
**MEDIUM TERM CORPORATE PLAN
INCORPORATING THE MEDIUM TERM FINANCIAL PLAN 2010 TO 2014
AND REVENUE BUDGET 2010-11**

Responsible Cabinet Member – Councillor Williams, Leader and all Cabinet Members

Responsible Director – Corporate Management Team

SUMMARY REPORT

Purpose of the Report

1. To approve the Medium Term Corporate Plan for 2010 to 2014 and to agree the Council's budget requirement for 2010-11.

Summary

2. The Council faces its most significant financial challenge since becoming a Unitary Council in 1997 due to potential reduction in grant and Council Tax income.
3. Future budget gaps at this stage are based on judgements, as certainty will not be available until the Government announces the Comprehensive Spending Review in November 2010. However, it is widely accepted that although accuracy cannot be achieved at the present time, reductions in funding will be significant. Current judgements suggest that including existing cost reduction proposals the Council may need to reduce its non-schools budgets by £21.5M (11%) by 2013/2014.
4. The 2010/2011 budget proposed within this report is fully funded after making efficiency and prioritisation decisions. Beyond 2010/2011 there are increasing potential budget gaps and the report suggests how these may be bridged by reference to the three strands of the business model namely:
 - (a) Focus upon securing efficiency in every aspect of business and activity through business reviews, and process re-engineering.
 - (b) Reliance upon One Darlington Perfectly Placed to support the process of prioritisation for service delivery and investment.
 - (c) The development of a more mixed economy in terms of the arrangements for the delivery of services, based upon what vehicle; Council, partnership, contractor, can release savings and secure quality service delivery.

5. 2010/2011 will need to be a period dedicated to reviewing services against the business model to develop options for Members to consider as part of future revisions to the MTFP.
6. Cabinet are proposing a freeze in Council Tax for 2010/11.
7. The Council is required by the Local Government Act 1992 to agree its budget for the following financial year. Regulations require the Budget Requirement to be calculated as: -

	£
Total Net Expenditure for 2010-11	78,403,000
Add Contribution to Reserves	179,699
Less Contribution from Reserves for Collection Fund Deficit	-675,000
Darlington Borough Council Budget Requirement 2010-11	77,907,699
Add Parish Precepts	73,303
Budget Requirement	77,981,002

Recommendation

8. Council are asked to: -
 - (a) Approve the Corporate Plan at **Appendix 1** with delegation given to the Chief Executive in consultation with the Leader to make any minor amendments to enable the Plan to be completed and published by 31st March 2010
 - (b) Approve the schedules of charges detailed in **Appendices 11 to 14**
 - (c) Approve the Capital Medium Term Plan detailed in **Appendix 15**.
 - (d) Approve the revenue Medium Term Financial Plan for 2010 to 2014 detailed in **Appendix 17**
 - (e) Approve the Budget Requirement for 2010-11 of £77,981,002, including parish precepts
 - (f) Note that: -
 - (i) Budget proposals with workforce implications in terms of redundancy and changes to terms and conditions are subject to ongoing consultation in accordance with statutory requirements and that under delegated powers relevant officers will continue to seek to reach agreement on the proposed changes. Any financial impact of changes agreed as part of the ongoing consultation process will be reported back to Cabinet.
 - (ii) If agreement after the statutory consultation period agreement cannot be reached on changes to terms and conditions then a report on the position will be presented to Council.

Reasons

9. The recommendations are supported to enable Council to:
- (a) Continue to plan services and finances over the medium term
 - (b) Set a revenue budget for 2010-11 in compliance with statutory requirements and the Council's Constitution

Corporate Management Team

Background Papers

No Background papers were used in the preparation of this report.

Paul Wildsmith : Extension 2301

S17 Crime and Disorder	The report contains proposals that support the Council's Crime and Disorder responsibilities
Health and Well Being	The report contains proposals to improve the health and wellbeing of residents
Sustainability	Proposals in the report support sustainability
Diversity	Proposals in the report support the promotion of diversity
Wards Affected	All Wards are affected
Groups Affected	All Groups are affected
Budget and Policy Framework	This report must be considered by Council
Key Decision	This report must be considered by Council
Urgent Decision	The Council's Medium Term Financial Plan, Budget and Council Tax require approval by full Council
One Darlington: Perfectly Placed	The report specifically addresses key issues involved in the Council's contribution to delivering the Sustainable Community Strategy
Efficiency	The proposals in this report build on the Business Model agreed by Cabinet in November 2009. This report contains specific proposals for increasing efficiency and proposes development of further efficiency and spending reduction proposals during 2010-11.

MAIN REPORT

Information and Analysis

10. The Council is a multi faceted complex, multi million pound business that provides services to the public of Darlington and the sub region and together with partners provides leadership for the Borough of Darlington. The long-term vision for the borough is contained in the Community Strategy One Darlington Perfectly Placed. Within the overall aims of the Community Strategy the Council sets its corporate and financial plans which set out what it will do in the short to medium term to deliver longer term objectives and to satisfy the service demands and needs of the public of the Borough.
11. The main challenge for the Council when setting its plans is to balance between providing services and delivering longer-term aspirations against the level of resources available and the levels of local taxation. This is a key issue for the Council and every other Council in the Country and it is at the very heart of this report.

Economic Context

12. When Council agreed the current Medium Term Financial Plan (MTFP) in February last year, it was done against a background of great economic uncertainty. Things had happened in the previous 12 months that most of the population had never experienced for example, the near collapse of the national and worldwide banking system. In February 2009 interventions had been made by the Government and more were to follow, a recession was upon us but no one knew how long it would last and how deep it would go. Twelve months on it would appear there is more certainty about the economy; indications suggest the worst may be over and the economy is starting to grow. However, it is anticipated that it will take some time for employment levels to improve. It is fair to say that the economic context is different to previous years. It is unlikely that the economy will emerge from the recession in a similar form to before as individuals adjust their life styles to live within a financial sector where credit and in particular mortgages are more difficult to get. In summary, we seem to be in a better place in terms of understanding the economy and a better place in terms of the economy itself than this time last year.
13. Moving from the economy to public sector finances, the picture is different. Uncertainty is a key word at the moment for all those in the public sector. The Government has invested heavily during the recession and now must repay its significant debt. To do this it must either raise taxes, reduce public expenditure or a mixture of both. All commentators and political parties accept this is the case. However due to where we sit in the electoral cycle, i.e. with a general election due this year, there are no agreed plans for how quickly the debt will be repaid or what source of funding will be used to repay the debt. The lack of certainty means that local authorities must plan against a background of immense uncertainty around their funding.
14. Despite the uncertainty most would agree that the amount of grant payable to local Government will not increase at the same levels as the last decade, after that there is little if no agreement on what will actually happen. Our current MTFP assumes an annual rise in grant of 2% per annum, again it is fair to assume that most would agree this is now seen as optimistic. Commentators have talked about real term reductions in grant, cash freezes in grant and 10% reductions in grant and many variables in between.

