

Great Aycliffe Town Council

Medium Term Financial Plan 2024/25 to 2028/29



MEDIUM TERM FINANCIAL PLAN

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Foreword

Welcome to Great Aycliffe Town Council's Medium-Term Financial Plan (MTFP) which sets out our financial strategy for the five-year period from 2024/25 to 2028/29.

The MTFP continues to have increased importance as a consequence of the ongoing economic difficulties which continues to significantly impact on the Council's finances, with potential cuts to public sector funding, inflation remaining stubbornly high for certain goods and services, pressure on staffing budgets linked to the National Living Wage, and impacts on usage of some services resulting in pressure on income budgets.

Reviewing the impact on the Council's budgets and finances and adjusting our financial strategy will be vital as we look ahead to what is likely to be a challenging few years.

In preparing this Medium-Term Financial Plan, the impact of the continuing high inflationary increases in some running costs such as gas, electricity, fuel, insurance, supplies and services will continue to need to be factored into the Revenue and Capital Budgets, whilst staff pay will also need to increase to keep pace with inflation and increases in the National Living Wage.

The residual impacts of the cost-of-living crisis will also likely see usage of Council facilities impacted as the community has less disposable income to spend.

On top of this, the Council faces significant potential commitments over the medium and long-term relating to capital investment in its fixed assets; expenditure which will see its balances and reserves diminish significantly.

All of these issues combine to highlight the importance of this Medium-Term Financial Plan and putting in place a prudent, robust, and realistic financial strategy.

This Plan aims to highlight and quantify the key financial challenges facing the Council over the next five years, with particular emphasis on the impact of economic factors and the increases in running costs and higher staff pay awards that this will bring about, the significant capital investment linked to the delivery of the Asset Management Plan and the subsequent fall in the Council balances and reserves; and put in place a financial strategy to meet these challenges.

The Plan sets out a Revenue and Capital Budget forecast for the five-year period and estimates the level of Precept and council tax increases that may be required in order to balance the budget.

The next five years will undoubtedly present the Council with significant challenges.

However, this Plan aims to provide a sound strategy for the planning of the Council's finances and budgets over this period, ensuring that services and jobs can be protected, and striving to find a balance between increases in the council tax and delivery of efficiency savings.

The Council is fortunate that its finances remain in good health at the present time, and we are confident that the implementation of this Plan will ensure that the Council can build on these strong foundations, and continue to meet the needs of our local community and provide value for money services to local tax payers.

Councillor Arun Chandran
Chairman of Policy and
Resources Committee

Mr Dan Austin
Town Clerk

Mrs Tracey Woodhead
Finance Manager

Section 1 Introduction and Background

Purpose of the Medium-Term Financial Plan

- 1.1** This Medium-Term Financial Plan (MTFP) of Great Aycliffe Town Council covers the five-year period from 2024/25 to 2028/29.
- 1.2** The key purpose of the MTFP is to put in place a clear and robust financial strategy for the next five years that will help the Council to contend with the significant challenges it faces, achieve its strategic aims and meet community priorities, within the limited resources available, whilst delivering value for money to the local taxpayers of Great Aycliffe.
- 1.3** Strategic financial planning is of particular importance during this time of on-going national economic uncertainty. Whilst the economy has so far avoided going into a prolonged recession, economic recovery is far from assured, and there has been a significant increase in the national debt, with the potential for tax rises and cuts to public sector funding, while inflation remains stubbornly high for certain goods and services, and there is uncertainty around interest rates.
- 1.4** The MTFP is also important in putting in place a clear link between the Council's strategic aims and targets and the priorities of the local community, as set out in the Service Delivery Plan, and the Council's financial planning process. This helps ensure that financial resources are allocated to services in a way that supports the delivery and achievement of these aims and priorities.
- 1.5** The MTFP sets out the changing national and local financial climate within which the Council will be working over the next five years and highlights the key financial challenges that it faces, as well as the strategic aims that it will be aspiring to deliver, and the community priorities that it will be striving to meet.
- 1.6** It then puts in place a financial strategy to meet the substantial challenges faced and ensure the delivery of strategic aims and community priorities within the financial resources likely to be available. The Plan includes indicative Revenue and Capital Budgets as well as projections of the likely level of Town Council Tax and balances and reserves over the five-year period.
- 1.7** Producing the MTFP each year will help the Council to:-
 - ❑ ensure that a strategic approach is taken in the planning of the Council's future spending and finances during these uncertain economic times;
 - ❑ create stronger links between the Council's strategic aims and the priorities of local taxpayers, and future spending decisions;
 - ❑ put in place a clear, understandable and forward-looking financial planning framework;
 - ❑ make it clear how the Council plans its spending and who is responsible for making spending decisions;
 - ❑ ensure that the Council regularly reassesses and reviews the cost of its services and income generation;
 - ❑ demonstrate and deliver value for money in the use of public resources; and
 - ❑ ensure that the views of the community are considered in deciding where and how the Council spends public money.

Development of the Medium-Term Financial Plan

- 1.8 The MTFP was originally developed in 2007 and has since been updated on an annual basis through a process involving:
- ❑ review of the Council's priorities based on the annual strategic aims and targets set out in the Service Delivery Plan;
 - ❑ review of community priorities, informed by the neighbourhood plan, satisfaction surveys and the annual budget consultation;
 - ❑ reviewing the resources required to fund future service needs, including providing for pay awards, inflation and other unavoidable budget pressures, budgeting for changes in funding and income, managing expected changes in demand for services, and identifying efficiency savings and possible budget reductions;
 - ❑ considering the costs of all new statutory requirements and any planned investment in existing services or new initiatives that have already been approved by the Council;
 - ❑ projecting the likely available financial resources based on target council tax increases, projected council tax base changes, use of balances and reserves, the availability of external funding, and the potential for future capital receipts and borrowing opportunities;
 - ❑ assessing the ability of the Council to fund its on-going service needs, deliver its strategic aims and meet community priorities within the limited resources available; and
 - ❑ maintaining a continuous focus on efficiency and value for money.

Key Stakeholders

- 1.9 The MTFP is published for use by all relevant stakeholders to help review the Council's finances over the medium term, understand the spending pressures it faces and how the Council plans and makes decisions about spending on services, and show how this links to each stakeholder's relationship with the Council, and in particular:-
- **for councillors and service managers;** to help communicate the Council's overall financial strategy and to improve understanding of the links between the Council's strategic aims and priorities, as set out in the Service Delivery Plan and individual service plans, and the setting of the Revenue and Capital Budget each year;
 - **for the local community and council taxpayers;** to communicate the Council's overall financial strategy and its links to and impact on the provision of local services and the level of council tax, demonstrate how the Council seeks to prudently exercise stewardship of public money and look after community assets, and improve the openness and accountability of the Council's financial decision making; and
 - **for local businesses and community organisations;** to communicate the Council's financial strategy and its links to and impact on the provision of local services and to provide key financial information to support the development of opportunities for partnership working and joint ventures in Great Aycliffe.

Financial Planning Responsibilities

- 1.10 Service Managers**, under the supervision and guidance of the Finance Section, are responsible for the preparation of the annual Revenue and Capital Budgets in respect of the services under their responsibility, in accordance with the Budget Framework, and with regard to the principles set out in the MTFP.
- 1.11** Service Managers are also responsible for managing, monitoring and controlling actual spending and income on the budgets under their responsibility during the year, via effective budget management, and informing the Finance Manager of any potential problems or significant variations from the approved budgets.
- 1.12 The Finance Manager** is responsible for developing and updating the MTFP and Budget Framework each year and ensuring compliance with these, co-ordinating the development and setting of the annual Revenue and Capital Budgets, providing financial information and advice, implementing an effective system of budget monitoring and control, and regularly reporting financial information to the Council, and publishing financial information for consumption by the general public and taxpayers.
- 1.13 Members of the Council** are responsible for reviewing and approving the MTFP and Budget Framework on an annual basis, considering and approving the annual Revenue and Capital Budgets, receiving budgetary control information, approving remedial action in respect of any significant budget variations, and considering and approving capital spending decisions and additional budget requests.

Links with Other Strategies and Plans

- 1.14** The Council produces a number of other strategies and plans which have links to this MTFP. **Appendix D contains a list of the various Council strategies, plans and policies**, and which have been considered in the development of this MTFP.
- 1.15** It is also important that the MTFP is clearly linked to the strategic aims and objectives that the Council is trying to achieve. These are set out in the Council's Service Delivery Plan. **The Council's strategic aims and targets for 2024/25 are set out in Appendix E.**

Consultation with the Local Community

- 1.16** The MTFP has been prepared taking into account the views of the local community and taxpayers, as expressed in the 2024 'Your Parish, Your Choice, Your Voice' satisfaction survey, the neighbourhood plan consultation, and other surveys and consultation events.
- 1.17** The Council also undertakes a budget consultation exercise during the annual budget setting process. An online budget questionnaire is issued to establish views on the budget as well as priorities for investment and disinvestment. Feedback from previous budget consultation events has also been considered in the development of this Plan.

Section 2 Financial Principles and Financial Planning Framework

Introduction

- 2.1 In preparing a Medium-Term Financial Plan, it is first important to establish the key financial principles on which the Plan will be based, and to put in place a financial planning framework which will provide the guidelines for the annual budget setting process.

Financial Principles

- 2.2 This Plan will be based on the overriding principle of **Value for Money**.
- 2.3 Achieving value for the money that the Council receives from local taxpayers via the Town Council Tax, and subsequently spends on local services, is one of the Council's highest priorities. The Council is committed to the achievement of year-on-year efficiency savings and will work hard to keep future council tax increases to a minimum, despite the current economic difficulties and uncertainty and the impact on the Council's budgets and finances.
- 2.4 This will be achieved by regularly reviewing services and monitoring performance to ensure that services continue to be needed and used and are well managed and cost effective, regularly testing the market, undertaking internal and external audit, and ensuring that all Members and staff are aware of and committed to achieving value for money. The Council will also ensure that public money is spent in consultation with the local community and that resources are invested in line with taxpayer priorities going forward.
- 2.5 In order to ensure this, the following set of financial principles will be put in place for the period of this Medium-Term Financial Plan:-
- ❑ **a strong financial strategy** that enables the Council to take a long-term view of its finances and assets, achieving greater stability and enhancing its ability to be proactive and have the capacity to take advantage of any opportunities and contend with any challenges that may arise;
 - ❑ **a level of spending that is affordable and sustainable** in the long term and which supports the effective delivery of services in line with strategic aims and the needs and priorities of the community;
 - ❑ **a prudent but realistic assessment of future revenue spending commitments, capital investment requirements, income levels, council tax base movement, and external grant funding;**
 - ❑ **a strong culture of financial management** where continuous improvement and a drive for more economic, efficient and effective ways of working and use of resources is undertaken;
 - ❑ **a prudent level of balances and reserves** that protects the Council against unforeseen budget pressures, provides sufficient resources to finance future capital investment commitments and enables the Council to be proactive and take advantage of any opportunities that may arise;
 - ❑ **an effective and responsive finance service**, which provides sound and timely financial information and advice to Members and officers.

Financial Planning Framework

- 2.6** The financial planning framework provides the overarching guidelines for the development of the Medium-Term Financial Plan and the setting of the annual Revenue and Capital Budgets.
- 2.7** The financial planning framework is based on the key financial principles set out above and will be updated on an annual basis.
- 2.8** The financial planning framework is set out below:-
- ❑ A Revenue and Capital Budget will be produced annually;
 - ❑ The Revenue and Capital Budget will be developed in accordance with this financial planning framework and the key principles and assumptions set out in the Medium-Term Financial Plan;
 - ❑ In allocating resources to services, priority will be given to those areas of spending that contribute to the achievement of the Council's strategic aims and targets, or which clearly meet community needs and priorities;
 - ❑ Budgets will be prepared on the basis of a commitment to the achievement of year-on-year efficiency savings;
 - ❑ Budget resources will be redirected from low priority to high priority service areas as and when necessary;
 - ❑ Additional budget to meet new statutory requirements and unavoidable budget growth e.g. inflation and changes in demand, will be clearly identified and fully evidenced;
 - ❑ All other requests for additional revenue budget resources and investment in services will need to be fully justified and evidenced and will be subject to an appraisal process when setting the budget, with no guarantee that they will be incorporated, due to the difficult financial situation faced;
 - ❑ An annual review of budgeted expenditure and income targets in respect of all service areas will be undertaken, using the principles of zero-based budgeting, in order to identify efficiency savings to help balance the budget;
 - ❑ The financial implications of the recommendations from any completed service reviews will be incorporated into the annual Revenue and Capital Budget;
 - ❑ The Capital Programme Budget will be developed with priority given to those projects identified within and that contribute to the delivery of the Council's approved Asset Management Plan;
 - ❑ All other Capital Programme Budget bids will need to be fully justified and evidenced and will be subject to an appraisal process when setting the budget, with no guarantee that they will be incorporated, due to the difficult financial situation faced;
 - ❑ Council balances and reserves will be maintained and replenished to prudent levels to protect the Council against any unforeseen budget pressures and liabilities, and provide resources to finance future year's capital investment commitments as set out in the Asset Management Plan;
 - ❑ Annual budget consultation will be undertaken, and feedback will be taken into consideration by the Council in the setting of the Revenue and Capital Budgets.

Section 3 National Issues

Introduction

- 3.1** The development of the Council's Medium-Term Financial Plan must take place within the context of the national economic, political, demographic, and legislative situation.
- 3.2** This section of the Plan outlines in more detail the main national issues that are likely to affect the Council over the next five years and which will need to be considered in the Council's financial planning.

National Economic Situation

- 3.3** The Coronavirus pandemic in 2020 and 2021 had a significant impact on the UK economy with vast sums of money being spent by the Government supporting businesses and protecting jobs, reduced tax receipts, and an increased benefits bill, all of which have substantially increased the national debt.
- 3.4** There have been further impacts from shortages of goods and materials, staff shortages and difficulties recruiting workers.
- 3.5** Following on from that, the war in Ukraine caused significant further economic difficulties and this, combined with issues relating to Brexit and the pandemic, combined to cause the cost-of-living crisis in 2022 and 2023 with inflation increasing to levels not seen since the 1970's, driven by substantial increases in oil, gas, electricity and food costs.
- 3.6** This all came at an unprecedented cost to the country and has resulted in reduced consumer and business confidence, the economy briefly entering recession, substantial increases in public borrowing and the national budget deficit i.e. the gap between what the government spends and how much money is coming in to pay for this.
- 3.7** The recent General Election has also seen a new Labour Government come into power with a number of manifesto promises and spending pledges all of which will require funding. This may lead to the new Government needing to cut public spending in other areas to meet these commitments and reduce the national budget deficit, or to raise taxes and increase borrowing which could have economic impacts.
- 3.8** The rate of inflation is currently running at 2.2%, having reduced from the high of 11.1% seen in October 2022. However there remains a risk of further inflationary pressures, and above inflation increases in prices are continuing to be experienced across many areas of expenditure. In addition gas, electricity and fuel costs remain subject to volatility and are still well above pre-cost-of-living crisis levels.
- 3.9** Interest rates remain high as the Bank of England seeks to control inflation with the Base Rate currently standing at 5%. Whilst this will bring difficulties to mortgagees and those with outstanding debt, there is a benefit to the Council in relation to the interest receivable on its invested balances and reserves.

- 3.10** Economic issues could therefore have a significant impact upon the Council's financial planning over the next five years and the potential financial impact of the relevant economic issues is considered in more detail in the key financial assumptions set out in Section 7 of the Plan.

Future Government Spending Reviews and Local Government Finance Settlements

- 3.11** Predicting the outcome of future Government spending reviews and Local Government Finance Settlements is almost impossible at the present time, with much dependent upon how the new Government chooses to proceed with and fund its manifesto commitments, and how it chooses to address the financial impacts of the economic difficulties, national budget deficit, and high levels of public sector debt.
- 3.12** Much will depend on how quickly the UK economy returns to sustained growth and the fiscal policy and spending priorities of the new government.
- 3.13** There has been no specific indication or commitment from the new Labour Government towards additional funding for local government although the Labour Manifesto did pledge to provide 'greater stability in local government funding via a multi-year funding settlement', 'ending wasteful competitive bidding', 'providing capacity and support to councils', and 'overhauling the local audit system, so taxpayers get better value for money'.
- 3.14** It remains to be seen how these commitments influence the first Budget in the Autumn and the first Spending Reviews and Local Government Finance Settlements towards the end of the year.
- 3.15** Local government finance settlements are set out in the Government's Comprehensive Spending Review (CSR) which normally covers a four-year period. The current Spending Review (SR21) identified departmental budgets up to 2024/25, with the current Settlement covering only one year.
- 3.16** The Labour Government has committed to a 'multi-year funding settlement' but how quickly this can be implemented is currently unclear.
- 3.17** Government funding reductions for local government over the last ten years have already resulted in the Government Revenue Support Grant for principal authorities being largely phased out.
- 3.18** The previous Government had been undertaking a 'Fair Funding Review' of the relative needs and resources of local authorities and the formula for the distribution of resources to local government. It was intended that this review would inform the next Comprehensive Spending Review.
- 3.19** However, the Fair Funding Review was delayed twice, the first time due to Brexit and the second time as a result of the Coronavirus pandemic.
- 3.20** There were no proposals within the Fair Funding Review for town and parish councils to receive any grant funding or a share of business rates.
- 3.21** It is unclear whether the new Labour Government will want to resurrect this review or whether it has any plans to undertake any reform of the council tax system or the revaluation of council tax property valuation bands.

