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**MEDIUM TERM FINANCIAL PLAN**

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**Responsible Cabinet Member - Councillor Bill Dixon,  
Leader and all Cabinet Members**

**Responsible Director - Chief Officers Executive**

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**SUMMARY REPORT**

**Purpose of the Report**

1. To propose a Medium Term Financial Plan (MTFP) for 2018/19 to 2021/22 for consultation including setting a budget and council tax increase for 2018/19. To also propose a 2018/19 to 2021/22 Capital Programme for consultation.

**Summary**

2. Between the financial years 2010/11 to 2017/18 the Council has faced unprecedented financial challenges from reductions in public sector spending. In the case of Darlington Borough Council this has meant an overall real terms decrease in government funding of £42.4m anticipated to increase to £51.0m by 2021/22. This resulted in the Council agreeing reductions to planned expenditure of £45.4m leading to a reduction to date of 730 in the Council's workforce. These income reductions have come at a time when demands for Council services in particular social care are increasing.
3. This report has been prepared before the Local Government Finance Settlement (LGFS). Members will recall the Council submitted its Efficiency Statement in 2016 which guarantees the Revenue Support Grant (RSG) figures as published, whilst this gives certainty over the RSG this is now a small and decreasing element of the Councils revenue stream. Therefore amendments may be required following the LGFS however at this stage changes are not expected to be significant.
4. The Council undertook a significant consultation exercise in 2016 following an in-depth and detailed review of all services which resulted in the agreement of a Core Offer budget by Council on the 29 June 2016.
5. The Core offer remains extremely challenging with a number of savings still to be delivered over the life of the MTFP, and additional pressures having arisen. Nevertheless, through innovative financial investments, increased income and release of redundant earmarked reserves, the Council can still deliver the agreed balanced plan and extend the MTFP, and have also identified £3.7m to add to the Futures Fund for investment in services across the life of this MTFP.

6. This report proposes how the funds can be invested and drawing upon resident and business feedback and consideration of the impacts on services since the programme of austerity began, it is proposed to allocate resources, predominately on a one-off basis across the following five themes which are wholly consistent with the recently agreed corporate plan and the additional funds will enable the plan to be enhanced;
  - (a) Community Safety
  - (b) Maintain an attractive street scene environment
  - (c) Maintaining a vibrant town centre
  - (d) Developing an attractive visitor economy
  - (e) Neighbourhood renewal
7. In summary with significant good progress on savings, strong cost management and innovative treasury management the councils financial position is robust with a four year balanced MTFP and funds available for investment.

### **Recommendation**

8. It is recommended that Cabinet approve the 2018/19 budget as set out in **Appendix 7** for consultation including the following;
  - (a) Council tax increase of 1.99% plus the 3% social care levy to fund Adult Social Care for 2018/19.
  - (b) Schedule of charges as set out in **Appendix 3**
  - (c) The proposed investments as set out in 54 - 61.

### **Reasons**

9. The recommendations are supported by the following reasons :-
  - (a) The Council must set a budget for the next financial year.
  - (b) To enable the Council to continue to plan services and finances over the medium term
  - (c) To ensure decisions can be made in a timely manner.

### **Chief Officers Executive**

### **Background Papers**

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

Elizabeth Davison: Extension 5830

S17 Crime and Disorder	The report contains proposals to continue to allocate resources in support of the Council's Crime and Disorder responsibilities
Health and Well Being	The report contains proposals to continue to allocate resources in support of the Council's Health and Well Being responsibilities
Carbon Impact	The proposals in the report seek to continue to support the Council's responsibilities and ambitions to reduce carbon impact in the Council and the Borough.
Diversity	There are no specific proposals that impact on diversity issues.
Wards Affected	All wards are affected
Groups Affected	All groups are affected by the Council Tax increase. Individual groups will be affected by specific proposals as they develop. In each case impacts will be considered before a decision is made to implement the proposal.
Budget and Policy Framework	The MTFP, Budget and Council Tax must all be decided by full Council
Key Decision	The MTFP, Budget and Council Tax must all be decided by full Council
Urgent Decision	The MTFP, Budget and Council Tax must all be decided by full Council
One Darlington: Perfectly Placed	Within the constraints of available resources it is necessary for the Council to make decisions involving prioritisation. The proposals contained in this report are designed to support delivery of the Sustainable Community Strategy, within those constraints.
Efficiency	Efficiency savings which do not affect service levels have been included in the MTFP.
Impact on Looked after Children and Care leavers.	Children's social care continues to be resourced to provide good outcomes for Looked after Children or Care Leavers.

