

Bowes Parish Council

Final Budget and Precept 2026/27

Introduction

The Responsible Financial Officer (RFO) is required by Section 151 of the Local Government Act 1972 to prepare a budget for the following budget year and to report on the robustness of reserves and adequacy of budget estimates. The Council are required to approve the budget and the resultant precept used by the billing authority to set council tax bills by 31 March or an earlier date if specified by the billing authority.

In respect of 2026/27 Durham County Council has notified parish councils that they must submit the approved precept by **23 January 2026**.

This report illustrates the budget and precept that the RFO considers in his professional opinion to be appropriate to ensure robust reserves and reliable estimates. It also provides alternative options that the Council may consider, noting the financial risks for each option.

The Council approved the draft budget at its meeting on 9 December 2025 subject to some minor amendments, which are reflected in this report.

Reserves

The first stage of the budgetary process is to consider the reserves that the RFO considers prudent for the Council to maintain throughout the 2026/27 budget year.

General Reserve

The general reserve of an authority comprises its cash flow and contingency funds to cover unexpected inflation, unforeseen events, and unusual circumstances. The generally accepted recommendation regarding the appropriate minimum level of a smaller authority's general reserve is that this should be maintained at between three- and twelve-months net revenue expenditure and the smaller the authority, the closer the figure may be to 12 months expenditure.

The RFO proposes that the 2025/26 precept is used as a proxy for net revenue expenditure in 2026/27, which would give an acceptable range for a general reserve of between £1,625 and £6,500. This is preferred to an expenditure-based measure because expenditure is distorted by significant footpath repairs, which is only incurred if matching grant is awarded, and thus is not an indicator of financial risk. As Bowes Parish Council is a small parish council with fewer than five hundred electors **it is proposed to set the General Reserve for 2026/27 at £6,500**.

Earmarked Reserves

Earmarked reserves are held for specific purposes and projects that are anticipated to involve significant non-recurring costs in a future accounting period. The Council has identified one such project, which is long-term and of extremely uncertain costs and timing, but for which an earmarked reserve is appropriate given costs are likely to exceed the entire budget for the 2026/27 budget year. This is provision for an extension to the Council's cemetery.

There are 88 plots left at the cemetery and even in the year with the highest number of burials there have been a maximum of six burials, so an extension is unlikely to be needed for 15 years. However, an extension would be a complex protracted process involving negotiations to purchase land, planning permission, surveys, and access improvements. Thus, the Council should plan based on a cemetery extension project commencing in about ten years.

The cost of the land purchase and associated professional fees are difficult to estimate this far in advance. However, such costs are likely to represent a minority of the total project cost. Providing an access route, preparing the land for use as a cemetery, facilitating any surveys required and meeting any other planning requirements are likely to result in significant costs that are unquantifiable at this stage.

In setting the 2025/26 Budget we estimated these costs at £32,000, but without incurring professional fees this is an extremely rough estimate. Whilst the Council need to avoid the reserve being significantly eroded by inflation the lack of a precise estimate and timescale and scope for adjusting the area of land bought to fit the budget render an annual uplift inappropriate. Instead, the RFO recommends a review of the reserve every five years considering inflation and the number of plots left.

Accordingly, it is proposed to keep the earmarked reserve for the cemetery extension project of £32,000.

2025/26 Forecast Outturn

The Council approved a balanced budget for 2025/26 but the actual expenditure for 2024/25 was £1,161 lower than forecast when the budget was set. This was due to expenditure being deferred from 2024/25 into 2025/26 and accordingly, the reserves at 31/3/26 were not expected to be impacted. Budgetary control reports throughout the year have consistently forecast year-end reserves of £38,000 as assumed in 2024/25 budget setting with the 2024/25 surplus of £1,161 being cancelled out by a similar deficit in 2025/26.

The second stage of the budgetary process is to forecast the reserves that the Council is likely to end 2025/26 with, by taking receipts and payments to 30 November 2025 and adding known or likely receipts and payments for the final four months of the year. This does not make any allowance for unexpected expenditure that cannot be deferred until 2026/2027 but the RFO considers this risk to be effectively mitigated through including:

- A prudent provision for play equipment repairs of £600 plus VAT. At the time of drafting this report the RFO is still waiting for a quotation from Durham County Council but this is very much at the higher end of expectations; and
- A provision of £144 for a recently updated clerk training manual (Arnold Baker on Local Council Administration), which SLCC recommend all clerks should have but could be purchased later in the year once there is greater confidence in the year-end position.