- 3.22** For the purposes of this MTFP it has therefore been assumed that there will be no changes to the funding of town and parish councils or the council tax system over the life of this Plan.
- 3.23** Clearly the Government's previous Comprehensive Spending Reviews have had a significant impact on principal councils, such as Durham County Council, who have faced substantial cuts to their funding in recent years.
- 3.24** Further cuts in the coming years cannot be ruled out, especially following the funding which has been injected into the economy to protect jobs and livelihoods as a result of the Coronavirus pandemic and to ease the pain of the cost-of-living crisis, and the additional funding that will be required to meet the new government's various manifesto pledges.
- 3.25** There may be implications for the Town Council as a result of any further financial pressures or spending cuts faced by Durham County Council.
- 3.26** These issues are discussed in more detail in the Section 4 of the Plan which covers 'Local Issues'.

Local Council Tax Reduction Scheme Grant

- 3.27** The Town Council had, up until April 2013, been relatively sheltered from the public sector spending cuts, in that it had been in the fortuitous position of not being reliant on any funding from the Government in order to finance the services that it provides.
- 3.28** However, this situation changed following the localisation of support for council tax by the Government back in April 2013. These legislative changes around the council tax benefits system left the Council reliant on Government funding for the first time.
- 3.29** The Welfare Reform Act 2012 abolished the national council tax benefits system with effect from 1st April 2013, paving the way for the implementation of new Local Council Tax Support Schemes (LCTSS) by council tax billing authorities.
- 3.30** Previously, council tax benefits were administered centrally by the Government and paid to principal councils via a subsidy system. However, the new LCTSS schemes are based around a discount on the council tax bill rather than a cash payment and this had the impact of reducing the Council Tax Base and therefore the tax raising capacity of all local authorities, including town and parish councils.
- 3.31** The Government provided funding for LCTSS within the Local Government Grant Settlement, and a proportion of this funding was specifically set aside for town and parish councils to offset the losses faced from these reductions in tax raising capacity.
- 3.32** The Government has stated that it 'expects' billing authorities to pass down an appropriate proportion of their grant settlements to town and parish councils to offset the impact of LCTSS each year.

- 3.33** Durham County Council has developed a LCTSS that provides full protection to existing claimants of council tax benefits and that ensures that no claimant is worse off under the new scheme. This commitment has been reaffirmed by the Council each year and confirmed for 2024/25.
- 3.34** However, this did not help the town and parish councils in County Durham, who still faced a shortfall from the reduction in their own Council Tax Bases. This is because the funding provided by the Government and passed on by Durham County Council did not offset, in full, the loss in tax raising capacity faced by those councils.
- 3.35** The actual impact varies by council depending upon a number of factors, including benefits caseload and numbers of empty properties. However, most town and parish councils have been left facing losses, firstly because of the overall shortfall and subsequent cuts in the LCTSS funding, and also because of the fact that a large proportion of County Durham is unparished.
- 3.36** The initial impact of LCTSS on the Town Council in 2013/14 was a total loss in its tax raising capacity of £352,800. This was largely offset by the LCTSS Grant set aside by the Government as applicable to the Council, and passed on, in full, by Durham County Council, of £296,150. The resulting shortfall of £56,650 was funded from savings.
- 3.37** Between 2013/14 and 2020/21 Durham County Council reduced the LCTSS funding proportionately each year in line with the cuts made to their overall grant settlement by the Government. This saw the Council's Local Council Tax Reduction Scheme Grant cut by £131,150 or 44% over the eight years between 2013/14 and 2020/21.
- 3.38** Between 2021/12 and 2023/24, the LCTSS Grant actually increased from £165,000 to £204,900. This was largely due to the fact that Durham County Council no longer receives Revenue Support Grant from the Government and the remaining LCTSS Grant was therefore linked to Durham County Council's Business Rates Settlement and being increased by inflation each year.
- 3.39** However, Durham County Council made the decision with effect from the 2024/25 year to begin to phase out the LCTSS Grant.
- 3.40** It was originally advised that Durham County Council were seeking to reduce the LCTSS funding by 50% phased over two years. However following a consultation exercise, and significant opposition to the plans from many town and parish councils, it was subsequently agreed to phase the 50% reduction over 3 years.
- 3.41** This resulted in a 16% cut to the LCTSS Grant for the 2024/25 financial year from £204,911 to £172,177. Further cuts have been confirmed for 2025/26 and 2026/27 which will see the Council's LCTSS Grant cut to £140,200 in 2025/26 and then £108,200 in 2026/27, a total cut of £96,711 or 47% (the final allocations for 2026/27 and 2027/28 have yet to be provided by Durham County Council).
- 3.42** Whilst Durham County Council have advised that there are no current plans to reduce the grant further in 2027/28 and 2028/29, for the purposes of this MTFP it has been assumed that a further 10% cut per year will be made in 2027/28 and 2028/29.

- 3.43 This issue will be an ongoing concern as the Council remains dependent on Durham County Council's continued willingness to pass this funding on, particularly bearing in mind the financial pressure it will be under in the coming years and the fact that there is currently no statutory obligation to pass the funding on.
- 3.44 This has made the outcome of future Comprehensive Spending Reviews and Local Government Finance Settlements of increased relevance and importance to the Council in terms of the future payment of this funding.
- 3.45 The likely future financial impact of the above issue is discussed in more detail in the Revenue and Capital Programme Budget Forecast which is set out in Section 8 of the Plan.

Referendums to Veto Excessive Council Tax Increases

- 3.46 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.
- 3.47 These powers replaced the previous council tax capping powers available to the government.
- 3.48 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.
- 3.49 Any increase above these limits would still be subject to a referendum with local taxpayers.
- 3.50 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.
- 3.51 The previous government indicated that it will be keeping a watching brief over Town and Parish Council Precept increases and keeping the situation under review. There is currently no indication of the new Labour Government's views on this issue.
- 3.52 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.
- 3.53 The Council has taken advantage of this flexibility in a number of years, most notably in 2023/24 and 2024/25 to offset the financial impact of the cost-of-living crisis when pay awards and inflation were running at extraordinarily high levels and the reduction in LCTRS by Durham County Council.

- 3.54** There is currently no indication of the new Government's intentions with regard to town and parish council referendum limits for the period 2025/26 onwards.
- 3.55** It has been assumed for the purposes of this Plan that referendum principles *will not* be applied to town and parish councils with effect from 2025/26, and that the Council will free to increase in the Town Council Tax by as much as it needs to help offset the financial pressures created by the cost-of-living crisis and the decision by Durham County Council to reduce the Local Council Tax Support Grant paid to town and parish councils.
- 3.56** Clearly, there would be further implications for the Council if the referendum limit was implemented by the Government for town and parish councils at any stage from the 2025/26 financial year onwards.
- 3.57** This eventuality is considered in the Revenue Budget Forecast set out in Section 8 of the Plan, and the savings target that would be required to limit the increase to 3%, 2% or to freeze the council tax has been included in the projections for 2025/26 onwards.

External Audit Arrangements

- 3.58** The Local Audit and Accountability Act 2014 and Accounts and Audit Regulations 2015 set out the statutory provisions regarding the Council's external audit arrangements.
- 3.59** Under the Accounts and Audit Regulations 2015, the Council is classified as being a "smaller relevant body", defined as being a public sector body with an annual income or expenditure of less than £6.5 million.
- 3.60** Smaller relevant bodies are required by the regulations to prepare accounts and governance statements via the completion of an 'Annual Governance and Accountability Return' and are subject to the 'limited assurance' audit regime.
- 3.61** The external audit fee for a limited assurance audit was set by Smaller Authorities Audit Appointments Limited at £3,360 per year for the period up to 2026/27, and this level of fee, with a small contingency on top, has continued to be provided for in the Revenue Budget Forecast in Section 8 of the Plan.

Localism Act 2011

- 3.62** The Localism Act came into force in 2011 and contained a package of reforms to devolve greater powers, responsibilities and freedoms to local councils, community organisations, neighbourhoods and individuals.
- 3.63** The four main measures of the Localism Act are:-
- new freedoms and flexibilities for local government;
 - new rights and powers for communities and individuals;
 - reforms to make the planning system more effective; and
 - reforms to ensure that decisions about housing are taken locally.
- 3.64** The key measure for local councils is the freedom to act in the interest of local communities through the 'General Power of Competence'.

- 3.65** This power gives local authorities the legal capacity to ‘do anything that an individual can do’, rather than relying on specific powers. This power applies as long as the action is not specifically prohibited by legislation.
- 3.66** However, it is important to note that the power does *not* raise money.
- 3.67** Town and parish councils qualify for the General Power of Competence if they meet certain criteria. The Council adopted this power at the Annual General Meeting following the last elections. In theory this power will increase the Council’s ability in future years to be creative and innovative in meeting the needs of the local community should the operational capacity and financial resources be available to do so.
- 3.68** The Act has also introduced greater powers for local people and community organisations to hold the Council to account including:-
- a right to challenge to take over services;
 - a right to bid for assets of community value;
 - a right to veto excessive council tax increases; and
 - increased transparency over public sector data.
- 3.69** The right to challenge to take over services or bid for assets could strengthen the Council’s ability to request to take over services from Durham County Council should it wish to do so, and should the resources be available. The previous Government launched a Community Ownership Fund offering funds to local community organisations, including town and parish councils who might wish to step in and take over any community assets at risk of being lost.
- 3.70** However, the above powers do *not* currently apply to town and parish councils in relation to allowing local community organisations to approach the Town Council with a view to taking over *its* services or assets.
- 3.71** In addition, as already highlighted in paragraphs 3.46 to 3.57, the Council could also be required by local taxpayers, in future years, to hold a referendum to veto an excessive council tax increase.
- 3.72** There has also been an increasing drive towards improving transparency in the public sector, and the Openness of Local Government Regulations and Local Government Transparency Code require the Council to publish specific information, including certain decisions taken by officers of the Council, expenditure over £500, senior officer pay, and details of council owned land. The Council already publishes all of this information on its website.
- 3.73** The final area of the Localism Act that has an impact on the Council are the reforms of the planning system which are intended to provide more local control over planning decisions and make the planning system more democratic and effective.
- 3.74** The Act introduced a new right for communities to draw up a ‘neighbourhood plan’ which allows residents, employees, and businesses, to come together, through the Town Council if they wish, and have a say in terms of where they think new houses, businesses and shops should go, and what they should look like.

- 3.75** Local communities are able to use neighbourhood planning to grant full or outline planning permission in areas where they most want to see new homes and businesses, making it easier and quicker for development to go ahead.
- 3.76** The Council agreed in 2013 that it would help facilitate a Neighbourhood Plan for the Great Aycliffe area and put in place an Earmarked Revenue Reserve to fund the costs associated with the development of the plan.
- 3.77** The Great Aycliffe Neighbourhood Plan was adopted following a successful referendum with the residents of Great Aycliffe on 22nd June 2017, when an overwhelming majority of 91.2% voted to adopt the plan.
- 3.78** The Neighbourhood Plan provides planning policies for the Great Aycliffe Parish, as developed and agreed by the local community, covering a forward-looking period of fourteen years, and must now be considered by the planning authority; Durham County Council as a supplementary planning document.
- 3.79** There may also be a future financial benefit from having in place an adopted neighbourhood plan, as the Government's Housing and Planning Act includes the requirement that local councils will receive a share of up to 25% of any Community Infrastructure Levy (CIL) monies relating to development in the Parish. Although the County Durham Plan approved in 2020 does not make provision for CIL to be charged on new housing developments, it instead relies on Section 106 Agreements – developer contributions intended to mitigate the impact of a development proposal through the provision of affordable housing or other specific items of infrastructure, such as a new road.
- 3.80** In overall terms, many of the principles of the Localism Act promote building on the capacity of town councils and increasing their role in local government through decentralisation, though it does not bring with it any additional revenue income or tax raising capacity.
- 3.81** Depending on the resources available, this could result in functions, duties and services being devolved to the Council in the future. It is also likely to see the Council having a greater role to play in working in partnership with local community and voluntary organisations to improve local services.
- 3.82** The new Labour Government has also made it clear in its manifesto its commitment to devolution and that it will transfer power out of Westminster, and into communities, with landmark devolution legislation to take back control. Further information on these plans is awaited.

Demographic Issues

- 3.83** The Medium-Term Financial Plan will also need to take into consideration any demographic issues that may affect the Council's financial planning, such as the aging population, levels of unemployment, health issues, benefits dependency, and deprivation.
- 3.84** All of these issues could impact upon demand for particular services and events, for example the senior citizens' trips, and on income levels in respect of services such as the sports complex, golf complex and cemeteries.

Section 4 Local Issues

Introduction

- 4.1** As well as considering national, political, legislative, economic, and demographic issues, it is also important that the Council's medium- term financial planning process takes into account any local issues specifically relevant to the Great Aycliffe Parish.
- 4.2** The following section of the Plan provides details of local issues currently affecting Great Aycliffe, focussing particularly on issues relating to Durham County Council, and on the Council's strategic aims and targets. Section 5 of the Plan then looks at community priorities.

Durham County Council

- 4.3** The Government's Comprehensive Spending Reviews since 2010 have resulted in substantial reductions in grant funding for Durham County Council.
- 4.4** This has resulted in many services being cut or ceased and has brought with it a significant number of job losses.
- 4.5** There is significant uncertainty over the resources that will be available to Durham County Council over the medium to longer term due to the delayed Fair Funding Review and Comprehensive Spending Review. The Coronavirus pandemic and cost-of-living crisis have also brought substantial financial challenges and budget pressures to the County Council, who are facing a very difficult task in balancing their budget.
- 4.6** The implementation of renewed public sector spending cuts by the new Labour Government, whilst considered unlikely, remains a possibility and this could bring with it further cuts to the County Council's grant funding and a worsening of their financial situation.
- 4.7** A significant deterioration in the financial situation facing Durham County Council could impact upon the Town Council, in a number of ways:-
- Further cuts to the Council Tax Support Grant funding, which is currently paid to town and parish councils, on top of the agreed reduction in the grant by 50% phased over three years;
 - Cuts could be made to pre-school funding;
 - The Council could receive requests for financial support from community and voluntary organisations whose funding has been reduced or cut altogether by the County Council;
 - Requests may be received from the County Council for the Town Council to consider taking on services or to undertake joint working;
 - There may also be occasions where the Council may wish to step in to safeguard local services and facilities at risk of being cut or ceased by the County Council.
- 4.8** The issue of the Council Tax Support Grant funding was discussed in detail in Section 3 of the Plan, including the agreed proposal from Durham County Council to reduce the grant paid to town and parish councils by 50% phased over three years.

- 4.9** The Council is likely to continue to receive pre-school funding from the County Council over the coming years as this funding is currently ring-fenced by the Government and is passed on by Durham County Council Education Department in full.
- 4.10** The Council continues to receive requests for financial support from community and voluntary organisations impacted by the economic difficulties and these requests are only likely to increase. However, the Town Council is limited as to how much assistance it can provide from its current donations budget.
- 4.11** The Council has worked closely with Durham County Council in discussing opportunities for joint working or devolvement of services. These discussions have, up to now, been based on the principle that the initiative should be beneficial to both councils and will not result in any significant additional financial liability to the Town Council.
- 4.12** To date these discussions have led to a joint working initiative on winter maintenance and the agreement of a licence for the Council to undertake the maintenance and improvement of a number of County Council environmental areas. Both of these initiatives are being undertaken within existing staffing structures and budgets and have not resulted in any significant additional financial liability to the Council.
- 4.13** For the purposes of this Plan it has been assumed that any further joint working or taking on of services will only be undertaken if there is no additional cost to the Town Council and as such no additional budget will be assumed in the Revenue and Capital Budget Forecast.
- 4.14** The Council has also worked with the County Council to access services such as vehicle maintenance as well as professional officer support and advice on issues such as procurement, energy management and health and safety, all which are chargeable to the Council under a service level agreement.
- 4.15** Finally, the Council has been keen to explore possible funding opportunities with the County Council. In recent years significant capital funding has been secured from Section 106 Agreement monies and Neighbourhood Budget grants from the Great Aycliffe and Middridge Area Action Partnership (GAMP).
- 4.16** Over the years, this has helped fund a toddlers' play area and skate park extension in the Town Park, the planting of woodland in Woodham Burn, improvements at West Park, a BMX track at Woodham, a scoot track at Horndale Park and a multi-use games area at Moore Lane, a replacement junior play area at Aycliffe Village, a major new park development at Cobblers Hall, and, most recently an extension to St Oswald's Pre-School, installation of a footpath to Aycliffe Village Play Area, improvement works at Aycliffe Nature Park, refurbishment of Byerley Park play area, public seating, bridge repairs, and tree planting.
- 4.17** The Council will continue to actively seek further funding but for the purposes of this Plan only funding that has already been confirmed will be included in the Revenue and Capital Budget Forecast.
- 4.18** Durham County Council continues to consult with all key stakeholders on all relevant issues including service reviews, partnership working, policy reviews and devolvement of services. The Council has been participating in these consultations where relevant and will continue to do so.

Great Aycliffe Parish Plan

- 4.19** Parish Plans are designed to assist communities to set out their vision for the area they live in, and to identify the actions required by the local council to help them to achieve this vision.
- 4.20** The Great Aycliffe Parish Plan was developed in 2006 following a report from the Society of Local Authority Chief Executives that recommended that the Council *“should define and articulate clearly its vision and key priorities in order to reflect the aspirations of the community of Great Aycliffe”*.
- 4.21** This report also recommended that the Council *“develop longer term service and budget planning arrangements informing the development of a future financial planning framework”*. This led to the development of the first MTFP back in 2007.
- 4.22** The Parish Plan was produced following extensive consultation with the community of Great Aycliffe, and as part of this process an overall vision for the Council was developed, supported by strategic aims and targets that would enable the vision to be achieved.