## MAIN REPORT

### Background and Context

10. The Council for the period 2010/11 to 2017/18 faced unprecedented financial challenges as the Government responded to the worldwide economic downturn by introducing significant public sector spending reductions. In the case of Darlington Borough Council this meant an overall real terms decrease in government funding of £42.4m anticipated to increase to £51.0m by 2021/22. This resulted in the Council agreeing reductions to planned expenditure of £45.4m leading to reduction to date of 730 in the Council's workforce.

11. In agreeing the MTFP 2016/17 to 2019/20, the Council acknowledged that spending would need to be further reduced by £12m per annum by 2019/20 and following significant public consultation agreed a Core Offer budget for the period which reduced expenditure and services to a risk based minimum level with a small investment fund (The Futures Fund) of £2.5m per annum for services which the Council does not have to provide but which add great value to Darlington and its residents.
12. In terms of the financial context faced by the Council since approving the MTFP the situation remains similar with reductions in Local Government funding along the lines predicted in the MTFP likely. Following the submission and approval of the Council's Efficiency Statement, Revenue Support Grant is guaranteed at the published reducing level however this is now only a small fraction of the Councils overall revenue stream. The Councils two main sources of funding are Council Tax and Business Rates, the former being relatively stable, the latter being far more volatile.

## **Financial Analysis**

### **Progress on Delivery of the Current MTFP**

13. Overall good progress has been made on delivering the savings identified in the Current MTFP and most will be achieved with the exception of the Library relocation where the decision was deferred due to legal proceedings and a property management role which cannot be deleted at present due to increased activity. There are however some considerable savings still to be achieved which have been programmed for future years and whilst progress is on track to deliver them the significance of the challenge should not be underestimated.
14. Whilst every effort has been made to minimise the impact of the reductions on residents and service users, the level of financial cuts has been severe. Through service performance monitoring and discussions with partners the impacts have been monitored and wherever possible mitigated and it has been particularly pleasing to see some of the success of the voluntary sector in bringing in additional charitable funding to support services. The Council has been working hard to achieve the savings and using innovative ways to increase funding to enable the Futures Fund to grow. This is discussed in further detail in paragraphs 46– 61.

### **Projected Expenditure**

15. Estimates attached at **Appendix 1** have been prepared based on current service levels and include known pressures and efficiencies which are summarised below and detailed in **Appendix 2**. The most significant pressures and efficiencies are however discussed in the following paragraphs. Assumptions used when preparing the estimates are set out at **Appendix 4**.

<b><u>Summary of Pressures/Savings</u></b>	Estimate 18/19 £m	Estimate 19/20 £m	Estimate 20/21 £m	Estimate 21/22 £m
Savings offsetting pressures	(2.242)	(2.721)	(2.731)	(2.819)
Service Demand	1.962	1.738	1.642	1.629
Reduced Income	0.265	0.267	0.267	0.267
Other	0.153	0.114	0.088	0.088
Current Savings Shortfalls	0.476	0.047	0.048	0.048
Pay Model	0.342	0.577	0.818	1.065
<b>Net Pressures</b>	0.956	0.022	0.132	0.278

