

# 2025/26 DRAFT POLICY AND RESOURCES BUDGETS

## AGENDA ITEM NO. 10

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**MEETING: POLICY AND RESOURCES COMMITTEE**

**DATE: 16<sup>TH</sup> OCTOBER 2024**

**REPORT BY: FINANCE MANAGER**

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### **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 Policy and Resources 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 a meeting of the Asset Management Sub-Committee.

2.7 The draft 2025/26 Policy and Resources 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 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 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. Delivery of the Asset Management Plan via 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.
- 3.8 In relation to staffing costs, the administration, finance, corporate, pre-school and works 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 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
- 3.11 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. 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 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 there are any changes that are required prior to the budget being finalised and approved in January 2025.
- 3.15 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.
- 3.16 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 agreed during these challenging economic times, in order to protect and preserve Council balances.

- 3.17 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.
- 3.18 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 Policy and Resources Revenue Budgets

- 4.1 The detailed draft 2025/26 Policy and Resources 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 in order 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 Policy and Resources Revenue Budgets is shown below:-

Budget 2024/25 £	Policy and Resources Revenue Budget	Inflation and Committed Growth £	Investment in Service £	Savings and Increased Income £	Budget 2025/26 £
81,050	Members and Civic	1,150	-	-	82,200
100,350	Finance Section	6,550	-	(3,850)	103,050
86,500	Administration Section	5,700	-	(7,450)	84,750
292,100	Corporate Services	15,250	-	(5,750)	301,600
63,300	Pre Schools	14,700	-	(30,450)	47,550
246,650	Works Department	34,800	-	(32,950)	248,500
37,700	Depot	4,050	-	(2,400)	39,350
(14,550)	Capital Financing	4,600	-	(2,050)	(12,000)
<b>893,100</b>	<b>Total Budget</b>	<b>86,800</b>	-	<b>(84,900)</b>	<b>895,000</b>

- 4.5 The draft 2025/26 Policy and Resources Committee Revenue Budget shows an increase of £1,900 or 0.2% to £895,000.
- 4.6 Pay awards, inflation and unavoidable increases in costs have added £86,800 or 9.7% to the budget. This has been offset by budget reductions of £84,900 or 9.5% from reductions in expenditure budgets and increased pre-school income.
- 4.7 The largest increases have been in relation to staffing costs as a significant proportion of the staff of the Council are accounted for under the Policy and Resources Committee Revenue Budgets. Staffing costs are due to increase by around £60,200.

- 4.8 This includes provision for changes in costs of the 2024/25 pay offer, provision for a forecast 4% staff pay award in 2025/26 and any salary increments due.
- 4.9 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 be avoided. These include service agreements, internal and external audit fees, and machine rentals. These increases in costs have been offset by savings on a number of underutilised Administration and Corporate supplies and service budgets. Some business rates have been frozen in 2024/25 at 2023/24 levels and these savings have been incorporated into the 2025/26 budget. A reduction in fuel costs have been included into the works section budget. All other budgets have been frozen at existing levels, with an expectation that inflationary increases will be absorbed, although this is becoming more difficult with budgets now being so stripped back.
- 4.10 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.
- 4.11 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.
- 4.12 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.
- 4.13 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.
- 4.14 There have also been some 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 half hourly meter sites and the depot has been affected by this change.
- 4.15 Increases in pre-school income have been included in the draft budget in line with increased funding rates and projected attendance levels.
- 4.16 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.
- 4.17 No discretionary additional or new investment in services in the Recreation Budgets has been provided for in light of the current financial situation being faced by the Council. This is in order to help balance the 2025/26 Revenue Budget and restrict the Council Tax.
- 4.18 A summary of the main changes in respect of each individual budget is detailed on the following pages.

#### 4.19 **Members and Civic**

This budget has increased marginally by £1,150 to £82,200.

All budgets have been frozen at current levels with the exception of member related insurances and central support recharges, which have been increased to incorporate the pay award.

#### 4.20 **Finance Service**

This budget shows an increase of £2,700 to a net running cost of £103,050.

This provided for expected increases in staffing costs from the forecast local government pay award and an inflationary increase in internal audit costs.

#### 4.21 **Administration Section and Council Offices**

This budget shows a reduction of £1,750 to a net running cost of £84,750.

Whilst additional budget provision has been made for increases in staffing costs from the forecast local government pay award, and inflation on running costs, these increases have been more than offset by reduction in gas and rates costs and savings on underutilised supplies and services budgets, particularly printing, stationery and postage due to the increasing move to a paper light office and meetings.

#### 4.22 **Corporate Services**

This budget shows an increase of £9,500 to a net running cost of £301,600.

Additional budget provision has been made for increases in staffing costs for the forecast local government pay award, inflation on running costs, increases in information technology costs linked to enhanced cyber security arrangements, and increases in provision for agency costs such as external audit fees and CCTV running costs, partially offset by reduction in the consultants fees budget, removal of the conference budget, and a small increase in income from the community benefit fund.

#### 4.23 **St Oswald's Pre-Schools**

This budget shows a reduction of £15,750 to a net running cost of £47,550.

Additional budget provision has been made for increases in staffing costs from the forecast local government pay award and unavoidable inflation on running costs.

However, these increases have been more than offset by an increase in pre-school funding, along with reductions in some premises related costs.

The income budgets for funding have been increased in line with the increased funding rates, with the target attendance rate having been increased from 75% to 80%, representing 32 children in the main setting and 10 children at the two-year-old setting. This is in line with the projected attendance figures from the Pre-School Manager, based on current age profile, attendance and waiting lists. This will be partially offset slightly by a reduction in fees, as a result of children in the two's setting all qualifying for 15 early years funded hours, which will reduce the income from fees. This budget has been reduced by £1,000 to reflect this.