Council Vision and Strategic Aims

- 4.23** Following the parish planning process the Council adopted an overall vision or mission statement to be *“a quality Council, working in partnership, listening to and speaking up for the community, to bring excellent services to Great Aycliffe.”*

This vision was updated in 2015, following a review as part of the neighbourhood planning process to be:-

“A pro-active and responsive Council, working in partnership, listening to and speaking up for the community, contributing towards making Great Aycliffe an excellent place in which to live for all its residents.”

The Council has also set eight strategic aims to support the delivery of this overall vision. These aims are detailed below:-

1. *To provide good quality governance and management of the Council;*
2. *To manage the Council’s finances and assets in a responsible manner;*
3. *To provide accessible, affordable leisure facilities and opportunities;*
4. *To provide pre-school education as appropriate in Great Aycliffe;*
5. *To contribute to the environmental improvement of Aycliffe by managing and developing parks, play areas and green spaces;*
6. *To help and encourage partnership working to improve services and facilities for the residents of Great Aycliffe;*
7. *To encourage the residents of Great Aycliffe to become involved in local democracy; and*
8. *To research information and make the case for Great Aycliffe.*

Town Council Service Delivery Plan

- 4.24** The Parish Plan was subsequently amalgamated with the Council's Best Value Performance Plan, following the end of the best value regime, and renamed the Parish Performance Plan. This Plan was then updated on an annual basis and set out the Council's performance and progress each year in achieving its strategic aims.
- 4.25** Following a review of the Council's performance management framework and strategic planning process in 2015, a decision was taken to replace the Parish Performance Plan, with effect from the 2015/16 financial year, with a new Service Delivery Plan.
- 4.26** The Service Delivery Plan focusses more on the services which are provided for the community of Great Aycliffe by the Town Council and how the Council meets the needs and priorities of the community. The Plan also incorporates a revised Performance Management Framework which provides for more robust setting, monitoring and review of strategic aims and targets by the Council.
- 4.27** In order to help successfully demonstrate the delivery of the Service Delivery Plan, each strategic aim is supported by a number of annual targets which are set out in an Aims and Targets Action Plan. It is ensured that each target is 'smart' i.e. specific, measurable, achievable, relevant and time bound, and targets are monitored throughout the year by officers, and are appraised by the Council's Policy and Resources Committee.
- 4.28** The Aims and Targets Action Plan effectively identifies the key areas that the Council needs to focus on each year in pursuit of the achievement of its strategic aims and sets 'smart' targets to guide the Council's programme of work and its financial planning for the year.
- 4.29** The update of the Service Delivery Plan at the beginning of each year includes a review of the Action Plan and the current status of each target in terms of progress towards completion. Any completed targets are removed from the following year's Plan and new targets are regularly added.
- 4.30** This review process helps ensure that the Council makes continuous progress towards the achievement of its strategic aims and in 2022/23 most targets were either achieved or ongoing and carried forward to 2023/24. **A copy of the Council's aims and targets for 2024/25 is attached at Appendix E.**
- 4.31** In addition to the strategic aims and targets, the Council has also embedded important crosscutting themes across all service areas, and these have now been incorporated into all corporate and service planning decisions taken by the Council's three major Committees and all Sub-Committees. These crosscutting themes are as follows:
- Policy Implications
 - Staffing Implications
 - Financial Implications
 - Risk Assessment
 - General Data Protection Regulation Implications
 - Crime and Disorder Implications
 - Equal Opportunities
 - Environmental and Climate Change Implications

Section 5 Community Priorities

Introduction

- 5.1** The Council's 2024/25 Service Delivery Plan sets the Council's strategic aims and targets for the coming year. However, it is also important that the views of the local community are regularly sought and assessed by the Council.
- 5.2** Consultation is undertaken with the community, service users and local taxpayers in a variety of ways including:-
- the 'Your Parish, Your Choice, Your Voice' Satisfaction Survey which is undertaken every three to five years (the most recent survey was undertaken in 2024);
 - the neighbourhood plan consultation process;
 - service specific surveys such as the annual allotments and senior citizens' trips surveys;
 - project specific surveys such as play area surveys etc; and
 - the annual budget consultation.
- 5.3** Such consultations allows the views of the community and local taxpayers to be sought and then used to inform future decisions around allocation of resources, investment in services, and where any required efficiency savings should be targeted over the life of the Plan.
- 5.4** Feedback from previous consultations, and in particular the results of the Resident Satisfaction Survey and annual budget consultation, have already been used to inform the Council's financial planning and have been considered in the setting of the Council's Revenue and Capital Budgets in previous years.

Your Parish, Your Choice, Your Voice Satisfaction Survey

- 5.5** A comprehensive consultation exercise was undertaken with the local community earlier this year (Spring 2024) via the launch and issue of the 'Your Parish, Your Choice, Your Voice Satisfaction Survey'.
- 5.6** This survey asked a number of questions relating to satisfaction with the various services provided by the Council, value for money, community involvement and priorities for investment and disinvestment, seeking to establish the priorities of the local community for the future.
- 5.7** The survey received a total of 104 responses.
- 5.8** The key financial question asked in this year's Your Parish, Your Voice, Your Choice Survey related to the Town Council proportion of the council tax and whether council taxpayers felt that this provided value for money for the services provided.
- 5.9** **A total of 71% of respondents consider that the Town Council Tax represents value for money.** This was a pleasing response, and while down on the figure from the previous survey in 2019, demonstrates that the vast majority of council taxpayers believe that the Town Council delivers value for money services to the local community. The fall in satisfaction follows national trends and has probably been influenced by the national economic downturn and cost-of-living crisis.

2024/25 Budget Consultation Survey Results

5.9 A budget consultation is also undertaken every year prior to the setting of the annual budget. This helps provide specific feedback on the Council’s annual budget proposals and was into account by the Council during the setting of the 2024/25 Revenue and Capital Budget.

5.10 A survey was also undertaken as part of the 2024/25 budget setting process with the following key results:-

1. Does the Town Council Tax provide value for money?

Yes	60	93.80%
No	4	6.20%

2. Looking ahead to next year (2024/25), all things considered, are you in support of the proposed increase in the Town Council Tax (equating to £4.85 per year to £0.40 per month at Council Tax Band A)?

Yes	59	92.20%
No	5	7.80%

3. In respect of the cut to Local Council Tax Reduction Scheme Grant by Durham County Council in 2024/25, are you in support of the proposed additional increase in the Town Council Tax to offset this; equating to an additional £3.16 per year or £0.27 per month at Council Tax Band A?

Yes	59	92.2%
No	5	7.8%

5.11 The survey also asked respondents to rank the services most important to them i.e. where service delivery should be continued, budget cuts avoided, and future investment targeted. The top ten priority service areas from the survey were as follows:-

Top 10 Most Important Services in Priority Order

Service Area	Votes
Environment, Nature Parks and Open Space	55
Parks and Play Areas	51
Cemeteries	47
Fun in the Parks	47
Santa Tours	47
Fireworks Display	45
Senior Citizens' Trips	45
Litter and Dog Bins	42
Allotments	41
Christmas Lights	40

- 5.12** As in previous years, the top priority Town Council services for local taxpayers are environment and open spaces and parks and play areas.
- 5.13** These are areas in which the Council has invested very heavily in recent years.
- 5.14** Environment related investment has included significant tree planting initiatives across the parish, creation of wildflower meadows, and the management of environmental areas under a service level agreement with Durham County Council.
- 5.15** Parks and play area investment over the last ten years has included the development of a new park, play area and multi-use games area at Cobblers Hall, installation of upgraded play equipment at West Park, Aycliffe Village, Byerley Park, Horndale and Woodham, a replacement skate park in the Town Park, multi-use games areas at Moore Lane and Horndale, and a scoot track at Horndale Park.
- 5.16** The next highest priority from the survey were the cemeteries which are a highly valued service which have been subject to significant investment in recent years to improve drainage. The Council is also investigating the feasibility of developing a woodland burial site.
- 5.17** Community events including Fun in the Parks, Santa Tours, Christmas Lights, Fireworks Display and Senior Citizens Trips also feature highly amongst priorities and are another key service area in which the Council has protected and increased budgets in recent years.
- 5.18** The other top priorities identified in the survey were the litter and dog bins and the allotments.
- 5.19** The Council makes regular capital investment on the replacement of litter and dog bins. However, there are limitations as to how much more the Council can invest in these areas, as it is restricted to Council owned and leased land, and whether Durham County Council has the staffing capacity to actually empty any additional bins.
- 5.20** The allotments is another service area that the Council makes regular investment in, improving drainage and replacing and repairing footpaths and fencing. The Council has also recently supported Great Aycliffe Garden Guild in setting up a Garden Guild at Clarence Chare Allotments.
- 5.21** Every effort will be made to continue to invest in community priorities over the period of this MTFP. However, there will be limitations on any additional investment due to the inflationary pressures on the Revenue Budget, falling balances, reduced availability of external grant funding, increases in staffing costs linked to the National Living Wage, and the need to keep future council tax increases as low as possible.
- 5.22** However, this information will also be useful in highlighting the services that are most important to council taxpayers, and which should be protected from budget cuts, should revenue and capital spending need to be reduced in the future.

- 5.23** The budget survey also asked respondents to rank the services most important to them i.e. where budget cuts, if they are required in the future, should be targeted. The lower priority services which attracted the highest number of votes were as follows:-

Top 10 Least Important Services in Priority Order

Service Area	Votes
Senior Citizens' Trips	11
Civic Events and Office of Town Mayor	11
Councillors	10
Oakleaf Golf Course and Driving Range	9
Large Community Events such as the Big Brass Bash	9
Fireworks Display	8
Flower Beds	7
Fun in the Parks	7
Corporate Management and Administration	6
St Oswald's Pre-School	4

- 5.24** This would suggest that these are the service areas that are least important to council taxpayers and where spending reductions, if required in the future, should be targeted.
- 5.25** There is some overlap here with services that also featured in the most important services list in relation to community events such as the Senior Citizens' Trips, Fireworks Display, and Fun in the Parks. This highlights that community priorities can vary and depend very much on the demographic of the responders and which services they actually use.
- 5.26** Other services identified as lower priorities amongst local taxpayers included Civic Events and the Office of Mayor, Councillors, Corporate Management and Administration and Oak Leaf Golf Complex.
- 5.27** The Councillors and Corporate and Administration Budgets will always be low on the list of priorities for the local community as there is no direct and tangible benefit to the community from these budgets, even though they are critical to the efficient and effective running of the Council.
- 5.28** The Golf Complex Budget is similar in many ways to the event budgets in that the service is valued by members and users of the facility but less so by those who do not play golf.
- 5.29** The Council has already reduced spending in some of these service areas over recent years. A service review of the golf complex has recently been completed, along with the development of a Service Plan and Long-Term Improvement and Investment Plan.
- 5.30** However, it is important to reiterate that 71% of Your Parish, Your Voice, Your Choice Survey Respondents believed that the level of council tax paid to the Town Council represents value for money (rising to 94% on the annual budget survey), which would suggest that the majority of taxpayers *do not* wish to see the Council cut services, if at all possible.

Section 6 Key Financial Influences and Challenges

6.1 This Medium-Term Financial Plan will need to address the following key financial influences and challenges:-

- ❑ **the economic climate and Government spending and taxation plans** e.g. possible public sector spending cuts, inflation, interest rates and reduced consumer spending power;
- ❑ **the 50% cut to the Council Tax Support Grant funding** (phased over three years) on which the Council Revenue Budget is reliant;
- ❑ **significant likely increases in the National Living Wage, and its subsequent impact on the local government pay scale, and union pressure for public sector pay to keep pace with inflation;**
- ❑ **the risk of council tax referendum principles being extended to town and parish councils, with effect from 2025/26;**
- ❑ **the implications of any new spending cuts made by Durham County Council,** which could result in increasing pressure to take over local services which have been reduced or withdrawn by the county council;
- ❑ **increased requests for financial assistance from community and voluntary organisations;**
- ❑ **ensuring the funding of existing service requirements;**
- ❑ **delivering the Council's strategic aims and targets;**
- ❑ **meeting the needs and priorities of the local community, service users and taxpayers;**
- ❑ **funding any new statutory requirements and any planned investment in existing services or new initiatives;**
- ❑ **delivering value for money and ensuring the achievement of year-on-year efficiency savings;**
- ❑ **minimising future increases in the Town Council Tax;**
- ❑ **working within the limited resources available and deciding how the Council's spending will be prioritised** in the event of limited resources being available;
- ❑ **providing for the significant future capital investment commitments facing the Council and ensuring the delivery of the Asset Management Plan;**
- ❑ **maintaining a prudent level of balances and reserves, whilst meeting the cost of this capital investment, as well as the likelihood of reduced savings and top-up of reserves from the Revenue Budget.**

6.2 Many of these key financial influences and challenges are linked to the national economic situation, with particular budget pressure being caused by stubbornly high inflation in some areas of expenditure, the likelihood of increases in staffing costs over the coming years linked to above inflation increases in the National Living Wage, and impacts on usage and income of services linked to reduced consumer spending power. These were discussed in Section 3 of the Plan.

- 6.3** The Council relies heavily upon the Precept and therefore the Town Council Tax to fund the services it provides and is limited in its ability to raise additional funds, other than through the Precept and Council Tax.
- 6.4** In addition, the localisation of support for council tax has left the Council in a position whereby it is reliant on an external Council Tax Support Grant funding totalling £172,177 per year to support its Revenue Budget. Durham County Council have confirmed that they will reduce this grant by 50% phased equally over three years from 2024/25 to 2026/27 (final figures for 2025/26 and 2026/27 have yet to be confirmed). This updated plan factors in the proposed further reductions in 2025/26 and 2026/27. Currently there is no indication of the level of grant to be passed to town and parish councils beyond 2026/27, but for the purpose of this plan a further 10% reduction has been assumed for the final two years of the plan.
- 6.5** However, this is subject to change and it is possible that the Council Tax Support Grant funding could be reduced by more or less each year, following 2026/27, in line with any savings Durham County Council may need to make to balance their own budgets. The likely future financial impact of the above issue is discussed in more detail in the Revenue and Capital Programme Budget Forecast which is set out in Section 8.
- 6.6** The Council continues to face pressure on its expenditure budgets from the stubbornly high rates of inflation on certain categories of supplies and services, higher than usual staffing cost increases linked to the National Living Wage and union pressure for public sector pay to keep pace with inflation, and possible future employers' pension contribution increases.
- 6.7** The resulting shortfall in resources will need to be made up in the Revenue Budget via a combination of increases to the Town Council Tax, council tax base growth, efficiency savings and budget reductions, and increases to fees and charges.
- 6.8** The process of balancing Council's Revenue Budget continues to be difficult and this situation is likely to remain challenging over the medium term.
- 6.9** At the same time the Council needs to be aware of the financial difficulties that are being faced by local taxpayers as a result of the economic difficulties and cost-of-living crisis, and the need to keep future increases in the Town Council Tax as low as possible. This is also important in the context of the possible implementation of the power allowing local communities to require town and parish councils to hold a referendum to veto an excessive council tax increase, from 2025/26 onwards.
- 6.10** The Council is also facing the prospect of needing to undertake significant capital investment in its fixed assets over the medium to long term and ensuring that sufficient balances and reserves are maintained to meet these commitments will be a significant challenge, particularly bearing in mind the likelihood of reduced savings and top-up of reserves from the Revenue Budget.
- 6.11** This MTFP has been prepared on the key principle of aiming to maintain existing levels of service, while keeping any increase in council tax as low as possible.

- 6.12** Prudent assumptions have been made around the impact of the various challenges faced and the key assumptions made are set out in Section 7 of the Plan.
- 6.13** A Revenue and Capital Budget Forecast is then set out in Section 8 of the Plan which highlights the likely changes to the budgets between 2025/26 and 2028/29 and the council tax increases that may be required in each year to balance the Revenue Budget.
- 6.14** This forecast will also quantify the possible savings and budget reductions that would be needed to restrict or freeze the council tax, should the Council wish to do so at any time over the period.
- 6.15** Actual options for delivering any required budget reductions and efficiency savings would need to be drawn up each year and agreed by the Council during the annual budget setting process.

Section 7 Key Financial Assumptions

7.1 Summarised in this section of the Plan are the specific assumptions that have been made in planning the Council's Revenue and Capital Budget forecast over the five-year period in order to respond to the key influences and challenges summarised in Section 6 of the Plan.