15. Members will appreciate that revising the MTFP is always a challenge; this year will be more challenging than others given uncertainty and the potential loss of income. The key to revising the MTFP this year will be judgement. Members will need to ensure that given the uncertainty they are prudent enough to ensure the medium to long-term sustainability of the Council whilst at the same time ensuring they are not over pessimistic leading to actions being taken now that at a later date may be deemed unnecessary. This will certainly be a significant challenge given the desire to do the best for the public of Darlington and against this background the recommendations in this report are made.

Strategic Context

16. Corporate, department and service plans for the 2010-14 planning cycle are being developed to directly address the outcomes required to deliver the vision of One Darlington: Perfectly Placed (the Sustainable Community Strategy (SCS)). The focus on outcomes is being sharpened by the introduction this year of a new planning methodology, Outcome Based Accountability (OBA), as outlined in paragraphs 28-32.
17. The need to focus on delivering outcomes, in order to meet the local challenges reflected in the SCS, is reinforced by evolving national policy initiatives. Three key national strands set the direction for the future development of local public services:
 - (a) The Total Place initiative, currently being piloted in 13 Local Authority areas, dovetails with Comprehensive Area Assessment (CAA) by promoting a ‘whole area’ approach to delivering better services at less cost. The economic recession is reinforcing the need for the public sector to work collectively to find radical solutions that will deliver better services tailored to local needs within the constraints of limited public sector funding.
 - (b) Strengthening Local Democracy – the Government recently completed its consultation on draft proposals to strengthen the role of democratically elected Councils, notably in being empowered to scrutinise, challenge, influence and shape other public services, placing Councils and elected Councillors at the centre of decision-making in the community across all public services.
 - (c) CAA assesses the effectiveness of public services in delivering locally determined outcomes, and of the Council in working with its partners to meet the needs of local people. The Council is no longer assessed in isolation, but for its effectiveness in leading the delivery of outcomes across all delivery organisations.
18. These three components – whole area assessment framework, piloting of an expanded whole area management role for Councils, and legislative proposals to empower Council’s to perform that role effectively – summarise the emerging role envisaged by Government for local authorities. The Future Business Model, recently approved by Cabinet and outlined elsewhere in this report, sets out proposals for reshaping the Council organisationally around this emerging role, and at the same time adapting to a radically different financial climate.
19. The adoption of Outcome Based Accountability, with the intention of rolling the methodology out across the Partnership, will provide an approach to action planning that complements and supports this ‘whole area’ approach to outcome delivery.

Developing the Corporate Plan

20. The SCS incorporates 15 long-term outcomes, spread across the five delivery themes, that action planning across Darlington Partnership is seeking to achieve. However, for the reasons outlined in paragraphs 28-32, these original SCS outcomes have been refreshed and consolidated, to enable OBA to be applied effectively, into five simple statements of well-being, satisfying the definition of an outcome required by OBA, as follows:
 - (a) Everybody in Darlington is able to enjoy the borough's prosperity and quality of life.
 - (b) Everybody in Darlington aspires and is able to achieve their full potential and maximise their life chances.
 - (c) People in Darlington live long, healthy, active and independent lives.
 - (d) People in Darlington enjoy an attractive, clean, green and sustainable environment.
 - (e) All people feel safe and live in a crime-free environment.
21. These five outcomes provide the framework for the initial proposals for inclusion in the 2010-14 Corporate Plan set out in Section 1 of **Appendix 1**. The Corporate Plan provides a high level overview of the Council's contribution to delivering SCS outcomes and drives the development of more detailed delivery proposals in department and service plans. This contribution is expressed in Section 1 of Appendix 1 as a series of 'Corporate Themes' within which more detailed proposals are being developed. The themes are summarised below under the two priorities of 'One Darlington' and 'Perfectly Placed'.
22. Departmental actions are also shown in Appendix 1, linked to the Corporate Themes. All departments have staged their initial service planning sessions, applying the OBA method to focus on the actions that need to be taken to contribute to SCS outcomes. However, these actions are at an early stage of development and will be refined, filtered and added to as we progress with the preparation of department and service plans.
23. Appendix 1 also outlines the proposed contents of the Corporate Plan and, in Section 2, non-outcome focused proposals for organisational improvement. This section is outlined in paragraph 28 below.

One Darlington

24. One Darlington embraces our approach to people, and specifically the need to narrow the gaps in prosperity, attainment, health and well-being, making sure that people are not disadvantaged by their income, where they live or by any other potential disadvantage that could cause them to miss out on the opportunities that will be created by realising our vision for Darlington.
25. In summary the main themes incorporated in Appendix 1 as a framework for the Council's contribution to the One Darlington priority are:
 - (a) Developing a strategic approach to reducing child poverty.
 - (b) Tackling barriers to employability and financial inclusion, and skills development to both enable people to access high quality/higher paid jobs.
 - (c) Ensuring fair treatment and social inclusion for everybody.

- (d) Addressing issues of affordability to ensure people can satisfy basic needs.
- (e) Encouraging and supporting people to develop and fulfil their aspirations.
- (f) Ensuring all children and young people receive the best possible education.
- (g) Developing choices and opportunities for the positive engagement of young people in the community.
- (h) Supporting independent living for all adults.
- (i) Ensuring that everybody has the life chances that support health and well-being.
- (j) Reducing mortality rates in Darlington.
- (k) Reinforcing early interventions to support healthy living for all, and tackling high risk behaviours.
- (l) Increasing the life expectancy rates for men and for women.
- (m) Enabling everybody to feel safe in Darlington.
- (n) Tackling local priority crime categories.
- (o) Tackling the factors that cause people to offend and re-offend, or engage in anti-social behaviour.
- (p) Tackling fuel poverty to support affordability and healthy living.