Table 1 illustrates that the forecast is very close to budget. The 2025/26 deficit is forecast to be £500 better than budgeted. This would leave reserves at exactly the £38,500 recommended in the previous section of this report, indicating that the Council should aim for at least a balanced budget in 2026/27.

Table 1: 2025/26 Forecast Outturn

	Budget (£)	Position at 30/11/25 (£)	Transactions expected in final 4 months (£)	Forecast Outturn (£)
Precept	6,500	6,500	-	6,500
Other Receipts				
Bank Interest	1,400	740	492	1,232
Cemetery	875	531	200	731
VAT Refund	580	500	-	500
West Clint Field Rent	220	220	-	220
Allotment Rent	225	260	-	260
Grants and Donations	750	2,027	-	2,027
General income	-	144	-	144
	4,050	4,422	692	5,114
TOTAL RECEIPTS	10,550	10,922	692	11,614
Staff Costs				
Salaries (net of tax)	2,400	1,204	1,208	2,412
Tax paid to HMRC	600	301	299	600
	3,000	1,505	1,507	3,012
Other Payments				
Cemetery and Village	2,025			-
Cemetery grounds maintenance		365		365
Wall repairs		1,205		1,205
<i>Signage and noticeboards</i>				-
<i>Capital projects and s137 grants / donations</i>				-
	2,025	1,570	-	1,570
Grass Cutting	1,215	1,350	-	1,350
Footpaths	750	2,027	-	2,027
Allotments	350	880	-	880
Playground	925	222	600	822
				Provision for swing frame repair - quote sought
				Website £144, 4 months emails £40, 4 months bank charges £24, SLCC subscription £125, SLCC manual £144
General Admin, training and subscriptions	850	707	477	1,184
Insurance	610	448	-	448
VAT	825	846	136	982
	7,550	8,050	1,213	9,263
TOTAL PAYMENTS	10,550	9,555	2,720	12,275
SURPLUS (DEFICIT)	-	1,367	- 2,028	- 661

	Budget	Actual	Notes
Opening Reserves	38000	39161	Note the 24/25 underspend of £1,161 resulted from deferred spending
Deficit in year	-	- 661	The actual deficit forecast above is £500 less than budget
Closing reserves	38,000	38,500	This allows £500 to be added to reserves

Key Assumptions

The third stage of the budgetary process is to set assumptions for variables that could result in significantly different outcomes in 2026/27 to those projected above for 2025/26.

Inflation

Inflation has increased slightly in the last year and stood at 3.6 per cent in October 2025. The Council assumed an inflation rate of 3 per cent when it set the 2025/26 budget but noted the risk of a global trade war pushing prices higher. Economic forecasts from the Office for Budgetary Responsibility and Bank of England indicate that inflation is likely to fall gradually over the next eighteen months. **Accordingly, this report assumes inflation for non-staff costs of 3 per cent.**

2026/27 Local Government Pay Award

Pay awards are still exceeding inflation and average about 5 per cent. Although private sector pay rises are expected to be closer to the inflation rate in 2026/27 the public sector unions are seeking a catch-up element for an austerity decade in which public sector pay rose less than

inflation. The 2025/26 local government pay award was below inflation and the unions accepted it on the condition that there was an above inflation award in 2026/27. Accordingly, in setting the 2026/27 salary budget **the Council agreed at its meeting on 11 November 2025 to allow for a pay award of 5 per cent and set the gross salary budget at £3,150.**

Interest rates and impact on Bank and Investment Income

Interest rates have reduced slowly in the last year falling from 4.75% in November 2024 to 4% today. Economic forecasts from the Office for Budgetary Responsibility and Bank of England indicate that the base rate is expected to continue to fall modestly over the next eighteen months but remain slightly above inflation. The Council holds £38,000 in a two-year investment with a fixed rate of 4.12%, so it has prudently insulated itself from falling interest rates. Most of the remaining funds are held in an instant access account currently paying 2.1% interest. Accordingly, **this report assumes a return of 4.12% for the cemetery reserve and 1.6% for the general reserve.**

Cemetery and allotment Income

The Council increased cemetery fees and charges on 1/4/2025 and allotment rents on 1/11/2025 and proposed a freeze in 2026/27. This budget assumes no change in demand so sets the 2026/27 budget at the forecast outturn for 2025/26. However, it should be noted that cemetery demand is highly unpredictable with most activity usually in the final four months of the budget year.