Providing for Inflation

- 7.2 In order to ensure that the Revenue Budget accurately reflects future spending commitments, it is essential that the Council makes prudent provision for all unavoidable increases in costs that will arise from inflationary pressures over the five-year period.
- 7.3 The rate of inflation has been running at very high levels in recent years, driven by substantial increases in oil, gas, electricity and food costs but the rate of inflation has fallen back significantly over the last year.
- 7.4 Inflation in July 2024 stood at 2.2%, a substantial reduction from the high of 11.1% seen in October 2022.
- 7.5 The current Government and Bank of England target for inflation is 2% and the long-term aim is to keep inflation within this limit. Hopefully inflation will now settle back to on or around the Government target.
- 7.6 The areas of expenditure worst hit by high levels of inflation have all now settled down. These included fuel, gas and electricity costs which have reduced substantially since the highs experienced during 2022/23. However, it must be stressed that these costs have not returned to pre-cost-of-living crisis levels.
- 7.7 Inflation also remains stubbornly high in some areas of expenditure such as insurance costs, information technology and service contracts, and this continues to be a pressure on the Revenue Budget.
- 7.8 **A key principle of the Council's medium-term financial planning in previous years has been to only make provision for unavoidable inflationary increases** in budgets i.e. where there is a contractual obligation to pay the increased cost or where the increase cannot be avoided.
- 7.9 Budget provision for general expenditure such as equipment, stationery, uniforms, training, and publicity has traditionally been frozen at existing levels and the budgets will be expected to absorb any price variations year on year.
- 7.10 This approach encourages managers to shop around, use the Durham County Council procurement service, and negotiate better deals with suppliers, and therefore ensures improved use of resources and helps the Council to achieve value for money.
- 7.11 Whilst this principle will continue to be applied as far as possible, many expenditure budgets have been cut back significantly during the 2023/24 and 2024/25 budget setting processes and it is therefore becoming increasingly difficult to avoid inflationary increases in running costs.

Annual Pay Awards and the National Living Wage

- 7.12** Over half of the Council's gross expenditure relates to officer pay costs and therefore annual officer pay awards and the ongoing increases to the National Living Wage are likely to be one of the most significant cost pressures on the Council's Revenue Budget moving forward.
- 7.13** It is inevitable that there will be higher than usual staffing cost increases over the next few years linked to increases in the National Living Wage and pressure for public sector pay to keep pace with inflation
- 7.14** The National Living Wage sets out the minimum hourly rate for all staff working in the United Kingdom who are over the age of 21. This rate has been set at £11.44 for the 2024/25 financial year (a 9.8% increase on the 2023/24 rate).
- 7.15** The new Labour Government has pledged to increase the National Living Wage significantly so that it reflects a *'genuine living wage for working people'* and have requested that the Low Pay Commission *'factor in the cost of living when recommending minimum wage rates'*. They have also pledged to remove *'discriminatory age bands so that all adults can benefit'*.
- 7.16** The 'Real Living Wage' as recommended by the Living Wage Foundation is currently £12 an hour. It is unclear at this time how much and when the new Government plans to increase the National Living Wage.
- 7.17** The Council currently pays its staff in accordance with the National Joint Council for Local Government Services (NJC) pay scales.
- 7.18** **The NJC Local Government Pay Agreement for the 2023/24 financial year implemented a flat rate increase of £1,925 against each spinal column point up to salary scale point 43, and a 3.88% pay increase for salary points 44 and above.** This resulted in a minimum local government pay rate of £11.59 per hour for 2023/24. This provided a small amount of headroom from the National Living Wage for 2024/25, ahead of the 2024/25 pay negotiations.
- 7.19** The 2024/25 pay negotiations between the Local Government Employers and unions commenced in February 2024.
- 7.20** The Local Government Unions have submitted a pay claim of £3,000 or 10%, whichever is greater, on all spinal column points, along with a two-hour reduction in the working week, an additional day of annual leave, and a phased approach to reaching a minimum pay rate of £15 per hour within two years.
- 7.21** The Local Government Employers made their full and final offer in May 2024 equating to an increase of £1,290 (pro rata for part-time employees) to be paid as a consolidated, permanent addition on all NJC pay points 2 to 43 inclusive, and an increase of 2.5% on all pay points in grades above point 44.
- 7.22** Two of the Local Government Unions have rejected this offer and are currently consulting and balloting members for strike action.
- 7.23** The projections on increases in the National Living Wage previously assumed an increase to £12 per hour in 2025 but this is now subject to much uncertainty following the election of the Labour Government and their pledges on low pay as summarised in paragraph 7.15.

- 7.24** There is very little headroom between the lowest local government pay grade and the National Living Wage and any further increases in the National Living Wage will create significant pressure on the local government pay scale.
- 7.25** Based on current estimates, it is forecast that the only way to avoid the National Living Wage overtaking the lowest local government pay grade, and to retain the current 'differentials' between local government pay grades, working up through the pay grade, in future years, will be for the National Joint Council for Local Government Employers to agree an annual pay increase of between 3% to 4% per annum from 2025/26 onwards, and by more than this if substantial increases are made to the National Living Wage.
- 7.26** The 2024/25 Revenue Budget assumed a pay award of 5% and if the existing pay offer from the Local Government Employers is agreed, there would be sufficient resources available in the budget to fund this. However, if the union pay claim was agreed, there would be a significant shortfall in the budget, before even beginning to plan ahead for 2025/26 and beyond.
- 7.27** **The Revenue Budget forecast within this plan has assumed a 4% pay award in 2025/26 and a 3% pay award for the remainder of the Plan.** This is after taking into account the financial impact of the current year's pay offer.
- 7.28** If a higher-than-expected pay increase is awarded this year or at any point over the next five years, for example following union action or a significant increase in the National Living Wage in excess of current forecasts, then additional budget would need to be found to meet the increased cost.
- 7.29** For every 0.5% pay award above those budgeted for, the Council's salaries and wages budget would need to increase by around £11,000.
- 7.30** Any additional costs over the life of the Plan would be met in the first instance from the Revenue Budget Contingency Sum, or, over and above this, from efficiency savings elsewhere in the Revenue Budget.
- 7.31** A tipping point is fast approaching in relation to local government pay and the further expected increases in the National Living Wage will bring about increasing compaction at the lower end of the local government pay scale. If pay awards are to return to a more manageable level, the National Joint Council for Local Government Employers has previously indicated they are anticipating that a fundamental restructure of the local government pay scale will be required as part of a multi-year pay deal. This could involve deletion of salary points at the lower end of the salary scale and the possible need for individual councils to undertake a job evaluation exercise.
- 7.32** Staffing costs increases are therefore likely to remain a key and significant budget pressure well into the future.

Salary Increments

- 7.33 Some Council staff are appointed on a salary grade that allows progression through the grade linked to performance in the job or successful completion of qualifications.
- 7.34 **Full provision has been made in the Revenue Budget forecast for any salary increments linked to qualifications and performance that are due to such staff over the five-year period of the Plan.**

Pension Costs

- 7.35 Pension costs in respect of Council employees are another significant area of expenditure. The 2023 actuarial valuation of the Durham County Pension Fund set the pension contributions for employers and employees for the three years 2023/24 to 2025/26. The Council's employer's pension contribution rate for this period increased marginally from 18.9% to 19.5% of pensionable pay costs.
- 7.36 The next valuation of the pension fund is due to take place during 2026 and will set the pension contributions for the period 2026/27 to 2028/29.
- 7.37 **The Council's employer's pension contribution rate will therefore remain unchanged at 19.5% until the end of 2025/26.** It has been assumed that the pension rate will remain at 19.5% in 2026/27, 2027/28 and 2028/29.
- 7.38 The other issue relating to pensions that will continue to have an impact upon the Council's pension costs over the next few years is the Government's automatic enrolment legislation.
- 7.39 This initiative aims to ensure that all workers are enrolled into an occupational pension scheme. It requires employers to automatically enrol all 'eligible' employees into a qualifying pension scheme, although employees do have the option of 'opting out' should they wish to do so.
- 7.40 The Council initially implemented automatic enrolment in May 2014, and this resulted in a number of additional staff joining the Local Government Pension Scheme. It has since undertaken three-yearly re-enrolment exercises in 2017, 2020 and 2023.
- 7.41 The most recent automatic enrolment identified a number of staff who were not in the pension scheme along with a number of staff and whose salary had breached the automatic enrolment threshold as a result of the higher than anticipated pay award. The staff who were enrolled have, in the main, remained in the pension scheme. The 2024/25 Revenue Budget provides fully for the costs of all staff who are current members of the pension scheme.
- 7.42 The Government continues to encourage workers to enrol in a pension scheme and the Council must automatically enrol all eligible new staff and existing staff whose earnings exceed the automatic enrolment threshold of £10,000, and also re-enrol all 'opted out' staff every three years, with the next re-enrolment date being May 2026.
- 7.43 This could result in more staff joining the pension scheme over the medium term. It has been assumed in the Revenue Budget projections for 2025/26 to 2028/29 that all new staff will join the pension scheme, while all existing staff who have previously opted out will remain outside of the pension scheme.

Savings from Staff Turnover and Flexible Retirements

- 7.44** No provision has been made within the Revenue Budget forecast for savings from staff turnover or flexible retirements e.g. savings from reductions to working hours, staff leaving the pension scheme, posts being vacant for a period of time, new staff commencing employment on lower grades etc, unless this has already been approved by the Council and removed from the Revenue Budget.
- 7.45** It has therefore been assumed in the Revenue Budget forecast that any future savings that *are* achieved from staff turnover or any flexible retirements would be available to support the Revenue Budget in the year in which they were achieved, rather than permanently removed from the budget.
- 7.46** These savings would be used in the first instance to fund any recruitment costs or temporary cover arrangements, with any remaining savings added to Council balances at the end of the year.

Changes to the Staffing Structure

- 7.47** There are not currently any approved decisions to change the Council's staffing structure and the Revenue Budget Forecast for 2024/25 to 2028/29 is therefore based on the existing approved staffing structure.

Premises Costs

- 7.48** There have been some significant increases to the Council's premises costs in recent years, although wherever possible the Council has actively worked to minimise these increases, for example by working with Durham County Council energy team to access their gas and electricity contracts and reduce usage and changing maintenance providers to achieve better value for money.
- 7.49** However, the Council will continue to face some unavoidable increases to its premise's costs over the next few years and these have been provided for within the Revenue Budget Forecast.
- 7.50** This is particularly the case in respect of gas and electricity costs which were subject to unprecedented increases during 2022 and 2023 as a result of supply issues and volatility caused by the war in Ukraine. Gas and electricity costs have stabilised over the course of the last year with prices gradually coming down from the highs seen in the previous two years. However it must be noted that gas and electricity prices remain subject to volatility and are still well above pre-cost-of-living crisis prices.
- 7.51** The 2024/25 Revenue Budget figures reflect the latest contract rates and annual usage information provided by Durham County Council Energy Procurement Team at the time the budget was set.
- 7.52** Predicting movement in prices ahead to the 2025/26 to 2028/29 period is difficult and the advice received from Durham County Council Energy Procurement Team has been limited. However it has been assumed that the energy market will be less volatile and that prices will be more settled from 2025/26 onwards.
- 7.53** **A 10% per year increase in gas and electricity costs has been assumed for the 2025/26 to 2028/29 period.**

- 7.54** Officers will continue to work with Durham County Council's Procurement Department to minimise the actual increases in each year and may set up longer fixed term contracts if this is more cost effective in future years.
- 7.55** **Water budgets were increased by 7% in the 2024/25 Revenue Budget, however actual increases by Northumbrian Water in year are estimated to be around 12%. This has been taken into account to provide when setting the budget for the MTFP, with a further increase of 5% per year assumed for the 2025/26 to 2028/29 period.**
- 7.56** **Business rates budgets have been increased by 3% per year for the 2025/26 to 2028/29 period in line with the assumed rate of inflation.**
- 7.57** **Service agreement budgets have been increased by 3% per year for the 2025/26 to 2028/29 period in line with the assumed rate of inflation.**
- 7.58** The Council's building maintenance budgets, as a whole, are in the fortunate position of being under-utilised, despite there having been some significant one-off costs in the last few years which have resulted in some maintenance budgets for individual buildings being overspent.
- 7.59** In addition, significant asset management works have been completed to buildings in recent years and continue to be planned via the Capital Programme Budget over the next five years which should help to limit the call on the building maintenance budgets over the next few years.
- 7.60** As a result, **current budget provision for building maintenance is considered to be sufficient and has been frozen at existing levels** for the life of this Plan.

Insurance Costs

- 7.61** The Council renewed the three-year rate stability agreement, in June 2024, which will limit the increased in insurance premiums for the main commercial combined element of the insurance.
- 7.62** The insurance market continues to be volatile and officers have been advised that premiums across all policies are likely to increase by 10% per annum over the remainder of the agreement.
- 7.63** **A 10% increase in insurance premiums has therefore been included over the life of the Plan.**

Vehicle Costs

- 7.64** Vehicle fuel costs are another area of expenditure that have been subject to unprecedented inflationary increases in 2022 and 2023 as a result of supply issues and volatility caused by the war in Ukraine.
- 7.65** As with gas and electricity costs, fuel costs have reduced from the highs experienced in these years, and this has led to the vehicle fuel budget being in the fortunate position of being oversubscribed. This has meant that this budget can be reduced to £30,000 per year for the duration of the Plan whilst still retaining a small buffer for future price increases. The ongoing move to using electric vehicles and machinery will also see the use of fuel reduce (but will increase electricity costs).

- 7.66 Vehicle maintenance costs also vary widely year to year but have fallen in recent years as a result of capital investment by the Council in replacing older vehicles. **The vehicle repair budget has therefore been frozen at £8,500 per year for the period of the Plan.**
- 7.67 **A freeze has been assumed in officer car allowances and mileage rates over the period of the Plan**, and it has been assumed that the mileage claimed will remain broadly at current levels.
- 7.68 **The budgets for Mayors' taxi costs and Members' mileage claims have been frozen at existing levels for the period of the Plan.**

Supplies and Services Budgets

- 7.69 **Where possible, supplies and services budgets have been frozen at existing levels with the expectation that any inflationary increases are absorbed.** This approach encourages managers to shop around, use the Durham County Council procurement service, and negotiate better deals with suppliers, and helps the Council to achieve value for money. Examples of budgets that have been frozen include civic hospitality, equipment, equipment maintenance, stationery, photocopying, postage, cleaning materials, bedding plants, uniforms, training, marketing and publicity, health and safety, consultancy and donations.
- 7.70 Whilst this principle will continue to be applied as far as possible, many supplies and services budgets were cut back significantly during the 2023/24 and 2024/25 budget setting processes, and it is therefore becoming increasingly difficult to avoid inflationary increases in running costs.
- 7.71 **An inflationary increase has been provided for over the life of the Plan for any supplies and services where there is a contractual obligation to pay the increased cost, or where the increase cannot be avoided.** Examples include information technology licences and support contracts, machine rentals, CCTV running costs, bar and catering supplies and cash collection.
- 7.72 **In some isolated cases, supplies and services budgets have been reduced, for example where the budget provision is of a one-off nature, where there are known savings, or where the budget has been regularly under-utilised in the past.**

Town Council Elections

- 7.73 **The next Town Council Elections are due to take place in May 2025** and a budget of £30,000 has been set aside in the 2025/26 Revenue Budget to meet the cost. **This will be funded from the Earmarked Elections Reserve set aside for this purpose.**
- 7.74 The cost of any by-elections held during the period of the Plan would also be met from the Elections Reserve.

Members and Mayor's Allowances

- 7.75 The 2024/25 Revenue Budget incorporates the current town and parish council members' allowance rate previously recommended by the Independent Remuneration Panel at Durham County Council.
- 7.76 **Moving forward, no increase has been assumed to the Member's Allowances and Mayor's Allowance rates over the period of the Plan,** pending a request from the Council to review its Members' Allowances Scheme.

Income Budgets

Pre-School Funding

- 7.77 Funding is receivable towards the running costs of the two pre-school settings at St Oswald's Park.
- 7.78 This funding is paid by the Government via Durham County Council's Education Department and pays for up to thirty hours of care per week for three to five-year old children and up to fifteen hours of care per week for two-year old children. This equates to five daily three or six-hour sessions per child per week and is payable during school term time only.
- 7.79 Additional funding is received towards the cost of one-to-one support provided to children with special educational needs.
- 7.80 Funding is claimed in advance of each term based on the projected numbers of children attending, with a reconciling claim at the end of the term. Funding is received in two payments during the term.
- 7.81 **The 2024/25 pre-school funding budget was set at £232,300 which represents a target occupancy rate of 75% for the two settings and the current funding rates of £5.04 per hour for the three to five-year old setting, and £7.13 for the two-year old setting. A further £10,000 is budgeted for Special Educational Needs Funding.**
- 7.82 The target attendance rate is based on an assessment of the number of children currently attending, waiting list numbers for future places, and the assumption of some additional applications from parents.
- 7.83 It is difficult to accurately assess waiting lists beyond 2024/25 and therefore estimate funding income for the medium term, as the numbers of children attending and waiting lists constantly change. However, based on actual attendance levels at the pre-school in recent years, this target is low and has therefore been increased to 80% for the purposes of the forecast for the 2025/26 to 2028/29 years.
- 7.84 **The funding income budgets for 2024/25 to 2026/27 have been based on an assumed 4% increase in the funding rate for 2025/26 and a 3% per annum increase in the funding rate for the 2026/27 to 2028/29 period.**
- 7.85 **This would result in funding income increasing from £232,300 in 2024/25 to £281,600 in 2028/29.**
- 7.86 Special Educational Needs Funding varies depending on the numbers of children receiving one-to-one support and has been assumed at £10,000 per annum over the remaining life of the Plan.