Perfectly Placed

26. The Perfectly Placed priority focuses on Darlington as a place, on helping to shape investment decisions, spatial planning and environmental management, and on attracting inward investment. It is concerned with reinforcing the qualities that make Darlington a place of distinctive character where people want to live and work.

27. In summary the main themes incorporated in Appendix 1 as a framework for the Council's contribution to the Perfectly Placed priority are:
 - (a) Attracting and supporting sustainable investment in business and high quality jobs
 - (b) Continuing to build the infrastructure required for a thriving economy, and promoting the key drivers of the local economy
 - (c) Enhancing Darlington as a place that inspires aspiration and achievement, and provides people with opportunities and choices to develop their potential
 - (d) Making sure Darlington is a place with good access to health, cultural and leisure facilities and services to support healthy living
 - (e) Ensuring Darlington develops as an attractive, accessible and sustainable place that retains its distinctive character
 - (f) Maintaining the local environment to the best possible standards, in partnership with citizens and businesses
 - (g) Tackling climate change and reducing CO₂ emissions
 - (h) Addressing the social and environmental factors that detract from people feeling safe

28. Section 2 of Appendix 1 presents proposals for organisational improvement and development. Such proposals support the delivery of outcomes but are not directly linked to them. In due course it is envisaged that the OBA methodology could be applied across all service planning but, for the current service planning round, the four functions of the Council set out in the Future Business Model, recently approved by Cabinet, have been adopted as a framework for capturing and presenting non-outcome focused proposals.

Outcome Based Accountability

29. OBA is being introduced in the current round of service planning. It is gaining widespread recognition as good practice, and sharply focuses action planning on the delivery of required local outcomes, rather than spreading attention more thinly across a wide range of 'change drivers' as in the methodology used previously. The current planning cycle will see a partial transition to OBA, with full adoption proposed for next year.
30. Service planning priorities have previously been developed and organised around the five SCS themes (Aspiring, Greener, Healthy, Prosperous and Safer Darlington). However OBA brings a fresh clarity to the way action planning needs to address the SCS. The two priorities of 'One Darlington' and 'Perfectly Placed' set the scene for what needs to be delivered, and therefore should lead and drive our planning, whereas the five themes provide the framework for how actions will be delivered.
31. The full adoption of OBA will require the agreement of a refreshed set of outcomes across the Partnership. That process has commenced with a recent report to the LSP Executive, and will be followed up early in 2010. An outcome is defined in OBA as, "a condition of well-being for children, adults, families or communities". Some of the outcomes incorporated into the SCS when it was written do not fall within this definition, and this further development work is therefore needed.
32. As a transitional measure, for internal use within the Council to allow the partial adoption of OBA in this current service planning round, the outcomes in the SCS have been condensed into the five refreshed outcomes set out in paragraph 19, to meet the OBA definition and allow the methodology to be applied.
33. OBA involves the definition of outcomes (as desired states of well-being), and the attachment to the outcomes of key indicators or measures of the state of well-being. Action planning then focuses on analysis of the current position and trajectory of the key indicators, the desired trajectory and the actions required to shift to the desired trajectory. The five outcomes and the key indicators attached to each outcome provide the framework for the Corporate Themes and proposals set out in Section 1 of Appendix 1.

Community Survey Feedback

34. The Council has recently completed its annual community survey which asks a statistically representative number of residents a range of questions around their quality of life, perceptions on key aspects of the local community and satisfaction with Council services. The responses and resultant analysis help the Council in shaping its short to medium term delivery plans. The key outcomes that are relevant to this report are:
 - (a) Overall satisfaction with the Council has risen to 66.9% from 62.0% in 2008.
 - (b) The percentage of people thinking that Darlington Borough Council has got worse at running the Borough has dropped to 15.8% from 20.9% in 2008.
 - (c) Satisfaction of their neighbourhood as a place to live has remained virtually the same for residents at around 80% for the past three years.
 - (d) The percentage of people thinking that their neighbourhood had got worse has dropped to 23.7% from 26.6% in 2008.
 - (e) Feeling safe in the borough at night rose to 51.1% from 47.3%.
 - (f) Feeling safe in the borough during the day has remained consistent at 95% for the past three years.

- (g) Highest service priorities for the public were road maintenance and repairs, pavement maintenance and youth clubs and other facilities for young people. This is the same as last year.
- (h) The main services that the public have identified as a priority continue to be supported within the MTFP and have all secured additional funding in previous years.
- (i) Recycling was last year fourth priority, but has dropped significantly this year, possibly as a result of the publicity relating to the new waste contract. CCTV measures and street cleaning also reduced in priority, as did car parking in the town centre, although car parking in other areas rose as a priority.
- (j) 48.5% of people agreed that the Council provides value for money, compared to 34.0% in the 2008 Place Survey.

Financial Context

- 35. The remainder of the report considers how the financial plan can be matched to the corporate plan aspirations and considers what aspects need to be reviewed/amended.
- 36. The preparation of the MTFP and the Corporate Plan has been done in consultation with Cabinet who are charged with the responsibility of preparing a draft corporate and financial plan for consultation and following consultation making final recommendations to Council. The draft plans have therefore been prepared based on Cabinet's priorities following officer advice. The preparation of the budget has been carried out taking full account of the statutory responsibilities of the Director of Corporate Services as the Council's Statutory Financial Officer.
- 37. The MTFP is reviewed and revised annually within the context of a financial strategy, which is the longer-term framework for key decisions about the Council's finances. The outlook for public finances has changed significantly since Council approved the current Financial Strategy in March 2007. The Strategy has, therefore, been reviewed and a proposed revised Financial Strategy is attached at **Appendix 2**. Officers have reviewed the Reserves Policy approved by Council in March 2006. With some minor drafting changes to improve clarity the existing Policy remains appropriate and is attached at **Appendix 3**.