Repairs and maintenance costs

The Council usually needs to spend a considerable proportion of its budget on repairs and maintenance, but the cost is difficult to predict. Expenditure on footpaths is expected to be fully grant-funded. **This report assumes a similar level of cemetery wall and play equipment repairs will be required in 2026/27 as 2025/26.**

Growth and Savings

The fourth stage of the budgetary process is to consider if there are any costs incurred in 2025/26 that are unlikely to recur (savings) or alternatively any growth for services incurring costs for the first time. These are set out in table 2:

Table 2: 2026/27 Budget Estimates

Description of item	Savings (£)	Growth (£)
Cemetery tree work last done in 2024 and costing £400		500
Cemetery snow clearance in 2025/26 (policy revised)	-365	
Allotment rents payable (2024/25 delayed to 2025/26)	-350	
Lockable filing cabinets		250
Actual 2024/25 training costs replaced by £250 budget	-143 and -45	250
Limited assurance review by external auditor in 2026/27		210
Playground bench in 2025/26	-165	
Website provider error refunded in 2025/26	-144 and +144	
Gov.uk emails part-funded by grant in 2025/26		80
Shredder in 2025/26	-63	
Reduced overtime	-16	
TOTAL	-1,147	1,290
NET GROWTH		143

Budget Estimates for 2026/27 Receipts and Payments

The fifth stage of the budgetary process is to apply the growth and savings, inflation factors and other assumptions noted above to the forecast 2025/26 outturn in Table 1 to arrive at estimates for each budget line in 2026/27.

Table 3 illustrates that this gives receipts (excluding the precept) of £5,730 and payments of £12,730, meaning that to balance the budget and keep reserves at the optimum level the precept should be **£7,000**.

Table 3: 2026/27 Budget Estimates

	25/26 Budget (£)	25/26 Forecast Outturn (£)	Allowance for inflation	Growth / Savings adjustments	2026/27 Budget unrounded	Rounded 26/27 Budget
Precept	6,500	6,500	balancing figure to give a balanced budget			7000
Other Receipts						
Bank Interest	1,400	1,232	base on 4.12% on £32K and 1.6% on £8K		1,446	1450
Cemetery	875	731			731	730
VAT Refund	580	500	base on projected spend in 25/26		982	980
West Clint Field Rent	220	220	to be renegotiated but prudent to assume no change		220	220
Allotment Rent	225	260	reviewed sept 25 next rev		260	260
Grants and Donations	750	2,027	61	-	2,088	2090
General income	-	144	24/25 was one-off	-	144	-
	4,050	5,114				5,730
TOTAL RECEIPTS	10,550	11,614				12,730
Staff Costs						
Salaries (net of tax)	2,400	2,412	121	-	12	2,521
Tax paid to HMRC	600	600	30	-	4	626
	3,000	3,012	151	-	16	3,147
Other Payments						
Cemetery and Village	2,025					
Cemetery grounds maintenance		365	11		135	511
Wall repairs		1,205	36		-	1,241
Signage and noticeboards		-	-		-	0
Capital projects and s137 grants / donations		-				0
	2,025	1,570				1750
Grass Cutting	1,215	1,350	1 more year fixed price contract		1,350	1350
Footpaths	750	2,027	61	-	2,088	2090
Allotments	350	880	26	-	350	560
Playground	925	822	25	-	165	682
General Admin, training and subscriptions	850	1,184	36		395	1,615
Insurance	610	448	13		-	461
VAT	825	982	exclude cemetery GM, grass cutting, allotments and insuranc		1084.6	1080
	7,550	9,263				9,580
TOTAL PAYMENTS	10,550	12,275				12,730
SURPLUS (DEFICIT)	-	661				-

Precept and Council Tax Setting

The final stage of the budgetary process is to set the precept demand to request from council taxpayers via Durham County Council and to consider the impact on the Band D council tax. The RFO has also calculated the impact of alternative options for councillors to consider after benchmarking the 2025/26 Band D council tax level charged by other parish councils in Teesdale.