Sports Complex Income

- 7.87** Sports complex income from sporting activities has struggled over the last few years, with five a side usage particularly badly affected. There have been a number of reasons for this including declining demand, and increased competition in the indoor football market.
- 7.88** However, a number of sporting activities have shown signs of recovery during the last year or so, including bowls, badminton, squash and table tennis.
- 7.89** In addition, significant efforts have been made to diversify the services on offer at the sports complex and boost income from non-sporting activity, with more events such as craft fairs, dog shows, caravan rallies, Comic-Con style events, mixed martial arts competitions and pantomimes being held in the sports hall. This has led to an increase in sports hall hire income and has also significantly boosted secondary income from the bar, catering, and gaming machines.
- 7.90** Additionally, a change in legislation in relation to VAT and leisure services during 2023/24 means that leisure activities are now classed as non-business activities, when previously they were treated as business activities and subject to VAT. Following the VAT change the Council agreed to keeping fees and charges at the same level, rather than removing the VAT element of the fee, which resulted in additional income being generated across all sporting activities.
- 7.91** As a consequence of all of these factors, sports complex income was in excess of £580,000 at the end of the 2023/24 financial year for the first time in the history of the facility.
- 7.92** **The sports complex income budgets for the 2024/25 financial year were updated to account for the increases generated by all of these factors.**
- 7.93** **The sports complex income budgets for the 2025/26 to 2027/28 years have been forecast with an assumption of a continuing increase in usage and sales each year and a 3% annual increase in prices to help keep pace with staff pay increases and inflation. This would see total income increase from £554,400 in 2024/25 to £641,900 in 2028/29, a total increase of 16%.**

Golf Complex Income

- 7.94** Golf complex income has fluctuated up and down in recent years, impacted in particular by the Coronavirus pandemic, and weather conditions in each year.
- 7.95** Over the last three full years (2021/22 to 2023/24), golf course income, including memberships, green fees and buggy hire has averaged £152,500, fluctuating up and down linked to weather conditions, the cost-of-living crisis, and the impact of the Coronavirus pandemic.
- 7.96** Golf membership numbers had fallen from 208 members in 2021/22 to 185 members in 2023/24. However, numbers are up in the current year and currently total 210 members in 2023/24 to date, with new members continuing to join on pro-rata part year memberships
- 7.97** A Golf Complex Improvement and Investment Plan has recently been approved and various measures instigated to improve golf course usage and income including drainage improvements and a less risk averse opening policy. This has resulted in some improvement in golf course income during the 2024/25 year.

- 7.98** Driving range income has also been increasing year on year in recent years, peaking at £77,250 in 2023/24. This coupled with significant increases in golf shop sales to more than £70,000 in 2023/24, has resulted in the driving range budget delivering a surplus for the first time last year.
- 7.99** As with the Sports Complex the changes in VAT legislation are also relevant to the leisure activities at the Golf Complex due to the VAT element of golf fees and charges not being removed. The additional income resulting from this change has therefore been incorporated into the income budgets for the life of the plan.
- 7.100** For the purposes of the Revenue Budget projections in this Plan, **the target for golf membership numbers has been set at 200, with an assumption that membership prices will be increased by 3% per year over the life of the Plan. This will increase income by around £2,000 per year, helping to offset increases in running costs.**
- 7.101** An income target of £75,000 per year was set for green fees for 2024/25.
- 7.102** For the purposes of the Revenue Budget projections for the period 2025/26 to 2028/29, it has been assumed that green fee income will remain largely at current levels of usage and sales and that a 3% price increase will be implemented in each year to help fees keep pace with staff pay awards and inflation. **This will see green fee income increase from £75,000 to £84,400 over the five-year period..**
- 7.103** The income target for buggy hire was set at £5,750 for 2024/25 in line with the previous year's takings. However, due to a number of reasons, including inclement weather and reduced demand, there has been a reduction in income. To reflect this, **the income target for 2025/26 has been set at £2,500 with a 3% price increase per year assumed in buggy hire fees for the remainder of the plan.**
- 7.104** The budget for equipment hire income was set at £1,200 for 2024/25. However, due to a number of reasons, including reduced demand, there has been a reduction in income. To reflect this, **the income target for 2025/26 has been set at £1,000 with a 3% price increase per year assumed in equipment hire fees for the remainder of the plan.**
- 7.105** Driving range income hit a peak of £77,250 in 2023/24, despite the impact of the shortages of range balls from plugging in the wet ground conditions and supply issues. **An income target of £83,500 was set for 2024/25** in line with expected levels of sales following the resolution of the issues relating to availability of balls and taking into account the increase in fees.
- 7.106** The income budget for driving range takings for the 2025/26 to 2028/29 years has been increased by 3% to provide for an assumed annual increase in charges.
- 7.107** The income target for golf shop sales, including golf equipment and clothing, drinks, snacks and hot drinks, was set at £85,000 in 2024/25. Final outturn in 2023/24 was £72,700 and stock levels in the golf are now at maximum levels. **On the advice of the Golf Administrator, the income target for golf shop sales has been reduced to £80,000 in 2025/26, in line with actual current sales. A 3% price increase has then been assumed for the period 2026/27 to 2028/29.**

Sports Pitch Income

7.108 A 3% annual price increase has been assumed for the years 2025/26 to 2028/29 in relation to sports pitch fees to help keep pace with staff pay increases and inflation. The number of teams using the pitches is at capacity and has been assumed to remain unchanged.

Cemeteries Income

7.109 Cemeteries income has fallen in recent years and this appears to be due to a fall in demand for burials with more families opting for cremations.

7.110 This has meant that the current income budgets for burials and advance purchases are not being achieved.

7.111 For the purposes of this plan, the income budgets for burials and advance purchases have been reduced by a total of £8,500 for the 2025/26 year

7.112 An annual price increase of 10% has then been assumed between 2026/27 and 2028/29, in line with the higher than inflation increases applied to cemeteries charges in previous years to help bring the net cost of the service down and charges more in line with those of principal councils.

7.113 The lease of the building at Stephenson Way Cemetery to a funeral director is currently £6,900 and this has been provided for in the Plan.

Allotments Income

7.114 Allotments income has been based on current numbers of plots and assumes 100% allocation of plots each year in line with the current situation and waiting lists.

7.115 A 3% annual increase in allotments rents has been assumed from 2025/26 in order to ensure that staff pay awards and inflationary increases in running costs are offset.

Investment Income

7.116 Investment income has been based on the projected level of balances and reserves as set out in the Revenue and Capital Budget Forecast in Section 7 of the Plan **and a forecast of the expected rates of interest** likely to be available on the Council's investment accounts.

7.117 The Bank of England has recently begun reducing its Base Rate following the falls in the level of inflation and the current interest rate is 5%. Interest rates have been high in recent years as a means of trying to bring the high rate of inflation down and it is likely that further reductions will be made to the Base Rate now that inflation is close to the 2% target.

7.118 The higher Bank of England Base Rate in recent years have had a significant advantage for the Council in allowing it to generate a very high level of investment income on its invested balances and reserves. Investment income increased from £400 in 2021/22 to £23,500 in 2022/23 and £91,350 in 2023/24.

- 7.119 Investment income in 2024/25 has been budgeted at £45,000, taking into account the forecast reduction in interest rates and the forecast fall in the level of balances and reserves invested.**
- 7.120** Investment income is projected to reduce further over the remainder of the plan in line with the expected **further reductions in interest rates as well as the forecast fall in Council balances** and earmarked reserves over the life of the plan.
- 7.121 For the purposes of the Revenue Budget Forecast in this Plan, it has been assumed that interest rates on Council investments will be 4% 2025/26, reducing to 3% in 2026/27, 1.5% in 2027/28 and then 1% in 2028/29, while average invested balances are forecast to fall from £1 million to around £600,000.**
- 7.122 This will see investment income fall from £45,000 in 2024/25 to £6,100 in 2028/29.**

Grant Funding

- 7.123 Grant funding has only been assumed in the MTFP projections where it is already in place or has already been approved.**
- 7.124** Other than the Council Tax Support Grant and pre-school funding received from Durham County Council, no other revenue grant funding is currently receivable or had been approved at the time this Plan was prepared.

Investment in Services and New Initiatives

- 7.125** As outlined earlier in the Plan, the Council has established, through the Service Delivery Plan, and consultation with the local community, the strategic aims, targets and priorities, which will guide future investment.
- 7.126** The Council has already actively responded to the delivery of many of the aims, targets, and priorities in previous budget setting exercises and in all cases sufficient revenue or capital budget provision is already in place to enable their achievement.
- 7.127** Clearly, the Council will be extremely constrained over the next five years in its ability to raise additional resources for investment, by the significant budget pressures faced. This is more likely to leave the Council needing to deliver savings and reduce expenditure rather than make further investment in services.
- 7.128 Budget provision has only therefore only been included in the Revenue Budget Forecast in this Plan for existing service provision and any already approved additional commitments.**
- 7.129 No further additional investment in services or in new initiatives has been assumed.** If any new investment was required by the Council, this would need to be met from the Revenue Budget Contingency Sum, or by reducing spending on existing lower priority services.

Annual Council Tax Increase

- 7.130** As highlighted earlier in the Plan, the Revenue Budget Forecast has been prepared on the principle of continuing to provide all current Council services, facilities, and events, maintaining current standards of service, and ensuring a prudent level of balances and reserves to meet future capital investment commitments, whilst keeping any future increases in the Town Council Tax as low as possible.
- 7.131** Any increase to the Town Council Tax needs to recognise of the significant ‘cost of living’ difficulties still being faced by local taxpayers, balanced against the substantial budget pressures being faced by the Council in terms of future staff pay increases and inflation, the need to maintain the important services, facilities and events that are so valued by the local community, and ensure that Council balances and reserves can be maintained at prudent levels, bearing in mind the substantial capital investment commitments faced in the medium-term.
- 7.132** The Council also needs to bear in mind the possibility of council tax referendum principles being extended to higher spending town and parish councils with effect from the 2025/26 financial year or beyond.
- 7.133** Clearly, there would be financial implications for the Council if a council tax referendum limit were implemented for town and parish councils by the Government at any stage from 2025/26 onwards.
- 7.134** The base council tax referendum limit is currently set at 3% for principal councils, but could be reduced in the coming years if local authorities are not seen to be showing restraint in setting their council tax rates.
- 7.135** Equally the new Labour Government could seek to relax the referendum limits in light of the difficulties being faced by local councils during the cost-of-living crisis.
- 7.136** This eventuality is considered in the Revenue Budget Forecast set out in Section 8 of the Plan, which quantifies the savings, that would be required to restrict the council tax increase, in the event of a council tax referendum limit being implemented at 3% or 2%. The savings that would be required to freeze the Town Council Tax is also included for information.

Council Tax Base

- 7.137** In order to calculate the possible changes that may be required to the level of council tax over the medium term, assumptions need to be made around the likely movement in the Council Tax Base.
- 7.138** The Council Tax Base is a calculation of the number of chargeable properties within the Parish for council tax purposes. The Council’s Precept divided by the Tax Base calculates the Band D Council Tax.
- 7.139** The localisation of support for council tax had significant implications for the Council Tax Base calculation, and the future design of the Durham County Council Local Council Tax Support Scheme could have a major impact on the Council Tax Base moving forward.

- 7.140** For example, if the County Council chooses, in the future, to ask council tax support claimants to contribute towards their council tax liability, as many other councils in the country have already done, this would have the impact of increasing the Council Tax Base.
- 7.141** The Tax Base will also be influenced by the council tax benefits caseload in the Parish. An increase in caseload would reduce the Tax Base while a decrease in the caseload would increase the Tax Base.
- 7.142** For the purposes of estimating the Town Council Tax Base for the period of the MTFP, it is not considered prudent to make any assumptions around possible changes to the Durham County Council Local Council Tax Support Scheme or the council tax benefits caseload.
- 7.143** The Council Tax Base increased by only 4 properties in 2024/25, following on from an increase of 47 properties in 2023/24 and an increase of 61 properties in 2022/23.
- 7.144** Whilst it is likely that the Council Tax Base will continue to benefit from some new housing development over the life of the Plan, new development in the town has undoubtedly slowed down. The Council is unlikely to see any benefit from new houses at the Copelaw development until beyond the life of this Plan.
- 7.145** **For the purposes of the Revenue Budget forecast for the four-year period 2025/26 to 2028/29, a small annual increase in the Council's Tax Base of 25 properties per year has been assumed to provide for new housing development. This would raise an additional £7,500 to £8,350 per year to support the Revenue Budget.**

Council Balances and Reserves

- 7.146** Within the existing statutory and regulatory framework, it is the responsibility of the Finance Manager to advise the Council on the level of its reserves and to ensure that there are clear protocols for their establishment and use.
- 7.147** In accordance with Section 25 of the Local Government Act 2003, an annual assessment of the adequacy of the Council's balances and reserves is made at the time the Council Precept is set.
- 7.148** This assessment is based upon a guidance note on Local Authority Reserves and Balances issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), which is considered to be best practice with regard to balances and reserves (LAAP Bulletin 99).
- 7.149** CIPFA holds the view that a generally applicable minimum level of reserves is not appropriate. The guidance note states that *'in assessing the appropriate level of reserves, a well-managed authority will ensure that the reserves are not only adequate but are also necessary'*, and that Council's *'should establish reserves including the level of those reserves based on the advice of their chief financial officer and make their own judgements taking into account local circumstances'*.
- 7.150** In theory, a well-run Council with a prudent approach to setting its budget, should be able to operate with a relatively low level of general balances, although these general balances will need to be supported by sufficient sums set aside in earmarked reserves to meet specific needs and fund future spending commitments; particularly future capital investment commitments.

- 7.151** In coming to a view on the adequacy of the Council's balances and reserves, account needs to be taken of the risks facing the Council, in terms of any significant unforeseen spending commitments or funding cuts and the ability to replenish balances from the Revenue Budget, the capital investment requirements of the Council over the medium to long term, the ability of the Council to secure external funding via capital grants and contributions, take out additional borrowing, or generate capital receipts from sale of assets.
- 7.152** **The Council held balances and reserves of £1.993 million at the end of the 2023/24 financial year.**
- 7.153** **Of this total, around £200,000 is set aside in the General Fund Reserve, £34,000 in the Revenue Budget Support Fund and £19,500 in the HMRC Leisure VAT Reserve.**
- 7.154** **The remaining £1.74 million is set aside in Earmarked Revenue and Capital Reserves, to fund future year's capital investment commitments as set out in the Council's Asset Management Plan, and other one-off commitments such as elections.**
- 7.155** **It is important to note that uncommitted balances and reserves, after taking into account the funding of revenue and capital budget commitments carried forward from 2023/24 to 2024/25, and the funding of the 2024/25 Capital Programme Budget, are in the region of £1.5 million.**
- 7.156** **The Council's 2023/24 Revenue Budget includes a £13,500 Contingency Sum and a £75,000 Contribution to Capital Reserves, which provide some limited protection against unforeseen spending commitments as well as allowing the Council's Earmarked Capital Reserves to be 'topped up' to support future year's capital investment.**
- 7.157** The current recommended Council policy for balances and reserves is as follows:-
- 1. Maintain minimum Revenue Balances of 5% of the Council Precept** to protect against unforeseen budget pressures and cuts to the Council Tax Support Grant funding.
 - 2. Set aside such sufficient sums in Earmarked Reserves, as is considered prudent,** to support future year's capital investment requirements and other specific commitments;
 - 3. Undertake an annual review of the level of Balances and Earmarked Reserves** as part of the budget setting process.
- 7.158** It is a key principle of the Council's financial strategy to limit support from Council balances and reserves to the Revenue Budget over the medium term as such support is not sustainable.
- 7.159** However, the Council does hold a Revenue Budget Support Fund which allows unspent budget resources to be carried forward from one year to another for specific approved purposes, while the Plan also provides for the use of Earmarked Revenue Reserves to fund the one-off costs of any elections and by-elections.

- 7.160 The policy regarding support from Council Balances to the Revenue Budget may need to be reviewed in the future, should the Council face a situation whereby it needs to make substantial savings in a short period of time to balance the budget e.g. following a significant cut to the Council Tax Support Grant funding or further substantial increases in staffing costs and running costs.
- 7.161 **It is considered that the current level of balances and reserves, taken alongside the contingency sum and contribution to capital reserves set aside in the Revenue Budget, provides the Council with an adequate level of resources to protect against any unforeseen spending pressures and future funding cuts, and to fund capital investment requirements in the medium term.**
- 7.162 **However, the current pressures on the Council's Revenue Budget from cuts to the Council Tax Support Grant, pay awards and inflation will significantly reduce the savings coming forward to replenish balances over the coming years.**
- 7.163 **Additionally, the potentially significant capital investment commitments identified in the Council's Asset Management Plan mean it is inevitable that Council balances and reserves will diminish over the life of this Plan as capital commitments are funded.**
- 7.164 **The contribution to capital reserves was increased by £25,000 per year to £75,000 in the 2024/25 Revenue Budget.**
- 7.165 **This contribution to capital reserves will help to replenish balances each year. However it must be noted that even at the increased level of £75,000 this top up of balances is still less than the annual capital programme budgets set out in this MTFP and so balances and reserves would still fall year to year if no savings were delivered on the Revenue Budget.**
- 7.166 If some efficiency savings can continue to be delivered on the Revenue Budget moving forward, and capital investment is closely monitored and controlled, balances and reserves may be able to be maintained at prudent levels over the five-year period of the Plan.
- 7.167 **However, in the longer term, the Council's balances and reserves are fully earmarked against future capital investment requirements, and the impact of the various Revenue Budget pressures may limit the Council's ability to replenish balances via Revenue Budget savings, which could lead to balances being severely diminished by the end of the decade.**
- 7.168 This issue is considered in more detail in the Revenue and Capital Budget Forecast in Section 8 of the Plan.

Efficiency Savings

- 7.169 The Council is committed to ensuring that year-on-year efficiency savings are achieved over the five-year period of the Plan.
- 7.170 The need to identify and achieve efficiency savings is likely to become increasingly important over the coming years given the substantial increases in staffing costs and other budget pressures faced, as well as the need to try and limit council tax increases over the next five years.

7.171 The Council has a proven track record of achieving efficiency savings on its Revenue Budget over a number of years and a saving of £341,200 or 18% was achieved during 2023/24.