2009/10 Projected Outturn

- 38. The starting point for revising the MTFP is to project the outturn for 2009/10. This gives an understanding of the impact on revenue balances and underlying trends that are emerging in 2009/10 in respect of such things as demand for and cost of services in so far as they impact on future years. Attached at **Appendix 4** is the latest revenue budget monitoring position. The key points are:
 - (a) The projected outturn is £4.472M better than the agreed MTFP therefore available revenue balances at 01/04/2010 are £4.472M greater than anticipated.
 - (b) The most significant item in the improved projected outturn for 2009-10 is the receipt in late January 2010 of a refund of VAT amounting to £2.814M. A further refund of £340,000 is also expected to be received. These refunds relate to periods 1985 to 1997 and do not have any effect on future income or expenditure levels.
 - (c) The outturn masks some underlying budget pressures due to some significant one off injections of funds, these are:

- (i) Looked after Children external placements
- (ii) Adults Services shortfall of budgeted savings
- (iii) Parking – Shortfall in income

These with others are factored into the initial draft budget identified later in this report

(d) Conversely, there are two significant on-going reductions in costs:

- (i) Financing costs have been reduced by using maturing investments to repay some debt and replacing some loans at lower interest rates
- (ii) Employee costs are below budget as a result of the 2009 pay award

Revenue Balances

- 39. Having ascertained the projected level the next stage in revising the MTFP is to assess the availability of revenue balances to assist in funding services. The Council has legitimately used balances over a number of years to bridge the gap between expenditure and income within the medium term strategy of reducing expenditure to income levels. The existing MTFP achieved this strategy.
- 40. Projected balances at 31/03/2010 are £11.560M. Members will recall from previous reports that a minimum level of balances must be retained to cover potential future financial risks. Last year, this amount was raised from £4.5M to £6M given the increased risks the Council faced, this was done on the basis of a risk assessment. A similar risk assessment has been undertaken this year and is attached at **Appendix 5**. This supports retaining the existing level of balances at £6M, therefore £5.560M are available if needed to support services.
- 41. Given the great uncertainty surrounding the Council's future income, it would be prudent to avoid using balances in the short term and retain or even increase them to give greater flexibility in responding to income reductions in future years should they prove to be greater than anticipated.

Developing an Initial Draft Budget

- 42. As in previous years, officers have prepared budgets based on existing Council policy and service levels. To do otherwise would clearly undermine the role of elected Members in determining such matters. Account has been taken of key assumptions as set out in **Appendix 6** and budget pressures that have arisen for various reasons, which are outlined below.
- 43. The pressures are listed in **Appendix 7**. They tend to fall into a number of distinct categories:
 - (a) Increasing demand for statutory services that the Council must provide, principally Children's Services external placements, Adults Services learning disability and concessionary travel - £1.7M.
 - (b) Reductions in income from service users and specific Government grants, most significantly parking and Building Control income but also a range of other charged-for services. Income is forecast to recover from 2011 as the economy improves (separate provision is made for forecast reductions in grants in the following paragraphs) - £1.1M.

- (c) Shortfall in previously projected savings and costs of delivering change, primarily Adults Services and accommodation - £0.4M.
 - (d) Other essential expenditure, mainly ICT - £0.1M.
44. The Council has an excellent track record of efficiency as externally validated and the current MTFP has a significant ongoing efficiency programme which totalled £6.5M in addition to savings made prior to 2009/10. When drafting budgets officers have clearly been examining them closely looking for further efficiencies and have built them into the initial draft as the efficiencies do not impact on either policy or service levels. Details of the new efficiencies which total £4.6M together with the ongoing efficiency programme are attached at **Appendix 8** showing a total for the efficiency programme of £11.1M.
45. As explained in paragraph 60b, Priority Based Budgeting Reviews will be a key strand of the new business model and will bring a more systematic approach to reviewing policy and services standards. Given the significant budget gaps going forward, Cabinet has undertaken reviews of service levels and policy issues and are proposing a number of amendments as part of this MTFP review in advance of any major PBBR decisions to be considered next year. These proposed changes for 2010-11 are detailed in **Appendix 9**.
46. Savings included in the 2009-13 MTFP that are to be delivered in 2010-13 are summarised in **Appendix 10**.
47. Based on the above criteria the initial draft budgets produce the following totals as compared with the existing MTFP:

	2009/10		2010/11		2011/12		2012/13		2013/14
	Original	Projected Outturn	Original	Revised	Original	Revised	Original	Revised	Revised
	£M	£M	£M	£M	£M	£M	£M	£M	£M
Children's Services	12.718	13.592	12.598	12.090	12.893	11.980	13.248	12.113	12.168
Community Services	46.200	44.942	47.178	46.571	48.811	47.746	50.923	49.582	50.326
Chief Executive's	6.911	6.735	6.982	5.949	7.115	6.234	7.250	6.308	6.414
Corporate Services	9.648	10.061	9.083	9.349	9.234	8.687	9.304	8.169	8.244
National Insurance	0	0	0	0	0.300	0.600	0.300	0.600	0.600
Joint Bodies and Levies	0.641	0.687	0.635	0.650	0.605	0.616	0.625	0.631	0.646
Change Fund	0.100	0.100	0	0	0	0	0	0	0
Leading Edge Efficiencies	(0.340)	0	(0.609)	0	(0.629)	0	(0.678)	0	0
Pay award	0.642								
Net Service Expenditure	76.520	76.117	75.867	74.609	78.329	75.863	80.972	77.403	78.398
Financing Costs	3.954	3.099	4.851	3.794	4.984	4.784	4.811	3.979	4.613
Headroom	0	0	0.165	0	0.165	1.000	0.165	1.750	2.000
Total Net Expenditure	80.474	79.216	80.883	78.403	83.478	81.647	85.948	83.132	85.011

2009/2010 original budget has had £0.642M of pay award savings removed from departmental budgets. The 'one-off' VAT refund received in January 2010 is not included in the above table.

48. The draft budget shows significant reductions in expenditure compared with the current MTFP. Net expenditure in 2010-11 is projected to be less than in 2009-10. Members will note the re-establishment of headroom in the plan. The emergence of unknown budget pressures is a feature of medium term financial planning as demonstrated this year. It would be simple to ignore this when making forward projections however its inclusion gives a more realistic picture.

Departmental MTFP Reports

49. This report addresses the Council's overall budget. Attached at **Appendices 11 to 14** are detailed departmental reports that include details referred to in the main report and more including service planning, value-for-money and spending comparisons and detailed fees and charges proposals.