As shown in Table 3 the precept required to balance the 2025/26 budget is estimated at £7,000.

This represents a 4.18 per cent increase in council tax giving a Band D parish precept of £36.21 (£34.76 in 2025/26). It is based on a tax base of 193 (187 in 2025/26).

This is marginally above the forecasts for inflation and the national increase in council tax of 3 per cent.

However, to ensure that the absolute level of council tax is reasonable and not just the percentage increase required to balance the budget the RFO has performed benchmarking on how the Council's Band D council tax compares with the Teesdale parish average. Table 4 illustrates that the average increase in precepts set by Teesdale parishes in 2025/26 was 8.3 per cent meaning that the average is now 30 per cent higher than Bowes at £45.23.

Table 4: Band D Council Tax for other Teesdale Parish Councils

	<u>24/25</u>	<u>25/26</u>	<u>increase</u>
boldron	6.77	6.55	-3.25
cotherstone	54.73	76.08	39.01
eggleston	44.42	49.07	10.47
evenwood	83.79	96.04	14.62
forest and frith	0	0	0.00
gainford&langto	73.72	73.21	-0.69
hamsterley	24.37	25.09	2.95
hutton magna	18.35	19.18	4.52
ingleton	53.58	55.29	3.19
lartington	27.31	32.97	20.73
lunedale	5.89	7.81	32.60
lynesack	29.75	29.91	0.54
ovington	32.85	37.2	13.24
rokeby	26.29	27.07	2.97
ronaldkirk	122.25	130.43	6.69
south bedburn	15	17.05	13.67
staindrop	48.96	50.53	3.21
stainton	51.91	51.91	0.00
startforth	44.91	46.43	3.38
whorlton	61.31	61.98	1.09
winston	51.88	54.13	4.34
woodland	43.21	47.22	9.28
average	41.87	45.23	8.30

Councillors may wish to consider increasing the precept by 8.3% to reduce the risk of falling further behind the average spending power of local parishes but this report demonstrates how it is possible to balance the 2026/27 budget with an increase of just 4.18 per cent and a 8.3 per cent increase would generate a surplus of just £278, giving limited scope for additional projects.

The continuing cost of living crises may prompt councillors to consider a council tax freeze. However, the RFO cautions councillors that such a policy would cause a 2026/27 deficit unless further savings could be identified and reserves can only be used once. A council tax freeze would also widen the gap between the average council tax charged by local parish councils and Bowes and make a future percentage increase higher if the Council elects to undertake additional projects or an overspend occurs in 2026/27.

Table 5 shows the proposed budget compared to the alternative options discussed above and the impact on the Band D council tax and the surplus or deficit in 2026/27.

Table 5: Options for the 2026/27 Precept

Option	% increase in council tax	Band D council Tax (£)	Precept income (£)	Surplus / (Deficit) in 2026/27 (£)
Option 1 balanced budget as in table 3	4.18	36.21	7,000	zero
Option 2 – increase by average Teesdale rise in 2025/26	8.30	37.65	7,278	278
Option 3 – Council Tax Freeze	0	34.76	£6,719	(281)

Conclusion

The RFO confirms that reserves of £38,500 (£32,000 earmarked for the cemetery extension project and £6,500 general) are robust and set at a prudent level.

The RFO confirms that considering the best available information regarding 2025/26 forecast outturn reserves are expected to be at the required level of £38,500 at 31 March 2026. This means that a balanced budget with receipts matching payments is prudent for 2026/27.

The RFO confirms that the estimates in Table 3 of this report are considered adequate and allow for the growth and savings in Table 2.

The RFO recommends that the precept is set at £7,000 (Option 1 in Table 5 above), which equates to a council tax increase of 4.18 per cent. The Council resolved at its meeting on 9 December 2025 to accept the RFO’s recommendation.