7.172 Reasons for this saving included:

- The budgeted £50,000 contribution to capital reserves and limited use of the £15,000 contingency sum;
- Substantial savings on gas and electricity budgets due to a significant reduction in wholesale costs;
- Significant savings on fuel costs due to a reduction in prices;
- Substantially higher than budgeted investment income as a result of the significant increases to interest rates and higher balances due to receipt of the leisure services VAT claim and restrictions on capital spending;
- Savings in staffing costs as a result of vacancies during the year.
- Savings on internal audit costs following the move to a self-employed internal auditor;
- Significantly higher than budgeted income at the pre-school as a result of higher-than-expected attendance numbers, increased special educational needs numbers, and an increase in the early years funding rate for two-year-olds;
- Savings on the Senior Citizens' Excursions as a result of a number of the trips being undersubscribed and from the introduction of cash payments on a number of trips, rather than providing a meal at a restaurant;
- Substantially higher than budgeted income at the Sports Complex as a result of increases in usage, the change in VAT treatment across a number of sporting activities, hire of the sports hall for various events, and a significant increase in bar, catering and gaming machine income;
- Higher than budgeted income at the driving range and on golf shop sales;
- Savings across most maintenance budgets, on which spending can vary year on year depending on requirements.

7.173 These savings were achieved despite increased expenditure above budget across all services due the higher than budgeted Local Government Pay Award, continued inflationary pressures on running costs and income losses at the golf course and cemeteries.

7.174 However it is important to point out that a significant proportion of the savings in 2023/24 related to issues that have since been accounted for during the setting of the 2024/25 Revenue Budget and are therefore unlikely to be ongoing savings e.g. the reductions in gas and electricity costs and increases in investment income, staff vacancies, increases in sports complex income etc.

7.175 **The financial position in the early part of the 2024/25 financial year highlights that savings are much reduced, linked to the various savings made during the 2024/25 budget setting, and that the continuing inflationary pressures on some expenditure budgets. Whilst it is still hoped that the Council will deliver a saving on the 2024/25 Revenue Budget, via the planned contribution to capital reserves and contingency sum, total savings are anticipated to be much reduced on last year and the preceding years.**

- 7.176** This suggests that there may be limited scope for further efficiency savings in future budget setting rounds without making cuts to budgets which directly impact upon services.
- 7.177 Any known savings or budget reductions have been built into the Revenue Budget Forecast for 2025/26 to 2028/29 in the Plan although these are limited following the implemented reductions during the 2024/25 budget setting process.**
- 7.178** As highlighted earlier in the Plan, the Revenue Budget Forecast for the four years from 2025/26 to 2028/29 sets out the savings and budget reductions that would need to be made to deliver a 3% and 2% Council Tax increase and to freeze the Council Tax. This information is included as a guide to the Council if it wished to implement a lower increase in any given year.
- 7.179** The Government limit on council tax increases was increased to from 2% to 3% in 2023/24. Currently there is no indication that this limit will be extended to larger town councils in future years.
- 7.180** As highlighted earlier in the plan, the proposed 50% reduction to the Local Council Tax Support grant over the next three years has been factored into the plan. However there is the risk that the grant may again be reduced proportionately or even withdrawn totally from 2027/28. This is discussed in more detail in Section 8 of the Plan.
- 7.181** Options for delivering any required budget reductions and efficiency savings, should they be required, would need to be drawn up each year and agreed during the annual budget setting process.

Section 8- Revenue and Capital Programme Budget Forecast 2024/25 to 2028/29

Introduction

8.1 A summary of the Revenue and Capital Programme Budget Forecast for the five-year period 2024/25 to 2028/29 is set out below. Please note that the first year of the Plan reflects the already approved 2024/25 Budget. A detailed analysis is attached at **Appendix A and B**.

Budget Description	Budget 2024/25 £	Estimate 2025/26 £	Estimate 2026/27 £	Estimate 2027/28 £	Estimate 2028/29 £
Policy and Resources Budgets	893,450	895,850	941,350	985,600	1,019,000
Recreation Budgets	941,600	968,750	1,002,250	1,044,300	1,078,150
Environment Budgets	223,400	241,900	246,550	250,800	255,200
Contingency Sum	13,500	15,000	15,000	15,000	15,000
2025 Elections	-	30,000	-	-	-
Less LCTSS Grant	(172,177)	(140,200)	(108,200)	(97,400)	(87,650)
Add Contribution to Reserves	50,000	75,000	75,000	75,000	75,000
Total Revenue Budget	1,974,773	2,086,300	2,171,950	2,273,300	2,354,700
Capital Programme Budgets	500,410	706,100	364,850	297,600	167,600
Revenue and Capital Budget	2,475,183	2,792,400	2,536,800	2,570,900	2,522,300
Less Use of Reserves:					
Funding of 2025 Election	-	(30,000)	-	-	-
Funding of Capital Budgets	(500,410)	(706,100)	(364,850)	(297,600)	(167,600)
Council Precept	1,974,773	2,056,300	2,171,950	2,273,300	2,354,700

Council Tax Base	6,900	6,925	6,950	6,975	7,000
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Band D Council Tax	£286.21	£296.94	£312.51	£325.92	£336.39
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Band A Council Tax	£190.80	£197.96	£208.34	£217.28	£224.26
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% Increase in Council Tax	4.38%	3.75%	5.25%	4.30%	3.2%
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Savings Required to limit Council Tax increase to 2%	£0	£34,656	£66,952	£49,942	£27,623
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Savings Required to limit Council Tax increase to 3%	£0	£14,836	£46,315	£28,144	£40,840
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Savings Required to Freeze the Council Tax	£0	£74,296	£108,227	£93,537	£73,232
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It is important to note that prior to receiving notification from Durham County Council regarding the 50% cut in Local Council Tax Reduction Support Grant over three years between 2024/25 and 2026/27, the MTFP Revenue Budget Forecast had been projecting much lower increases in the Council Tax, as set out below:-

	Budget 2024/25 £	Estimate 2025/26 £	Estimate 2026/27 £
% Increase in Council Tax	2.65%	2.14%	3.69%

Revenue Budget Forecast 2024/25 to 2028/29

- 8.2** The Revenue Budget forecast summarised above has been based on the detailed assumptions set out in Section 7 of the Plan, and the following key principles:-
1. Continuing to provide all Council services, facilities and events and maintaining current standards of service;
 2. Identifying and delivering efficiency savings wherever possible;
 3. Ensuring continued delivery of the Asset Management Plan via the Capital Programme Budgets;
 4. Safeguarding a prudent level of balances and reserves;
 5. Implementing an increase in council tax between the years 2025/26 to 2028/29 that finds a balance between recognising the residual 'cost of living' difficulties still being faced by local taxpayers and the budget pressures impacting upon the Council's finances in terms of pay awards and inflation, and the need to maintain the important services, facilities and events that are valued by the local community.
- 8.3** The forecast makes provision for likely future increases in costs from pay awards, pension increases, inflation, and any other unavoidable spending commitments, forecast increases and decreases in income, as well as accounting for any known savings, assumed increases in fees and charges, and council tax base growth.
- 8.4** As highlighted earlier in the Plan, the Revenue Budget Forecast is based around the latest information available from Durham County Council with regard to the future of the Council Tax Support Grant and builds in the agreed 50% cut to the grant over the three-year period from 2024/25 to 2026/27. Whilst it has been advised that there are no current plans to reduce the grant further in 2027/28 and 2028/29, it has been assumed that a further 10% cut per year will be made in 2027/28 and 2028/29.
- 8.5** The Revenue Budget forecast therefore assumes that the Council Tax Support Grant will be cut by £84,500 or 50% over the 2024/25 to 2028/29 period, from £172,177 to £87,650. However, it is important to point out that, linked to the possible implementation of public sector funding cuts by the Government, Durham County Council may choose to cut the grant by more than forecast or phase out the grant fully in the last two years of this Plan to assist with their financial position. The risk and implications of the full withdrawal of the grant in 2027/28 or 2028/29 has been factored into the plan.
- 8.6** **In overall terms, the Revenue Budget forecast shows that the Council may need to increase the Precept by around £380,000 or 19.2% over the four-year period between 2025/26 and 2028/29.**

- 8.7** It is important to highlight that these potential Precept increases are higher than would have been the case if Durham County Council had not chosen to cut the Council Tax Support Grant by 50% over three years.
- 8.8** As was the case in the 2024/25 budget year, it will be important for the Council to highlight how much of any increase in Precept and Council Tax is down to the grant cut and how much is the 'core increase' by the Town Council to offset the various spending pressures that the Council faces in relation to pay increases, unavoidable inflation on running costs, and pressures on usage and income in respect of some services.
- 8.9** The need to increase the Precept each year also reflects the importance of maintaining a prudent level of contribution to reserves, which will help to facilitate the replenishment of the Council's earmarked capital reserves, in light of the substantial capital investment faced by the Council over the medium to long term.
- 8.10** The Revenue Budget Forecast and indicative increases to the Council Precept over the medium term have been offset, as far as possible, from efficiency savings and reduction of under-utilised budgets, as well as assumed increases in fees and charges and council tax base growth each year.
- 8.11** The identification of further efficiency savings is an ongoing process, although it must be stressed that significant savings were identified and removed as part of the 2023/24 and 2024/25 budget setting processes and most budgets are now extremely lean, with reduced scope to find further savings from existing budgets.
- 8.12** However there may be further opportunities for delivering efficiency savings via procurement exercises, capital investment, and the completion of service reviews.
- 8.13** This may restrict the need to increase the Precept in any given year, although it is not possible to quantify any such savings and include them in this Medium-Term Financial Plan until such a time as these savings have been realised.
- 8.14** **Based on the Revenue Budget Forecast included in this Plan and assumptions around Council Tax Base growth, and assuming that no further efficiency savings can be generated, the Council would need to consider increasing the Town Council Tax by a total of 16.5% between the financial years 2025/26 and 2028/29.**
- 8.15** **This represents an average increase of around 4.1% per year.**
- 8.16** **In real terms, this would equate to an average increase of around £12.50 per year at Council Tax Valuation Band D or £8.50 per year at Band A.**
- 8.17** As highlighted earlier, these potential increases in the Town Council Tax are higher than would have been the case if Durham County Council had not implemented the 50% cut to the Council Tax Support Grant.
- 8.18** For information, if the 50% grant cut had not been made, and cuts had been made in the region of 10% per year as per previous years, the overall Council Tax increase would be lower at around 15.4% over the next four years or 3.8% per year on average.

- 8.19** The potential Council Tax increases, excluding the Council Tax Support Grant cut, would therefore have been broadly in line with the current rate of inflation and pay awards at between 2.1% and 3.8%.
- 8.20** It is important to highlight that the forecast council tax increases including the Council Tax Support Grant cut, would be above the current 3% Government council tax referendum limit, if this was to be extended to town and parish councils at any stage over the coming years.
- 8.21** **Limiting the Council Tax increase to 3% per year between 2025/26 and 2028/29 would reduce the increase to around £9 per year at Band D and £6 at Band A, but would require additional savings of nearly £95,000 to be identified and removed from the Revenue Budgets over the four-year period.**
- 8.22** Commentary on the key issues and financial implications in each individual year is detailed in the following section of the Plan.

2024/25 Revenue Budget

- 8.23** **The 2024/25 Revenue Budget was set by the Council in January 2024, when a 4.38% increase in the Town Council Tax was agreed.**
- 8.24** The increase, which was below the rate of inflation at the time the budget was set, was approved and implemented in recognition of the significant difficulties being faced by both the Council and by local taxpayers during the cost-of-living crisis.
- 8.25** For information, the increase excluding the first year of the Council Tax Support Grant cut would have been 2.65%.
- 8.26** The 2024/25 Revenue and Capital Budget ensures the protection and maintenance of all Council services, facilities and events to current standards this year, and continued capital investment in community assets, although many budgets have now been stripped back to the bare minimum and there is now very little scope for further savings in subsequent years without impacting on services.
- 8.27** The 2024/25 Revenue Budget also maintains some surplus resources via a contingency budget and an increased contribution to capital reserves in order to ensure that Council balances and reserves can be replenished at a time when the Council is facing significant capital investment commitments over the medium to long term.

2025/26 Revenue Budget

- 8.28** Next year, the Council will continue to face pressures on the Revenue Budget as a consequence of staff pay awards and inflation, plus the second-year impact of the 50% cut by Durham County Council to the Local Council Tax Reduction Support Grant as explained in detail earlier in the Plan.
- 8.29** Based on the latest information available in relation to the National Living Wage and Local Government Pay, the Plan is forecasting a minimum 4% pay increase across the board for Council staff next year. Around 60% of the Council's gross revenue expenditure relates to staffing.

- 8.30 In addition inflation remains high in relation to some areas of supplies and services with gas and electricity costs forecast to increase by 10%, insurance premiums anticipated to increase by 7.5%, and unavoidable increases in areas such as service contracts, machine rentals, bar supplies, catering supplies, information technology etc.
- 8.31 Increases in costs will be partly offset by a small amount of Council Tax Base growth, and increases to fees and charges for services.
- 8.32 **Based on the assumptions and projections made in this Plan, in overall terms, the Council would need to increase the Precept by around £81,500 in 2025/26.**
- 8.33 **This would represent a council tax increase in the region of 3.75% next year, with around 1.6% of this increase resulting entirely as a consequence of the Council Tax Support Grant cut by Durham County Council.**
- 8.34 This increase will enable the Council to maintain surplus resources within the contingency sum and the £75,000 contribution to capital reserves.
- 8.35 **In real terms, this would result in a £11 per year increase in the Council Tax at Band D and a £7 per year at Council Band A.**
- 8.36 This level of increase would be above the current Government excessiveness limit on council tax increases of 3%, although these rules do not currently apply to town and parish councils.

2026/27 Revenue Budget

- 8.37 The Council faces further budget pressures in 2026/27, although it has been assumed that the economic difficulties and cost of living crisis will have eased by 2026/27 and that the rate of inflation will have fallen back closer to normal levels across most areas of expenditure.
- 8.38 A further 3% pay award has been assumed to ensure that local government pay keeps pace with the expected National Living Wage rate along with more modest further inflationary increases on some running costs as well as the final year impact of the 50% cut in the Local Council Tax Reduction Support Grant by Durham County Council.
- 8.39 Again it has been assumed that some of these increases will be offset by a small amount of council tax base growth, increases to fees and charges for services, and efficiency savings.
- 8.40 **In overall terms, it is likely that the Council may need to increase the Precept by around £115,500 in 2026/27, which would represent a council tax increase in the region of 5.2%, with around 1.6% of this increase resulting entirely as a consequence of the grant cut.**
- 8.41 The increase in precept in 2026/27 compared to 2025/26 is mainly as a result of anticipated reductions in gas and electricity budgets being removed from 2025/26 budgets resulting in a lower increase in precept in 2025/26, whereas in 2026/27 there is a 10% increase included on these budgets. In addition to this there is the anticipated reduction in investment income in 2026/27 as a result of lower interest rates and reduced balances which will impact on the overall precept increase.

8.42 In real terms, this would result in a £15.50 per year increase in the Council Tax at Band D and £10.50 per year at Council Tax Band A.

2027/28 Revenue Budget

8.43 The Council faces similar ongoing budget pressures in 2027/28, with a further 3% pay award, inflation on running costs and an assumed 10% cut in the Local Council Tax Reduction Support Grant.

8.44 As in previous years, it has been assumed that some of these increases will be offset by a small amount council tax base growth, increases to fees and charges for services, and efficiency savings.

8.45 In overall terms, it is likely that the Council may need to increase the Precept by around £101,000 in 2027/28, which would represent a council tax increase in the region of 4.3%.

8.46 In real terms, this would result in a £13.50 per year increase in the Council Tax at Band D and £9 per year at Council Tax Band A.

2028/29 Revenue Budget

8.47 The Council faces a similar situation in 2028/29, with a further 3% pay award, inflation on running costs and an assumed 10% cut in the Local Council Tax Reduction Support Grant, although and again these increases will be partly offset by a small level of council tax base growth and increases to fees and charges for services.

8.48 In overall terms, it is likely that the Council may need to increase the Precept by around £81,500 in 2028/29, which would represent a council tax increase in the region of 3.2%.

8.49 In real terms, this would result in a £10.50 per year increase in the Council Tax at Band D and £7 per year at Council Tax Band A.

2029/30 Onwards

8.50 From 2029/30 onwards, National Living Wage pressures, pay awards and inflation will continue to cause stress on the Revenue Budget, in excess of efficiency savings and increased income, but there may be some light at the end of the tunnel via more significant Council Tax Base growth from the Copelaw housing development which may help to reduce the pressure on the Revenue Budget and the need to increase the Precept and Town Council Tax.