16. **Efficiencies/Savings** identified - By far the largest saving is in financing costs where investments in pooled property funds are anticipated to generate £0.800m per annum. The Treasury Management strategy approved by Council in March 2017 approved the use of the Council under borrowing for investment in these funds and the Council has currently invested £20m with a further £10m investment expected by the end of the year. The saving also includes the efficiencies from the senior management restructure detailed in an earlier report on this agenda.
17. A number of contingencies have also been released including the £0.275m provision for anticipated increased National Insurance Contributions and subsequent agency rate increase following the introduction of IR35 legislation which hasn't materialised. The Living wage contingency of £0.549m was also released as it partially forms part of the pay model pressure and also has been contained in the new social care contracts.
18. **Service demand** – The largest pressure in service demand is external residential placements and Independent Fostering Allowances in Children's Services with a pressure of £1m per annum. When preparing the MTFP it was anticipated that costs would reduce by £0.700m however this has not materialised, in fact costs have increased by £0.300m leading to the £1m pressure. This is in line with local and national trends and has been growing over the last few years. Whilst overall numbers are not increasing significantly the number of children requiring high cost specialised external placement is. Work is on-going in the Children's transformation project to reduce the spend and the pressure reflects a lower level than the current financial year, however the likelihood of reducing this further in the short term is limited and it would not be prudent to assume it could be removed. Two further pressures have been identified on the back of the increase in placements, one being transportation costs to children in out of area special placements at £0.300m and legal fees at £0.050m. A key focus of the review of Commissioning in Children's Services is to enable more children to be placed closer to home.
19. **Reduced income** – There are a number of areas anticipating reduced income, the largest being in parking with income down by 5% on anticipated, creating a pressure of £0.120m. This reduction is across long and short stay car parks. Cemeteries and

Crematoriums have seen a reduction in burials and cremations highlighting a pressure of £0.070m.

20. **Other** – there are a number of small pressures including the cost of asset valuations required for the statement of accounts, partnership contributions and subscriptions required for data intelligence systems to assist with economic regeneration.
21. **Savings Shortfall** - The current savings shortfall relates to the library relocation and estates officer post as noted above.
22. **Pay Model** – the current MTFP assumes a 1% pay increase in future years. Current pressure is mounting on public sector pay and the 1% cap on NHS/Police pay etc. is likely to be raised. In line the current thinking is that the pay offer will be in excess of the 1% and certainly in regard to staff on lower pay scales. This MTFP assumes a 1.75% award in 2018/19 and 1.5% in subsequent years.
23. Taking all of the above savings and pressures into account the projected expenditure is shown in the table below;

	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Children and Adult Services	55.033	54.968	55.628	56.455
Economic Growth	6.324	6.704	6.961	7.590
Neighbourhood Services and Resources	21.028	21.062	21.146	21.372
Financing costs	0.941	0.783	1.158	1.262
Council Wide Pressures/(savings)	0.315	0.524	0.766	1.016
Contingencies	(2.175)	(2.256)	0.199	0.201
<b>Total Expenditure</b>	<b>81.466</b>	<b>81.785</b>	<b>85.858</b>	<b>87.895</b>

### **Projected Income – Core Grant Funding to Local Government**

24. Although the Finance Settlement won't be received until late December as mentioned earlier in the report, the Council submitted an Efficiency Statement which was approved and has guaranteed our level of Revenue Support Grant (RSG). Therefore the resource levels are as per the current MTFP.
25. In terms of New Homes Bonus (NHB) this is included in core Government funding as it is top sliced from RSG. However in the 2017/18 Local Government Finance Settlement changes to the formula were announced and there is now a national baseline of 0.4% with no NHB paid until the increase in numbers is above this limit, which for Darlington is 162. It was also announced that the current NHB payment of 6 years would be reduced to 4 in 2018/19.
26. The national saving in NHB of £240m in 2017/18 was converted into an Adult Social Care Support Grant of which Darlington's element was £0.503m. This grant however

was for one year only whereas the NHB reduction is on an annual basis putting further pressure on our finances.

27. As part of the Economic Growth Strategy, the Council is working towards increasing housing numbers to meet the needs of our population. Whilst there are a high number of planning applications being granted some of the developments are slow to come to fruition. The current financial incentives in terms of NHB are £1,530 per band D equivalent property with an additional £350 for affordable housing. In addition the Council also receives additional Council Tax for each property. Clearly housing growth is key to sustaining the Councils MTFP.
28. Set out in the table below are the latest projections which show a further £3.654m reduction in cash terms, in real terms (which assumes inflation) equates to £5.267m.

	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Revenue Support Grant	9.094	6.334	3.556	3.102	3.102
Top up Grant	6.828	7.046	7.300	7.519	7.707
New Homes Bonus	2.278	1.754	1.506	1.106	1.254
Better Care Fund	0.161	1.731	3.147	3.147	3.147
Adult Social Care Support Grant	0.503	0.000	0.000	0.000	0.000
<b>TOTAL</b>	<b>18.864</b>	<b>16.866</b>	<b>15.509</b>	<b>14.874</b>	<b>15.210</b>

29. What happens to Local Government funding beyond 2020 is unknown, the Government had announced that it would be reviewing the system and was proposing to allow Councils to keep 100% of NNDR subject to some equalisation of resources and safety nets. In return Local Government will receive no RSG and take on additional responsibilities and costs. Following the national election and the priority given to Brexit the full review of Local Government Finance has been delayed so any changes that happen will only take place where there is no need for legislative changes; this means a 100% business rate retention scheme cannot happen.
30. This change puts a level of uncertainty into the system and planning at this stage beyond 2020 is challenging.