Resourcing the Council's Budget

50. As explained in the introduction to this report judgement will be needed when assessing the potential level of resources going forward, set out below are explanations of the judgements used for each of the key sources of funding.

Fees and Charges

51. The draft budget reflects the current levels of income adjusted going forward for anticipated ups and downs due to projected economic factors. Income is always a risk and this is factored in to our headroom calculation to future years and revenue balances for in year risk. Of all the income streams, this is perhaps the most certain at the present time and although individual budgets will see fluctuations having perhaps experienced the worse of the recession projections included in the draft budget are believed to be relatively sound.

Formula Grant

52. This funds 48% of the non-schools net expenditure, variations in this area will have a significant impact. The current MTFP assumes an annual increase of 2% this was based on a down rating of previous years' projections when it was calculated last year. There is agreement that 2% annual increases for the next few years are optimistic therefore a judgement needs to be made. Each 1% reduction equates to a £400,000 annual loss of income from the existing MTFP.
53. At the current time, we have certainty over the 2010/11 grant. Beyond that we await the next comprehensive spending review (CSR) which is due in November 2010, which should provide grant figures for the period 2011/12 to 2013/14 if it follows current Government policy. There is a school of thought however that suggests it may only provide for grant figures for 2011/12 and not a three year settlement thus allowing the Government more time to plan. The judgement made on formula grants funding is to plan for a 3% year on year reduction from 2011/12 this represents an annual reduction against the existing MTFP of 5% ie reduction of £2M each year. The balance of such a judgement is in no way at the optimistic end of the range and does deliver near to a 10% reduction over the three year period without a "Cliff Edge" of a 10% reduction in year 1 at the CSR. Such an approach one would hope would find favour with the Government as grant withdrawal over a period of years would allow for a more planned adjustment to reduced resources.

Specific Grants and Area Based Grants

54. The Council receives £29.6M from this funding source. The grants are targeted at providing specific services although in many cases the grants are not ring fenced. The removal of ring fencing is only a recent change and in reality grants have continued to fund the purpose for which they were initially intended. These grants are included within detailed estimates and are applied to service expenditure thus reducing net budgets. Examples of the largest grants are listed below: -
- (a) School Standards Grant and Standards Fund - £9.3M
 - (b) Sure Start, Early Years and Childcare Grant - £3.5M
 - (c) Housing and Council Tax Benefit Admin Grant - £1.0M
 - (d) Private Finance Initiative - £3.2M
 - (e) Supporting People Grant - £3.1M
 - (f) Connexions - £1.0M
 - (g) Adults social care, various grants - £2.4M

55. There has been less speculation about this source of funding. Some commentators suggest that individual grants may be significantly reduced or withdrawn altogether to assist in not reducing headline formula grant by as much as has been highlighted. A view could be taken that if grants are withdrawn then the services they fund would automatically be withdrawn, however, reality suggests this would not be the case for all grants as they fund some core priority services. In light of limited knowledge in this area but to ensure prudence a 3% year on year reduction has been applied reducing income by approximately £900,000 per annum.

Council Tax

56. Council Tax levels are a matter for local determination by each Council following the abolition of the presignalled capping regime, however, this has been replaced in recent years by Government guidance. This year the Government has announced that:
- (a) “For 2009/10 the average increase in council tax was 3%.
 - (b) For 2010/11 the Government expect the average increase to be lower than in 2009/10 and at a 16 year low.
 - (c) The capping criteria will be decided later and authorities should not assume the criteria for 2010/11 will be the same as 2009/10”.
57. In deciding on the proposed level of increase, Cabinet have taken this into account and the impact of rises on the local community balanced against the needs of the community for services and support and they have decided not to increase Council Tax in 2010/11.
58. For planning purposes only at this stage, it is assumed that the increase for 2011/12 will be 1% rising to 2% in future years, clearly Members will make final decisions on this in future years.
59. The reduction of the increase from the 4.9% per annum in the existing MTFP removes income year on year, which will be £6M by 2013/14.

A New Business Model for the Future

60. In the November cabinet report an approach to delivering a sustainable Council was agreed by Cabinet and it is that business model that has influenced the preparation of the 2010/11 detailed budget and the strategy for bridging the potential future budget gaps beyond 2010/11. The key strands and proposed timetables are set out below:
- (a) **A Continued Focus on Service Efficiency Within Darlington Borough Council – Ongoing**
This is a key element and one the Council is very familiar with and is achieved by a variety of means including managers initiatives, departmental change projects and transformational change projects. Developed proposals are already included, however, further proposals will be developed over the life of the MTFP.

(b) Priority Based Budgeting Reviews – Rolling Programme – Key Decisions, included in this report and February 2011 and 2012

This element of the business model involves reviewing services and developing different service level options to understand the impact on services of less resources. The purpose is to enable Members to fundamentally review what the Council does to enable them to be well informed when decisions have to be made about the level of services and support the Council provide. Some decisions need to be taken this year and attached at Appendix 9 are proposals totalling £240,000. In future years a more fundamental review will be needed to deliver significant savings. The effectiveness of services/service interventions will need to be assessed to ensure they are having sufficient impact on desired outcomes as articulated in One Darlington Perfectly Placed.

(c) Service Delivery Reviews – Initial service decisions by February 2011 second phase post 2011

The final strand of the model is to consider who should deliver services on behalf of the Council. The Council already has a mixed economy providing services in house and in partnership with Health, other Local Authorities, the voluntary sector and the private sector. The business model outlines a pragmatic approach suggesting that whichever type of delivery is best suited to individual services will be selected, there is not a “one size fits all” approach. What is clear is there will be changes to who delivers the Council’s services as part of the implementation of the business model. The review of service delivery will be an ongoing process and services will be subject to reviews based on the varying criteria. The first services to be reviewed are listed below and have been selected as they are unlikely to be significantly impacted upon by the priority based budgetary reviews (PBBR) it would not be sensible to consider who will deliver a service if the service itself may be subject to change as part of the PBBR. Once a service has been subject to PBBR then who is best placed to deliver that service can be considered.

- (i) Building Control
- (ii) Licensing
- (iii) Environmental Health
- (iv) Trading Standards
- (v) Corporate Landlord
- (vi) Libraries
- (vii) Building and Highways Maintenance and Construction
- (viii) Housing Benefits
- (ix) Local Taxation
- (x) Pupil Referral Unit

During 2010/2011 the above services will be reviewed with a business case being produced, which will identify the most appropriate delivery option.