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

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

Possible Withdrawal of the Council Tax Support Grant

- 8.53** As covered earlier in the plan, **Durham County Council have agreed to cut the Council Tax Support Grant by 50%, phased over three years between 2024/25 and 2026/27.**
- 8.54** This is a significant reduction in grant for the Council, and will see the grant cut from £204,911 in 2023/24 to an estimated £108,200 in 2026/27.
- 8.55** Whilst there is no indication in the current proposals that the Council Tax Support Grant will be withdrawn in its entirety by Durham County Council, over the following two years in 2027/28 and 2028/29, it is considered prudent to set out the impact of this **'worst case scenario'** within this Plan.
- 8.56** This is particularly pertinent in light of the possibility of public sector spending cuts. Any decisions on funding reductions in the public sector were deferred by the previous government, with reductions now expected to be determined by the new Labour Government in the Autumn, to cover the period 2025/26 to 2027/28. Therefore depending upon the financial impact of the local government funding settlement, there is a risk that further significant cuts or even the withdrawal of the Council Tax Support Grant may yet be imposed by Durham County Council.
- 8.57** This plan assumes that the remaining two years of the 50% cut in the grant in 2025/26 and 2026/27 of £64,000 by Durham County Council will be met by an increase in precept in 2025/26 and 2026/27. The alternative would be for the £64,000 to be 'cut' from the Council Revenue Budget which would inevitably lead to service budgets being cut or ceased, redundancies and job losses.
- 8.58** The total withdrawal of the Council Tax Support Grant in 2027/28 or 2028/29 would leave the Council needing to make further substantial savings to balance the Revenue Budget, or to ask the taxpayers of Great Aycliffe, potentially via a referendum, to consider a substantial increase to the Town Council Tax in order to maintain services.
- 8.59** **Withdrawal of the Council Tax Support Grant beyond the current proposed cuts for 2025/26 and 2026/27, would leave the Council needing to make up an additional shortfall of between £87,650 and £97,400 in the Revenue Budget,** with the actual amount depending upon which year the withdrawal was made.
- 8.60** This would equate to a further increase in the Town Council Tax of up to 4.5% and would add as much as £14 per year to the current Band D Council Tax bill.
- 8.61** Alternatively, a further £87,650 to £97,400 would need to be 'cut' from the Council Revenue Budget which would inevitably lead to services being cut, redundancies and job losses.

Overall Summary of Revenue Budget Forecast

- 8.62** The Council remains in good financial health at the present time with a balanced Revenue Budget in place for the 2024/25 financial year, some efficiency savings, and healthy levels of balances and reserves.
- 8.63** The Council is therefore working from a strong foundation and is better placed than many other town councils in dealing with the financial implications of the ongoing economic uncertainty and the residual impacts of the cost-of-living crisis, and maintaining a healthy financial position over the medium term.
- 8.64** The medium-term outlook for the Council's Revenue Budget over the next five years through to the end of the decade remains challenging.
- 8.65** In particular, the 50% reduction in the Council Tax Support Grant by Durham County Council between 2024/25 and 2026/27 has and will continue to put additional pressure on the Town Councils Revenue Budget. This plan has assumed as a key principle that current services will be maintained and that, as in 2024/25, the further cuts in the grant in 2025/26 and 2026/27 will be met from an increase in the Precept and Town Council Tax.
- 8.66** The previous decisions to increase the Town Council Tax by 7.5% in 2023/24 and by 4.38% in 2024/25 to offset the Council Tax Support Grant cuts and the significant inflationary increases during the cost-of-living crisis have helped to ensure that the Council continues to be in a strong position to deal with the ongoing budget pressures and has played a significant role in helping to keep the future year's increases indicated in this MTFP lower.
- 8.67** Based on the assumptions and projections made in this Plan, in overall terms, it is likely that the Council may need to increase the Precept by around £81,500 in 2025/26. This would represent a council tax increase in the region of 3.75% next year. This increase would be less than 3% if the Council Tax Support Grant was not being cut so severely by Durham County Council.
- Between 2026/27 and 2028/29**, assuming that inflation remains low and pay awards fall back to a level of 3% and notwithstanding the fact that 2026/27 will be the final year of the cut in the Local Council Tax Support Grant, **the Council is looking at further Precept increases to balance the Revenue Budget in the region of £298,000 over the three years.**
- 8.68** This would result in Council Tax increases of 5.24% in 2026/27, reducing to 4.29% and then 3.21% in 2027/28 and 2028/29.
- 8.69** Any decision to increase the Town Council Tax will need to recognise of the cost-of-living difficulties still being faced by local taxpayers, balanced against the cut to the Council Tax Support Grant and other budget pressures faced by the Council, the need to maintain the services, facilities and events valued by the local community, ensure that the capital investment identified in the Asset Management Plan can be delivered, and maintain Council balances and reserves at prudent levels.

- 8.70** It is also important to stress that the Revenue Budget Forecast has been prepared on the key assumption that the current 3% Government limit on principal council tax increases will *not* be applied to larger town councils. If this was to change, the financial forecast would worsen significantly and there would be a need to deliver savings of up to £95,000 to balance the budget.
- 8.71** **In the longer term it is also apparent that the process of balancing the Revenue Budget will remain challenging as the Council moves beyond the life of this Plan towards the end of the decade.**
- 8.72** The Council faces further increases in staffing costs linked to future increases in the National Living Wage and possible restructure of the local government pay scale, and inflation on running costs, although it is hoped that these pressures will ease as the economy recovers.
- 8.73** It is also vital that the Council aims to maintain surplus resources in the Revenue Budget for as long as possible, in order to provide protection against any unforeseen budget pressures and ensure that earmarked capital reserves can be replenished each year and maintained at prudent levels to fund future year's capital investment commitments.
- 8.74** **However, towards the end of the decade, the Council may reach the position whereby it may need to begin using up the resources set aside in the contingency sum and contribution to capital reserves in order to balance the Revenue Budget.**
- 8.75** This could lead to a situation towards the end of the decade whereby there will be very limited surplus resources remaining in the Revenue Budget, and where all options for achieving further savings, without making cuts to services, will have been exhausted.
- 8.76** **In this scenario, the Council would likely to need to begin the difficult process of considering reductions to services and reassessing its priorities in light of the limited resources that will be available.**
- 8.77** It will therefore be important that the Council continues with its programme of service reviews and annual appraisal of the Council's strategic aims and community priorities, in the years leading up to the end of the decade, with a view to determining which services are to be protected and where budget cuts will be made in the longer term, if they are required.
- 8.78** However there may be some light at the end of the tunnel for the Council in the form of significant Council Tax Base growth from the Copelaw housing development from 2028/29 onwards, which may help to reduce the pressure on the Revenue Budget and the need to increase the Precept and Town Council Tax in the longer term.

- 8.79** Clearly the Revenue Budget projections included in this MTFP are subject to change depending upon a number of risk factors including:-
- The emergence of a new pandemic and introduction of restrictions;
 - The length and severity of the Ukraine war and any further impact on the UK economy;
 - The performance of the UK economy under the new government and in particular any impacts of the rate of inflation and interest rates;
 - The impacts of the policy decisions of the new Labour Government e.g. in relation to the National Living Wage;
 - The impact of any government public sector spending cuts;
 - Confirmation each year of the Council Tax Support Grant;
 - The impact of any changes to the Durham County Council LCTSS;
 - Increases in the Council Tax Base from new housing;
 - The possible extension of council tax referendum principles to large town councils;
 - Further significant increases to local government pay and further restructuring of the pay scale; and
 - Government reform to the local government finance system.

Capital Programme Budget Forecast 2024/25 to 2028/29

- 8.80** The Capital Programme Budget provides for major investment in the Council's assets including planned maintenance to buildings such as roofing works and heating system replacements, replacement vehicles, plant, machinery and office equipment, and investment in community assets such as play areas, street equipment and allotments.
- 8.81** A detailed breakdown of the Capital Programme Budget Forecast for the five-year period 2024/25 to 2028/29 is attached at **Appendix B**.
- 8.82** The forecast has been based on the capital investment requirements set out in the approved 2024/25 Capital Programme Budget, including the agreed carry forward of on-going commitments from 2023/24, as well as the likely commitments for the following four years, as identified in the Council's Asset Management Plan.
- 8.83** **The 2024/25 Capital Programme Budget was set at £156,350 and has since been increased to £500,410, following the carry forward of a number of ongoing and deferred projects and provisional sums from the 2023/24 financial year, totalling £304,250 and an additional budget approvals early in the 2024/25 financial year of £39,810.**
- 8.84** The budget provides for a number of projects including a large number of building works including roofing replacements, redecoration, replacement windows and doors, roofing surveys, electrical works machinery, information technology investments, festive lighting replacements, play area surfacing replacement, the first phase of the development of the woodland burial site, Ash dieback disease works, bus shelter repairs, footpath repairs, CCTV system upgrades, drainage improvements and golf course improvements.
- 8.85** **The indicative Capital Programme Budgets for the four-year period 2025/26 to 2028/29 total £1.5 million** and provide for a number of further projects contributing towards the ongoing delivery of the Asset Management Plan.

- 8.86** Planned projects include various building works including roofing replacement, window replacement, heating systems, toilet refurbishment, alarm system upgrades, redecoration works, replacement works vehicles, tractors, ride on mowers and machinery, electrical machinery, golf course and driving range machinery, the ongoing programmes of footpath repairs and play area safety surfacing replacement, computer replacements and website development, festive lighting, play area upgrades, bus shelter refurbishment, bridge repairs and Ash Dieback Disease tree felling and replanting works, the A167 street lighting commuted sum renewal, School Aycliffe Wetlands footpath, council offices visitors' car park resurfacing, development of the woodland burial site, replacement of Aycliffe Village infant play area, maintenance works to West Park lakes and installation of a solar panel system to the Oak Leaf Sports Complex.
- 8.87** The budget focusses on investment linked to the delivery of the Council's Asset Management Plan and ensuring all essential building works and replacements of vehicles, machinery, office equipment, street equipment and play equipment are kept up to date.
- 8.88** It is important to stress that the five-year Capital Programme Budget Forecast is an indicative budget and will be reviewed on a year to year and project by project basis, in line with actual needs, requirements and priorities, and the actual level and availability of Council Balances and Reserves.
- 8.89** This is in line with the recommendations made in previous year's Medium-Term Financial Plans to more closely scrutinise and control capital investment to help maintain and protect the Council's balances and reserves over the longer-term.
- 8.90** The Capital Programme forecast does not take account of any further external funding that may become available over the five-year period from external capital grants or contributions such as Section 106 Agreement monies and Great Aycliffe and Middridge Partnership (GAMP) funding such as the Towns and Villages Fund and County Council Members' Initiatives Fund.
- 8.91** Any external capital funding that was secured, would provide resources over and above those shown in the MTFP.
- 8.92** The Council will continue to actively pursue any grants that may be available to support relevant projects.
- 8.93** **In overall terms, the 2024/25 to 2028/29 Capital Programme Forecast identifies a total potential investment of as much as £2 million, and this would need to be funded, in full, from the Council's Earmarked Capital Reserves.**
- 8.94** **If all of this capital investment goes ahead, this would inevitably lead to a significant fall in the Council's balances and reserves.** This is discussed in more detail in the following section of the Plan.
- 8.95** **It is for this reason that an annual £75,000 contribution to capital reserves was established in the Revenue Budget. This will allow the Council to partially replenish its balances and reserves in each year of the Plan moving forward.**

- 8.96** Alongside this, it would also be prudent for the Council to continue its policy of undertaking only essential capital projects over the period of this MTFP and beyond, in order to preserve Council balances and earmarked reserves for as long as possible.
- 8.97** The Council's Asset Management Working Group will continue to scrutinise and monitor planned capital expenditure to help ensure this.

Council Balances and Reserves

- 8.98** The Council held Balances and Earmarked Reserves at the end of the 2023/24 financial year, totalling £1.993 million.
- 8.99** As highlighted earlier, the Capital Programme Budget forecast for the five-year period potentially totals up to £2 million and would need to be funded from earmarked reserves.
- 8.100** It is clear therefore that the Council's balances and reserves would be used up funding capital investment commitments over the next five years if they cannot be replenished via the Revenue Budget.
- 8.101** However, as highlighted earlier, the inclusion in the Revenue Budget of the £75,000 contribution to capital reserves will allow balances and reserves to be replenished each year and will make a contribution towards maintaining balances at prudent levels over the period of this Plan.
- 8.102** Any savings that can be achieved on the Revenue Budget over the five-year period will also be used to top up balances and reserves. However, as previously highlighted the savings removed from the budget in previous years coupled with the ongoing pressures faced in relation to pay awards and inflation will significantly reduce the savings coming forward to replenish balances over the coming years.
- 8.103** It is difficult to accurately estimate exactly how balances and reserves may change over the five-year period due the uncertainty around the various budget pressures and the level of savings that may or may not be delivered on the Revenue Budget.
- 8.104** In order to provide an indication of the possible movement in the Council's balances and reserves over the five-year period, a forecast has been produced based around two scenarios.
- 8.105** The first forecast reflects the worst-case scenario whereby no efficiency savings will be achieved on the Revenue Budget over the five-year period of the Plan, where the contingency sum would need to be used, in full, each year, and where the full Capital Programme Budget would be spent each year.
- 8.106** Under this scenario, Council Balances and Earmarked Reserves could fall as low as £300,000 by the end of the 2028/29 financial year.
- 8.107** The second forecast reflects a scenario whereby 2% efficiency savings will be made over the 2024/25 to 2028/29 period, where the contingency sum would not need to be used in each of these years, and where only 80% of the Capital Programme Budget would be spent each year.
- 8.108** Working on these assumptions, Council Balances and Earmarked Reserves at the end of 2028/29 would be higher at around £900,000.

- 8.109** Additionally, if capital investment is closely monitored and controlled and limited to essential investment only over the five-year period, balances and reserves would be higher still and may be able to be maintained at a level of at least £1 million over the five-year period of the Plan.
- 8.110** A balances and reserves level of £1 million would be considered to be the minimum for a 'prudent level of balances' bearing in mind the capital investment commitments faced over the longer term.
- 8.111** A detailed projection of the likely movement on the Council's Balances between 2024/25 and 2028/29, under the two scenarios highlighted above is attached at **Appendix C**.
- 8.112** It is clear that under either scenario Council Balances and Reserves will diminish significantly over the Medium-Term Financial Plan period.
- 8.113** The recommended policy for balances and reserves is to aim to hold a minimum Revenue Balance of 5% of the Council's Net Budget Requirement or Precept, supported by such balances in Earmarked Reserves, as is considered prudent, to support future year's capital investment requirements and any other specific commitments.
- 8.114** This equates to a Revenue Balance in the region of £100,000, with the remainder of the Council's balances set aside in Earmarked Revenue and Capital Reserves to support future year's revenue budget and capital investment commitments.
- 8.115** The projection of Balances and Reserves assumes that there will be no further land sales over the five-year period. Any further capital receipts from land sales would therefore be available in addition to the levels of Council Balances and Earmarked Reserves identified above.
- 8.116** However, any future land sales would be subject to a percentage claw back payable to the Homes and Communities Agency under the terms of the original transfer agreement from Aycliffe Development Corporation to the Council. This percentage claw back will reduce over the life of the Plan, from 30% of the value of the land sale in 2024/25 to 22% in 2028/29.
- 8.117** The Plan does not make any provision for additional borrowing, in light of the assumed replenishment of earmarked capital reserves from the Revenue Budget, or for the use of balances to fund the early repayment or rescheduling of the Council's remaining outstanding loan, in light of the need to replenish balances rather than use them up.
- 8.118** Looking ahead beyond the life of the Plan, balances will continue to deteriorate, as longer-term capital investment is financed, but it is also possible that capital receipts from land sales and significant council tax base growth from the Copelaw development may enable the Council to replenish its balances and reserves. Additional borrowing could also be considered if absolutely necessary.

Section 9 Treasury Management Issues

Introduction

- 9.1 The Council has in place an approved Treasury Management Code of Practice which provides the framework for the management and control of the Council's borrowing, investment, and banking arrangements.
- 9.2 The Revenue Budgets and Capital Programme Forecast set out in this Medium-Term Financial Plan could have treasury management implications for the Council that will need to be accounted for.
- 9.3 The potential treasury management implications for the Council over the next five years are considered in this section of the Plan.

Outstanding Loans / Borrowing

- 9.4 **The total amount of loans outstanding to the Public Works Loans Board as at 31st March 2024 was £68,050** and relates to a loan taken out in previous years to fund the construction of the Town Park.
- 9.5 Assuming no rescheduling or early repayment of the existing outstanding debt, the outstanding balance on the above loans will change over the period of the Plan, as follows:-

31st March 2025	£57,050
31st March 2026	£45,500
31st March 2027	£33,350
31st March 2028	£20,500
31st March 2029	£7,000

- 9.6 **Annual repayment costs on the Council's remaining loan, including interest, amount to £14,400 per year**, with the amount of principal increasing year on year and the amount of interest decreasing.
- 9.7 The Revenue Budget forecasts detailed in Section 8 provide fully for repayments and interest payable on the Council's existing borrowing.
- 9.8 **It has been assumed for the purposes of the MTFP that there will not be any early repayment or rescheduling of the Council's outstanding loans over the period of the Plan**, particularly bearing in mind the likely deterioration in the Council's balances and reserves over this period.
- 9.9 **However, this position will continue to be reviewed on an annual basis when possible options for rescheduling or early repayment of debt will be assessed**, taking into account various issues including the premiums that may be payable and the level of Council balances and reserves likely to be available to fund such a repayment.

