budget, at the final stage of the budget setting process, when the Council determines and approves the 2025/26 Precept in January 2025.

14.0 General Data Protection Regulations (GDPR)

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

15.0 Recommendations

15.1 It is recommended that Members:-

- a) Receive the report;
- b) Consider and agree the draft 2025/26 Environment Revenue Budget and feedback any proposed amendments to officers;
- c) Consider the draft 2025/26 Environment Capital Programme Budget and confirm which projects should go ahead as essential works, which should be retained as provisional sums, and which should be deferred to a future year or deleted altogether.