Resourcing the Business Model

61. The change required within the Council is significant and cannot all be achieved within existing resources and therefore as in previous years a change fund is required to pump prime change. A one off fund of £500,000 is proposed to be taken from revenue balances.

Future Planning for the Potential Budget Gap Resolution

62. Clearly the efficiency programme has assisted considerably in reducing expenditure but the significant challenge faced by the Council in future years will require further substantial savings to be delivered through the new business model.
63. Set out below is a potential plan that will bridge the emerging budget gap based on the business model. There is much uncertainty around local Government finance and the plan below should be taken as such. It is not written in stone but it is aimed at demonstrating to Members and interested parties that the judgement made in this report is measured to ensure plans are deliverable for every eventuality in the future as certainty unfolds in the local Government finance.

		2010-11	2011-12	2012-13	2013-14
		£M	£M	£M	£M
1	Draft Budget Net Expenditure	81.070	85.107	87.031	89.001
2	Less Proposed efficiency savings	(2.297)	(3.010)	(3.447)	(3.538)
3	Net Expenditure after efficiencies	78.773	82.097	83.584	85.463
4	Less Proposed Priority Based Budgeting	(0.160)	(0.240)	(0.240)	(0.240)
5	Less Proposed Increased Income	(0.210)	(0.210)	(0.212)	(0.212)
6	Net Expenditure after proposed savings	78.403	81.647	83.132	85.011
7	Further Efficiency Programme		1.800	2.800	3.800
8	Priority Based Budgeting		2.500	3.800	5.300
9	Service Delivery Options Phase 1			0.300	1.000
10	Service Delivery Options Phase 2				0.300
11	Net Expenditure after further savings programme	78.403	77.347	76.232	74.611
12	Assumed reduction in Specific and Area Based Grants		0.889	1.778	2.667
13	Net Expenditure after assumed Specific and ABG reduction	78.403	78.236	78.010	77.278
14	Projected Resources	78.582	77.815	77.488	77.420
15	Contributions to / (from) reserves	0.179	(0.421)	(0.522)	0.142
16	Business Model resources (paragraph 61)	(0.500)			
17	Projected reserves at year end	11.239	10.818	10.296	10.438

64. The above table demonstrates what the future might hold. It cannot be reinforced enough at this stage that the above figures are a judgement and certainty will not emerge until November 2010 at the earliest. That said, the figures illustrate the words previously used that this will be the largest single challenge the Council has faced since becoming a Unitary Authority. The approved plans include savings totalling £11.1M and these are already built into the net expenditure figures at line 6 in the table. Lines 7 to 10 illustrate how the gap between spending and potential resources may be bridged. This illustrates that by 2013/14 the Council may need to save a further £10.4M from the various strands of the business model. Therefore, in total the Council will be planning to reduce its expenditure by £21.5M by 2013/14, indeed a significant challenge.

65. The year ahead must be dedicated to developing options for consideration as part of next year's MTFP revision, which will involve application of all three strands of the business model. That dedication together with existing plans, level of revenue balances (£11.560M) and the grant certainty in 2010 mean that it is Cabinet's view supported by officer advice that the approach to the preparation of the 2010/2011 detailed revenue budget is appropriate and the medium term approach developed to meet the financial challenge is sound.

Budget 2010-11

66. This report largely focuses on medium to long-term corporate and financial planning, which represents recognised good practice. The Council is legally required to set a budget and Council Tax for the coming financial year. Estimates of departmental and corporate expenditure and income are detailed in **Appendix 16**. The estimates represent the financial implications of Cabinet's proposals and provide the necessary detail for the proposed budget and Council Tax for 2010-11. Planned net expenditure in 2010-11 is £78.403M plus £0.5M to be taken from reserves to resource implementation of the new business model. The cumulative and projected Collection Fund deficit has previously been reported in the 2008-09 outturn report and 2009-10 budget management reports. It has already been deducted from the projected reserves at 31st March 2010 and must now be included in the formal calculation of the budget requirement for 2010-11: -

	£
Total Net Expenditure for 2010-11	78,403,000
Add Contribution to Reserves	179,699
Less Contribution from Reserves for Collection Fund Deficit	-675,000
Darlington Borough Council Budget Requirement 2010-11	77,907,699
Add Parish Precepts	73,303
Budget Requirement	77,981,002

Impact on the Workforce

67. Consultation is ongoing with the trade unions and the workforce on both the potential redundancy proposals and proposed changes to terms and conditions of service, which cover car allowances and premium rates.
68. The detailed proposals contained in this report and the ongoing efficiency agendas will mean the deletion of 61 posts within the Council. Currently, 20 of the posts are vacant, therefore, there are potentially 41 redundancies. However, as the business model is implemented this number may increase. In addition, the report includes changes to terms and conditions of employment in respect of premium pay rates and car allowances that will impact on a significant number of employees.
69. Both the redundancies and the changes to terms and conditions come under statutory collective redundancy consultation provisions and as a result of the number of employees affected by the proposals, a 90 day consultation period is required prior to commencing implementation on any of the proposals. As such consultation will continue until at least the expiry of the full statutory consultation period.
70. Officers will, as part of ongoing consultation, continue to seek to reach agreement on the proposed changes and any financial impact of changes agreed as part of the ongoing consultation process will be reported back to Cabinet.

71. By consultation Officers will seek to arrive at agreement over the proposed changes to terms and conditions. If agreement is not possible or there are no acceptable alternatives to achieving the savings then an imposed change to terms and conditions may need to be considered. If this was the case, it is a decision which could have significant implications in employee relations terms and it is proposed to report back through Council if agreement cannot be reached.

Capital Medium Term Financial Plan

72. The earlier part of this report has concentrated on revenue MTFP, the next section concentrates on the capital MTFP. Whilst the Council's own capital resources have been restricted by the inability to dispose of assets the Council will still have a significant capital MTFP funded by central Government. Over the life of the MTFP it is proposed that £142.7M will be spent on capital schemes.
73. Capital expenditure by its very nature is significant one off expenditure aimed at making improvements to, or acquiring assets that enable the Council to deliver its priorities. The vast majority of capital funding is received from the Government and is allocated to Councils in the main to match national priorities such as Transport, Children's Services and Housing. The allocation of spending within those three key national priorities is subject to ongoing programmes and agreed outcomes. For example within Housing there is an agreed 30 year business plan which sets out how investment should be applied, more details on how expenditure will be applied is set out later in this report. Set out below are details of the levels of Government funding available for 2010/11.