Investments

- 9.10** The Council currently invests its earmarked reserves in a deposit account with the Council's bank, with any other surplus cash balances held in the Public Sector Deposit Fund.
- 9.11** Investment income is credited to the Revenue Budget and varies year to year depending upon the level of balances available to invest and interest rates. Investment income has been extraordinarily high in the last two years due to the increases in the Bank of England Base Interest Rate as a consequence of the cost-of-living crisis. Investment income increased from £400 in 2021/12 to £23,500 in 2022/23 and £91,350 in 2023/24.
- 9.12** However, the Bank of England has recently begun the process of reducing the Base Rate following the fall in the rate of inflation to the Bank of England target of 2%. The current Bank of England interest rate is 5% and this is forecast to decrease further over the coming years back towards the low levels seen before the cost-of-living crisis.
- 9.13** **As highlighted earlier in the Plan, for the purposes of the Revenue Budget Forecast, it has been assumed that interest rates on Council investments will be 4% 2025/26, reducing to 3% in 2026/27, 1.5% in 2027/28 and then 1% in 2028/29, while it has been forecast that average invested balances are forecast to fall from £1 million to £600,000.**
- 9.14** **Investment income is therefore projected to fall significantly over the life of the plan, from £45,000 in 2024/25 to £6,100 in 2028/29, as a consequence of the reductions in interest rates and forecast fall in the level of balances and reserves available to invest.**

Long Term Treasury Management Issues

- 9.15** The retention of a £75,000 contribution to capital reserves in the Revenue Budget will help ensure that Council balances are partly replenished to a level sufficient to meet the Council's medium-term capital investment commitments.
- 9.16** **Looking ahead beyond the life of the Plan, balances will continue to deteriorate, as Revenue Budget savings diminish and longer-term capital investment is financed.**
- 9.17** **However it is also possible that capital receipts from land sales and longer-term council tax base growth, particularly from the forthcoming Copelaw housing development, may offer the Council an alternative means of replenishing its balances and reserves in the future.**
- 9.18** **Additional borrowing could also be considered if absolutely necessary, with any repayments of borrowing having to be met by the revenue budget and precept.**

Section 10 Climate Emergency Issues

Introduction

10.1 The Council resolved at its meeting in September 2019 that:-

- (i) The Council agrees to the declaration of a Climate Emergency.*
- (ii) The Council agrees to work towards making this Council carbon neutral by 2030.*
- (iii) The Council agrees to work towards making this Council carbon zero by 2050.*

10.2 Following a series of update reports, the Council agreed at an Extraordinary Council Meeting in November 2023 that:

- a) Officers are instructed to prepare a Carbon Footprint Calculation for the Council to encapsulate Scope 1 and Scope 2 emissions (direct and indirect) only, which will provide a baseline for recording future progress in realising the Council's aim of being carbon neutral by 2030 and carbon zero by 2050.*
- b) Climate change and carbon reduction implications are included in every report to the Council and its committees, sub-committees and working groups under the "Environment, Biodiversity and Climate Change Implications" section of the report, in order to ensure that climate change is a key consideration in any decision coming before the Council.*
- c) The feasibility studies into EV charging points and solar panels be completed and reported to Council by 31st March 2024.*
- d) Officers begin the process of developing a Climate Emergency Policy and Carbon Reduction Action Plan with a view to reporting these to Council and having these agreed and in place by 31st March 2025, subject to staffing capacity and other priorities.*
- e) The MTFP Capital Programme Budgets and Asset Management Plan continue to be updated with the cost of low carbon alternatives for all building works and replacement vehicles and machinery and ensure that sufficient financial provision is made for any additional costs.*
- f) Awareness raising and training where relevant, is rolled out to Council staff in all service areas in order to highlight the importance of reducing carbon emissions.*
- g) Twice yearly progress reports on climate change and carbon reduction are reported to Council moving forward'.*

10.3 The update reports over the last five years have highlighted that the Council has made some significant progress in relation to making the Town Council carbon neutral in recent years.

10.4 A summary of specific actions is provided below:-

- The installation of the Council Offices solar panel system.
- The purchase of electrical works machinery and putting in place of a budget for a rolling programme of replacements for petrol-powered small machines moving forward.
- Replacement of the Park Patrol Service van with an electric vehicle.
- Considering hybrid and electric alternatives for larger machines and vehicles, where a suitable alternative is available e.g. a hybrid mower was recently purchased.
- The roll out of LED lighting across most buildings and facilities.
- Replacement of parish lights with energy efficient LED lights.
- The purchase of green electricity via DCC energy contracts.
- Considering the location of contractors, equipment and parts when undertaking procurement.
- Planting of new woodland, wildflower meadows, habitat creation, and a policy of planting three trees for every tree that is removed.
- Composting of green waste.
- Recycling of scrap metal.
- Creation of bee plots at the allotments.
- Development of a woodland burials site.
- Protection of green open space in the Neighbourhood Plan.
- The specific consideration of climate change as a standing agenda item at staff management meetings.
- The specific consideration of carbon reduction implications as a standing item on all committee and Council reports.
- Working in partnership with Durham County Council to install EV Charging Points at the Oak Leaf Sports Complex and Golf Complex.
- Investigating the feasibility of installing solar panels at the Oak Leaf Sports Complex and Works Depot and any other suitable buildings with the view of discovering the likely costs and possible funding streams and submitting a bid to the Community Energy Fund to meet the cost of this feasibility study.
- The Asset Management Plan and Medium-Term Financial Plan both now include consideration of the medium and longer-term financial impacts of the Council becoming carbon neutral.
- Phasing out of single use plastics, as per Defra guidance on the single-use plastics ban.
- Five officers have undertaken the Certificate in Understanding Climate Change and Environmental Awareness qualification.
- Officers have expressed an interest, via DCC, in accessing a funded energy audit for Council buildings via the 'BEEP' project.
- A draft Carbon Change and Carbon Reduction Policy AND Carbon Reduction Plan has been drawn up.
- The Council's Carbon Footprint is in the process of being calculated.
- Grant funded tree planting programme on Town Council land across the Parish, in partnership with Durham County Council.
- Major grant funded tree planting initiative on the golf course recently approved.

- 10.5** The annual Revenue and Capital Budgets have already made financial provision for the various investments related to the above and the Medium-Term Financial Plan and Asset Management Plan both now include consideration of the medium-and longer-term financial impacts of the Council becoming carbon neutral such as the additional costs of electric vehicles, provision for the sports complex solar panel system and woodland burial site etc.
- 10.6** Future updates of the MTFP will factor in the financial implications of any further decisions taken by the Council in relation to the Climate Emergency and delivering its stated aims of becoming carbon neutral by 2030 and carbon zero by 2050.

Section 11 Risk Assessment

Introduction

- 11.1 The Council has an approved Risk Management Strategy in place, supported by a Corporate Risk Register, which is updated on a quarterly basis. All key decisions made by the Council are also subject to a formal risk assessment where this is considered relevant.
- 11.2 The Corporate Risk Register covers all identified risks applicable to the Council and the services that it provides. The register provides full details of the risks broken down by service area, with an assessment of the impact of the risk and the likelihood of the risk occurring (low, medium or high), the controls put in place to minimise the risk, and any further actions required.
- 11.3 All relevant financial risks have been identified and assessed during this process and are included within the Council's Risk Register. **An extract from the Risk Register detailing all current financial risks is attached at Appendix F.**

Links to Medium Term Financial Plan

- 11.4 The Council is subject to a range of political, economic, demographic, sociological and technological influences. Many of these factors change on a regular basis resulting in new, and sometimes unexpected, financial pressures.
- 11.5 The Council keeps under constant review the key challenges and risks impacting on its financial position. This identification and assessment of risk is an essential element of the financial planning process and a key factor in informing financial planning decisions. The key influences and challenges facing the Council over the next five years were considered in Section 6 of the Plan.
- 11.6 The Medium-Term Financial Plan provides for the continued inclusion of a contingency sum and contribution to capital reserves within the Revenue Budget for the duration of the Plan.
- 11.7 As highlighted earlier, the Council's balances and reserves should be able to be maintained at a prudent, albeit much reduced level, over the five-year period of the plan, via a combination of the contribution to capital reserves, efficiency savings and restricting capital investment to essential projects only.
- 11.8 These balances provide protection against any unforeseen budget pressures that might arise, as well as providing resources to fund capital investment requirements. The level of contingencies, balances and reserves will be reviewed annually as part of the budget setting process, and a strategy investigated and implemented to further replenish them if required.
- 11.9 The MTFP and annual Revenue and Capital Budgets are developed on a prudent basis taking into account all known commitments and spending pressures. The key assumptions made in the MTFP Revenue and Capital Budget forecasts were set out in Section 7 of the Plan.

Key Risk Areas

11.10 The key risk areas over the medium term that could potentially adversely impact upon the forecasts set out in the MTFP, have been identified and are summarised below. This includes details of how these risks might be mitigated.

11.11 Pandemics

There remains a risk of the emergence of a new pandemic e.g. Mpox, and the introduction of Government restrictions. However this is considered to be a relatively low risk due to the existence of the vaccination programmes and lessons learned from the Coronavirus Pandemic and has not been factored into the assumptions and forecasts in this Plan.

11.12 UK Economy and Cost of Living Crisis

The continuation of the war in the Ukraine continues to have an impact on the UK economy, impacting in particular on the prices of oil, gas and electricity and causing supply issues and inflationary pressure on certain supplies. The impact of the current economic difficulties has been prudently factored into the forecasts made within the Plan and the Council can take some comfort from the fact that its current financial situation is relatively healthy, and the levels of contingencies and balances held provide it with a strong foundation to weather the storm and offset any financial liabilities.

11.13 Public Sector Spending Cuts by Central Government

Linked to the above and the recent change of Government, there is a risk that the Government may implement public sector spending cuts to offset any economic pressures, the financial support to the Ukraine, and the funding of its manifesto commitments. This would in turn could have a negative impact on local government. For example funding cuts for principal councils such as Durham County Council could result in services being cut and increasing pressure for town and parish councils to step in and take over, as well as increased requests for financial assistance from community and voluntary organisations whose grant funding has been cut. The previous government deferred any decisions of any significant funding reductions in the public sector until the next parliamentary period, with reductions now expected in the period 2025/26 to 2027/28. Again the Council can take some comfort from its healthy current financial situation and the levels of contingencies and balances held.

11.14 Future Receipt of Council Tax Support Grant Funding

Another key risk facing the Council is that the Council Tax Support Grant funding provided by the Government and passed onto the Council by Durham County Council will be cut or withdrawn. As highlighted in the plan Durham County Council has agreed to cut the grant paid to town and parish councils by 50% phased over the three years 2024/25 and 2026/27. This MTFP incorporates this cut, with assumed further reductions of 10% per year for the last two years of the plan. However there is the risk of the funding being cut by more than this or withdrawn altogether and this risk has been factored into this Plan, identifying the impact on the Council Revenue Budget and the savings that would need to be achieved if the grant were withdrawn altogether. This issue will need to be considered in detail during future year's budget setting processes, once the funding for each year has been confirmed and work has already taken place to review services (sports and golf complex) and identify savings.

11.15 Inflation

There is a risk that inflation, particularly in respect of gas, electricity and fuel, but also general supplies and services could be higher than provided for in the MTFP. However, the assumptions made within the MTFP are considered to be prudent with full provision made for any unavoidable inflationary increases in costs based on the latest information available. In addition the Revenue Budget Contingency Sum provides some scope to meet any additional costs.

11.16 National Living Wage and Annual Staff Pay Awards

As highlighted earlier in the Plan, the National Living Wage is expected to increase significantly over the coming years to keep pace with the rising cost of living. The forecasts made within this Plan assume that the National Living Wage will increase to at least £12 per hour in 2025, In the longer term, further expected increases in the National Living Wage could bring about increasing compaction at the lower end of the local government pay scale, although this has been mitigated in the short term via the Local Government Pay Agreement. However, there is now a risk that the new Government could increase the National Living Wage by more than previously forecast to move it in line with the Real Living Wage, or that union action could result in actual pay awards being higher than provided for in the Plan. The Revenue Budget contingency sum provides some scope to meet any additional costs should this be the case.

11.17 Restructure of the Local Government Pay Scale

A tipping point is fast approaching in relation to local government pay and the further expected increases in the National Living Wage will bring about increasing compaction at the lower end of the local government pay scale. If local government pay increases are to return to a more realistic level in the medium to longer term, it is likely that future increases in the National Living Wage will eventually overtake the pay grades at the lower end of the Local Government Salary Scale. This would likely require a fundamental restructure of the local government pay scale and job evaluation exercise. This is an issue that has been recognised by the Local Government Employers and represents a key risk to the Council's financial planning over the longer term.

11.18 Extension of Council Tax Referendum Principles

The possible extension of council tax referendum principles to large town councils by the Government represents a key risk to the Council's Revenue Budget planning as this would severely restrict the Council's ability to offset budget pressures via Precept and Council Tax increases. This risk has been recognised within the Plan and the financial impact has been factored into the Revenue Budget Forecast with the savings that would be required if this was to happen have been quantified.

11.19 Members' Allowances

Whilst the Council does not currently have any plans to review the Members' Allowance rate, there is a risk that they be reviewed by the independent remuneration panel at Durham County Council during the life of the Plan, particularly bearing in mind the cost-of-living crisis. This could result in significant increases in allowances. No increase has currently been factored into the Revenue Budget Forecast in this Plan and any increases would need to be met from the Revenue Budget Contingency Sum which provides some scope to meet any additional costs.

11.20 Reduced Consumer Spending Power, Demand for Services, and Income

The economic difficulties and cost-of-living crisis continue to have an impact on usage of Council services, particularly for services such as the sports complex and golf complex. This could cause income in respect of these facilities to fall. The Revenue Budget Forecast within this Plan does not currently assume any fall in usage or income beyond that already experienced. If usage and income did fall, this would have a negative impact on the projections made. The Revenue Budget Contingency Sum provides some scope to meet any future losses.

11.21 Pre-School Funding

The level of pre-school funding is an ongoing area of risk within the Council's Revenue Budget. The level of funding is very much dependent upon a number of uncontrollable factors including the number of children attending, waiting lists, and how many children are eligible for funding. The estimates of pre-school funding have been based around the pre-school operating at 80% capacity and it has been assumed that there will be a 4% annual increase in 2025/26 and 3% annual increases in 2026/27 to 2028/29 in the Early Years funding rate and a 3% increase in fees over the life of the Plan. The estimates are therefore considered to be prudent. However, any significant reduction in the numbers of children attending the pre-school or lower than estimated funding rates over the period of the Plan could have a significant impact on the Revenue Budget. Any shortfall would need to be met from the Revenue Budget Contingency Sum. The 'Outstanding' Ofsted result should also help to mitigate the risk in relation to attendance numbers and waiting lists.

11.22 Insurance Claims

A significant increase in the number or value of insurance claims would represent a financial risk to the Council as this would have an adverse impact on the Council's future insurance premiums, which would then impact on the Revenue Budget. However, the Council has a good recent claims history. The Council's Risk Management Strategy also helps to minimise the Council's exposure to risk and this in turn should help to keep the number of future insurance claims to a minimum.

11.23 VAT

There is a financial penalty if the Council breaches the VAT Partial Exemption limit. However, this is regularly monitored and is not anticipated that the Council would ever breach the limit.

11.24 Climate Emergency and Carbon and Plastic Reduction Initiatives

As highlighted in Section 10 of the Plan, the Council has declared a Climate Emergency and committed to becoming carbon neutral by 2030 and carbon zero by 2050. It has also pledged to reduce the use of unnecessary single use plastics in all of its services over the next few years. The ongoing efforts to reduce use of carbon and plastic such as the move to electric vehicles and machines and energy efficient heating systems over the medium term are likely to bring additional costs. The Revenue Budget Contingency Sum provides some scope to meet any additional revenue costs, whilst Earmarked Capital Reserves will need to provide for capital investment such as moving the Council's vehicle fleet over to electric alternatives. As highlighted earlier, significant progress has already been made in relation to this issue and officers have begun the process of factoring additional costs into the Capital Budgets within this Plan and the Asset Management Plan.

11.25 General Data Protection Regulation (GDPR)

There are significant financial penalties under the GDPR if the Council suffers a significant loss of personal data. However, measures have been put in place to ensure the Council complies with GDPR and to minimise the risk of a breach occurring and the potential impact.

11.26 Council Balances and Reserves

The Council's balances are projected to fall significantly over the five-year period of the Plan. However, the £75,000 contribution to capital reserves set aside in the Revenue Budget will help to facilitate the partial replenishment of those balances and will help to mitigate this risk. It is also possible that capital receipts from land sales and longer-term council tax base growth, particularly from the forthcoming Copelaw housing development, may offer the Council an alternative means of replenishing its balances and reserves in the future, whilst additional borrowing could also be considered if absolutely necessary.

11.27 Capital Programme and Asset Management Plan Requirements

Making budget provision available for the potentially significant longer-term Capital Programme and Asset Management Plan requirements represents a key risk to the Council. However, as highlighted above, the £75,000 contribution to capital reserves, taken alongside possible capital receipts from land sales and longer-term council tax base growth may help to replenish Council balances and reserves to prudent levels over this period.

Mitigating Financial Risks

11.28 In terms of managing and mitigating financial risks, in the event of an unforeseen event during the year creating a substantial budget pressure, the following list details examples of the action that could be taken to mitigate the risk:-

- use of Revenue Budget Contingency Sum;
- short-term use of Council Balances and Earmarked Reserves;
- investigation of external funding opportunities;
- income generation activity e.g. pricing review, marketing;
- enhanced approval process for making financial commitments;
- recruitment freeze;
- all non-statutory spend frozen; and
- service reviews.

Conclusion

11.29 The MTFP makes a key contribution towards the risk management process by putting in place a financial planning framework to efficiently manage the Council's finances, considering the key influences on its financial position and the main risks facing the Council.

11.30 Financial forecasts are reviewed and updated annually and regularly monitored throughout the year. The key challenges and risks that could have implications for the Council's financial position in the following year and over the medium term are subject to annual review.

11.31 Fortunately, the Council remains in a relatively healthy financial position at the present time and this, as well as the implementation of this Medium-Term Financial Plan, will mean it is as well placed as it can be to meet the risks and the challenges that the next five years are likely to bring.