#### 4.24 **Works Department**

This budget has increased by £1,850 to a net running cost of £248,500.

Additional budget provision has been made for an increase in staffing costs from the forecast local government pay award, salary increments and inflation on some running costs.

These increases have been partly offset by a significant reduction in vehicle fuel costs and the transfer of the £2,000 budget for sports pitch line marking to the Sports Pitches Budget.

#### 4.25 **Depot**

This budget has increased by £1,650 to a net running cost of £39,350.

Additional budget provision has been made for inflationary increases in premises running costs and a substantial increase in fixed electricity costs, as alluded to earlier in the report, partly offset by a reduction in gas, business rates and water costs.

#### 4.26 **Capital Financing Charges**

This budget has increased by £2,550 to net surplus of £12,000 as a result of the projected reduction in investment income, as a result of the expected reduction in interest rates over the next twelve months. This has been partially offset by a reduction in bank charges due to a change in PDQ provider at the Sports and Golf Complex, which has resulted in reduced charges.

#### 4.27 **Policy and Resources Fees and Charges**

The Policy and Resources Revenue Budget does not yet provide for any increases in the fees and charges for the pre-school in 2025/26.

Fees and charges will be considered separately at a Special Meeting of the Policy and Resources Committee, and if any increases are agreed, 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 Policy and Resources Capital 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 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.
- 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 Policy and Resources Capital Programme Budget is attached at **Appendix 2** and currently stands at **£134,600**.
- 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 9<sup>th</sup> October.
- 5.7 The budget includes provision for the following projects:-

Council Offices Building Works	£25,000
Horticulture and Vehicle Depots	£12,000
Pre-Schools Window, Doors and Decoration	£5,000
Council Buildings Roofing Surveys	£10,000
Council Buildings Felt Roof Surveys	£1,000
Rapid Deployment CCTV Cameras	£1,100
Works Machinery Electrical Alternatives	£5,000
Works Ride on Mower	£43,000
Works Vehicle (Citroen Berlingo)	£24,500
Computer Replacements	£5,500
Website Development	£2,500
<b>Total Policy and Resources Capital Programme</b>	<b>£134,600</b>



- 5.8 A list and description of the projects making up the draft 2025/26 Policy and Resources Committee Capital Budget is detailed below, including the officers' recommendations:

**Council Offices Building Works £25,000**

This budget provides for a number of building related works to the Council Offices including replacement windows, internal and external redecoration and toilet refurbishment. It has been recommended that the budget for the windows and redecoration is included as essential work, and that the budget for the toilet refurbishment is deferred to a future year as non-essential work.

**Depot Building Works £12,000**

This budget provides a number of building related works to the depot buildings, including window and door replacement and heating system replacement. It has been recommended that the budget is included as a provisional sum and utilised only in the event of a repair or replacement being required.

**Pre-School Building Works £5,000**

This budget provides for a building related project relating to the 'Tots in the Park' building in relation to replacement windows and door. It has been recommended that this project is included as a provisional sum and utilised only in the event of a repair or replacement being required.

**Roofing Surveys £10,000**

This budget provides for the periodic survey of all council building roofs (excluding felt roofs) to update the Asset Management Plan of any priority roofing work that is required. This was last undertaken ten years ago. It is recommended that this budget is included as essential work.

**Felt Roof Inspections £1,000**

This annual budget allocation to enable an annual inspection of those buildings with felt roofs, as required by the Council's insurer. It is recommended that this budget is included as essential work.

**Rapid Deployment CCTV Cameras £1,100**

This is an annual budget provision providing funding for targeted moving of the Rapid Response CCTV Cameras, in partnership with Newton Aycliffe Police, and it is recommended that this budget be included as an essential sum.

**Replacement Works Electrical Machinery £5,000**

This budget provides for the ongoing replacement of works machinery with electrical alternatives. This would include small petrol and diesel-powered hand mowers, strimmers and chainsaws. It has been recommended that the budget is included as an essential investment to be used when it is necessary to replace machines at the end of their useful life.

**Replacement Works Ride on Mower £43,000**

This budget provides for the replacement of a works ride on mower. It is recommended that this budget is included as an essential sum as it was deferred during the 2024/25 budget setting process and the mower is now deemed as requiring replacement.

### **Works Vehicle (Citroen Berlingo) £24,500**

This budget provides for the replacement of a works vehicle. It has been recommended that this budget is included as an essential investment as the vehicle is coming to the end of its useful life. The budget included is for an electric vehicle replacement.

### **Computer Replacements £5,500**

This budget provides for the replacement of computers and laptops as part of the Council's rolling programme of computer upgrades. It has been recommended that this budget is included as an essential sum to be spent on upgrades and replacements as required.

### **Website Development £2,500**

This annual budget provides for the on-going development of the Council website, including accessibility improvements. It has been recommended that this budget is included as an essential sum to be spent on any required updates next year.

- 5.9 Members are asked to consider the proposed 2025/26 Policy and Resources Capital Programme Budget and confirm which projects should go ahead as essential or 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 Budgets is summarised below:

- **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:** Final 2025/26 Revenue and Capital Budgets to be reported to and approved by Policy and Resources Committee;
- **29<sup>th</sup> 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 Policy and Resources 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 2024.

## **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 Policy and Resources Committee Revenue Budget and feedback any proposed amendments to officers;
- c) Consider the draft 2025/26 Policy and Resources 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.