		2010/11 £M
	Children's Services	
1.	Standards Fund	12.461
2.	Devolved Capital	1.299
3.	DCSF	1.664
4.	Building Schools for the Future	*9.600
	Housing	
5.	Major Repairs Allowance	2.586
6.	GONE Disabled Facility Grants	0.282
7.	SHIP 3 Disabled Facility Grants	0.390
8.	SHIP3 Energy Efficiency	0.050
9.	SHIP3 Other	0.103
	Transport	
10.	Local Transport Plan	3.064
	Regeneration	
11.	Single Programme	*4.374
	Community Services	
12.	Adult Services Mental Health	0.052
13.	Carefirst Mental Health	0.083
	Total	36.008

* Denotes indicative figures

74. **Appendix 15** sets out the proposed capital programme with regard to applying the projected resources allocated to the Council, the programmes include ongoing schemes for previous years. Set out in the following paragraphs is a narrative of the major elements of the programme. Scheme specific approvals will be subject to detailed reports to Cabinet.

Children's Services

75. In the 2010/11 financial year it is anticipated that Darlington Children's Services capital investment will be c£30M, funded by 2010/11 resources of £26.9M and carry forward from 2009/10 of £3.1M. The majority of this funding has already been reported and released at Cabinet. However for information further details of the major major capital project streams are detailed below.
76. The Authority has received confirmation that we have been successful in our application to get Building Schools for the Future (BSF) funding. We have been allocated £57.6M to rebuild or substantially remodel Branksome, Hurworth and Longfield and to develop a managed ICT service across the secondary schools. In addition, we will be improving facilities for young people on the Autistic Spectrum and we will be relocating facilities for some pupils on alternative programmes.
77. We expect that the programme will lead to improved community access to facilities and that there will be greater support for early intervention and prevention of difficulties; leading to a reduction in the number of children who go on to initial assessment of need. The work on the three schools will be a major boost to the economy in the Borough and will bring employment and apprenticeships to the community.
78. During 2010/11 Primary Capital Programme of c£9.5M is projected to be expended, to implement the Government's national investment programme aimed at renewing 50% of all primary schools nationally. These projects will focus on the provision of primary schools that are equipped for 21st century teaching and learning with children's services in reach of every family.
79. 14-19 Diplomas/SEN Disabilities, significant expenditure of c£6.3M to provide capital investment for the Secondary Schools within the Authority to enable 14-19 Diplomas to be fully developed. Work is continuing with regard this funding stream with the 14-19 Trust. Linked with this is £0.6M relating to Specialist College capital funding for both Branksome and Longfield Comprehensives.
80. In relation to Children Centres, £0.7M has been allocated to the development of Haughton Children's Centre at Salters Lane and expanding the reach of existing Children's Centres across the town.
81. Four head teachers in the South East locality of Darlington have been successful in their bid for £2.7M from the DCSF Co-location fund. During 2010/11 it is anticipated that c£0.5M will be spent on extending the impact of existing Primary Capital Programme projects to enable the development of an Integrated Centre for Well-Being and three modern accessible Well-Being Satellites (primarily Heathfield Primary, Dodmire Primary, Hurworth Primary and Borough Road Nursery).

82. Other major schemes include the final retention payments relating to St Aidan's Academy, Northwood Primary School, further investment at Private, Voluntary and Independent Nurseries, improving short break facilities for families with disabled children, the continuation of the Clervaux Alternative Provision and Children's Play.
83. Beyond the Primary Capital Programme the remaining Modernisation funding and Schools Devolved Formula Capital will be spent in line with the locally agreed asset management plan arrangements in Darlington.

Housing

84. During 2010/11, major works are planned within the Council housing stock of the borough, in a number of locations.
 - (a) The Council plans to carry out internal planned maintenance, including electrical rewiring, replacement kitchens and bathrooms, insulation, and security lighting to approximately 250 dwellings. Work will be undertaken in the following wards; Haughton East, Haughton West, North Road, and Cockerton West. Where small blocks of flats are included, the specifications will include works to the communal areas including upgrading the lighting, flooring and upgrading to digital television aerials.
 - (b) Refurbishment work to Branksome Hall Drive will be completed and refurbishment work will continue at Windsor Court with work due to be completed in 2010-11. The refurbishment work will provide modern facilities which are easily accessible and accommodate a range of older people with some support requirements. Work will commence on refurbishing Rockwell House and is due to be completed in 2011-12.
 - (c) Approximately 200 dwellings throughout the Borough will benefit from new central heating systems located predominantly in the wards of Eastbourne, North Road, Haughton East, Haughton West, and Cockerton West.
 - (d) A range of adaptations will be undertaken for people with disabilities based on their assessed needs and £360K has been set aside for these works.
 - (e) A range of energy efficiency measures will be available for Council owned properties at targeted areas to be determined. Measures will include cavity wall insulation, loft insulation and "top ups" as well as draught exclusion works.
85. A regional Financial Assistance policy will be introduced for private owners and accredited private landlords in order to undertake essential home improvements towards meeting minimum decent homes standards. The financial assistance will be based on loans offered at attractive interest rates of 2% and some will only be repayable at the point at which properties are sold making them more affordable. Private sector grants will be reintroduced should applicants meet specific means tested criteria and not qualify for loan assistance. The programme will be delivered by the Home Improvement Agency, Care and Repair.
86. Disabled Facilities grants will be available on a means tested basis for eligible applicants. Disabled Facilities grants are not offered on a geographical basis but determined by individual assessments and family circumstances.

87. Following receipt of the final Housing Revenue Account Subsidy Determination for 2010/11 further work has been undertaken, which has revised the housing capital programme that was presented to Cabinet on 25 February 2010. The overall medium term bottom line spending plan has not changed, but a number of schemes have been re-prioritised and re-profiled over the 4 year period.

Transport and Highways

88. The following works are proposed for delivery in 2010/11:

Major Scheme Bid

89. The Tees Valley Bus Network Improvement major scheme proposal aims to tackle traffic congestion and improve the reliability of bus services. A number of schemes are planned for implementation in 2010/11. These schemes include a new westbound bus stop on Woodland Road to improve travel to Darlington Memorial Hospital, new bus stops in Glebe Road, Springfield and Minors Crescent areas and verge hardening where required in Branksome. The design and consultation process will continue on schemes planned for subsequent years in the Darlington area; including a major junction improvement at North Road/Whessoe Road and a review of the layout and operation of entire Inner Ring Road with the intention of reducing queuing traffic and incorporate bus priority into new layout.
90. A decision on whether the funding for these proposals will be available is now expected from the Department for Transport in January 2010, following the submission of the final approval business case in November 2009. If the funding is not forthcoming other sources of funding will be pursued to deliver some of the projects from future years Local Transport Plan and developer contributions.

Local Transport Plan

91. As in previous years, work will be focused in line with the strategy to tackle congestion by increasing road capacity at pinch points, further improving the management of the road network to increase traffic flow and providing real travel choices.
92. Casualty reduction and speed management budgets in the LTP and the capital element of the Road Safety Grant will be used where schemes have been identified to address specific sites where there are a significant number of casualties and to review speed limits, including the implementation of more 20mph zones.
93. It is proposed to help bus passengers by investing £125k in various measures of benefit including the installation of real time information displays at more bus stops. The work will encourage people to use the bus more so therefore reducing traffic congestion. This forms part of the match funding for the major scheme.
94. Much of the Council's work relies on evidence to provide the opportunity for meaningful analysis of what action is for the best – be this in setting priorities for maintenance, management of traffic under the Traffic Management Act or making capacity improvements to the highway network. The LTP provides funding for some of the required monitoring programme, including the maintenance, renewal and provision of automatic traffic and cycle counters.

95. The Council funds some of the annual highway maintenance programmes from the 2LTP and a list of schemes will be presented for Cabinet approval in 2010. This programme includes reconstruction of roads, as well as resurfacing and general maintenance. As in previous years, the priorities for this work will be based on the annual condition survey data. A programme of footway and cycle way maintenance schemes will be delivered in the year. The bridge maintenance schemes are also identified from condition survey, which is being collected in 2009/10. Polam Lane Bridge has already been identified as a priority for delivery in 2010/11 and initial feasibility and design work and consultation with the conservation officer has been completed in 2009/10.
96. The Local Motion programme will aim to tackle congestion through changes in travel behaviour will continue to be funded including school travel plans; travel plans with local employers including the Council to include cycle parking and providing information and incentives to support people in their travel choices. The Council still receives external funding to support this work from Europe through the Interreg IVB programme as well as Cycling England. Cycle schemes proposed for delivery in 2010/11 are currently under development, but could contain the construction of a link along Polam Lane, an off road bridal path linking Merrybent to the Hummersknott area and the completion of Radial Route 6 to Harrogate Hill at John Street subject to land acquisition. These links are designed to encourage people to walk or cycle especially for shorter journeys, thus reducing pressure on the road network.
97. The successful Medal Motion campaign with local schools will continue in May and October and resources from the Local Transport Plan (LTP) will provide support through the provision of safer routes to school, 20mph zones and other physical works. Schools already identified for feasibility and then implementation in 2010/11 include Heathfield, Reid Street, Harrogate Hill and Gurney Pease.

Regeneration – Single Programme

98. The indicative figure of £4.374M relates to continuing work on Central Park, the new Teesside University building in Darlington and helping new businesses, funded by Government grant.

Council Funded Schemes

99. The Council has banked capital receipts of £1.064M with anticipated receipts in the remainder of the year of £2.5M, however, as experience has shown there is no certainty that the anticipated receipts will be realised. Given the uncertainty of the major proportion of the receipts it is not proposed to review potential capital schemes in detail, this can be done later in the year when there is more certainty about the level of receipts.
100. Despite the above it is essential that funding is identified by the Council to match fund the BSF programme and £1.8M is required, the phasing of this over the programme of works is not clear at the present time. Also, £400,000 is required to maintain and upgrade ICT and telephone networks, if such expenditure is not made available now there will be a significant risk to the Council's business continuity as the reliability and security of systems could not be guaranteed. The draft Revenue MTFP assumes that this funding will be met from the anticipated capital receipts and prudential borrowing. If anticipated capital receipts are not fully realised prudential borrowing will need to be increased and the Revenue MTFP amended accordingly.

101. Both the schemes will be subject to detailed reports to a future Cabinet meeting.

Consultation

102. The proposals agreed by Cabinet in January have been subject to consultation, with every member of public in Darlington having opportunity to comment on the proposals. The January edition of the Town Crier included an article on the proposals and a copy of the article is attached at **Appendix 18**. A Talking Together event was held at the Dolphin Centre on 25 January and an online forum was established. The outcomes of the consultation process were reported to the special Cabinet meeting on 16 February 2010.

103. As a result of public consultation, two changes were made to the proposals in the draft MTFP agreed by Cabinet in January: -

- (a) The projected savings expected from the proposed review of the Early Years Inclusion Practitioners Service have been taken out of the Plan. The Council is committed to finding sustainable ways to extend inclusive provision for children with additional needs, and their families, to 52 weeks of the year and for more hours each day. This should lead to more early years settings being able to include children with more complex needs because staff have developed the necessary skills and it will provide more choice of settings for parents. However, the proposals that were consulted on raised a number of important concerns from the current service users about the impact of the proposed changes on them. Officers will work with current and future service users to develop a revised service design to promote sustainable inclusive practices.
- (b) During consultation discussions took place with the charity involved in supporting the Story Sack / Toy Library. It has been suggested by the charity that the level of savings envisaged in 2011/12 and beyond can be achieved but they would need a transition year to deliver the savings. The proposed savings in 2010/11 have been reduced from £54,000 to £17,000.

Conclusion

104. Cabinet's recommended revenue MTFP, incorporating the revenue impact of the proposed capital programme and including all departmental and corporately managed resources, is summarised in **Appendix 17**.

105. The Council faces its biggest challenge since becoming a Unitary Council due to the impact of the economic downturn on public sector funding. The extent of the challenge is not fully known at this stage but the Council must continue to deliver short-term savings and put in place robust plans over the next financial year to deliver cost reductions in future years.