### **Improved Better Care Fund**

31. In the spring budget, following pressure from Local Government regarding the escalating costs of Adult Social Care the Government announced additional funding named Improved Better Care Fund (IBCF) reducing over a three year period. With the funding came conditions on what it could be spend on and required the plan to be signed off by the Health and Wellbeing board and followed by approval of the plan from the DCLG.
32. Darlington's plan has received approval and will be used to offset expenditure on current pressures and demand to ensure sustainability while the service undergoes transformation, also funded through IBCF. This has reduced the immediate Adult Social Care budget pressure and achieved a more financially stable position for the

medium term when a transformed service can operate sustainably within its resources. The table below shows the funding received;

33.

	<b>2017/18 £m</b>	<b>2018/19 £m</b>	<b>2019/20 £m</b>	<b>2020/21 £m</b>	<b>2021/22 £m</b>
IBCF	2.192	1.426	0.708	0.000	0.000

### **Council Tax Income**

34. As a direct consequence of reductions in Government funding Council Tax is now by far the largest single funding stream and will increase further as a percentage over the coming years as it represents 55% of all income in 2017/18 increasing to 63% by 2021/22. The on-going increases reflect the Cabinet's continued view that income from Council Tax must increase to protect key services. Members will recall that a 1% increase in Council Tax increases annual revenue by £0.447m and that Darlington has the second lowest Council Tax in the North East Region.

35. In the 2015 Autumn Statement it was announced that Council's with responsibility for adult social care will be able to levy a 'precept' of 2% on top of the current council tax referendum limit to help fund the increasing cost of social care. The LGFS in December 2016 provided more flexibility by allowing the Social Care precept to rise by an additional 1 per cent in 2017/18 and 2018/19 (from 2 percent to 3 percent) on the condition that the total increase to 2019/20 does not exceed 6 percent. Whilst the percentage increase is still 6 percent over the three year period it is advantageous to the Council to take this flexibility and increase the precept in the first two years as it generates more income to help offset the increasing adult social care costs in the short term. For Darlington, adult social care expenditure is the largest overall budget and the precept is required to help in funding the ongoing increases. The precept is on top of the 1.99% council tax increase noted in the preceding paragraph. The assumption going forward is a 0% precept increase in 2019/20 and then rising to 2% thereafter.

36. Planning estimates anticipate growth levels to be an average of 376 band D equivalent properties over the period of this plan which is a growth on the tax base of 1.15% albeit lower than anticipated in the current MTFP. These figures have been used to prepare the estimates; clearly should this be any different income levels will differ. The collection rate is anticipated to remain at 99% in 2018/19.

37. Taking the above into account Council Tax income over the period of this plan is estimated as follows :-

	<b>2017/18 £m</b>	<b>2018/19 £m</b>	<b>2019/20 £m</b>	<b>2020/21 £m</b>	<b>2021/22 £m</b>
Total Council Tax anticipated	44.123	46.884	48.361	50.858	53.472

### **National Non Domestic Rates**

38. The Council retains 49% of NNDR collected and can gain or lose depending on whether the net tax collected increases or decreases. The Government via the valuation office sets rateable values and the rate paid in the pound is increased each



year in line with the Consumer Price Index (CPI). The business tax-base is far more volatile than the council tax base and requires very close monitoring. In addition to the potential to “lose” income due to business closures the Council also carries the risk of losing appeals by businesses against valuations.

39. From 1 April 2017 a new valuations list across the country for non-domestic properties took effect, the revaluation of all properties has led to a net reduction in business rates payable in Darlington of just over £4m although this loss of income will be offset within the system via a Top Up Grant so there should be no direct impact on the Council.
40. The Councils Economic Strategy gives priority to increasing business within the borough, this has a positive impact on the amount of NNDR collected. However this is not a quick solution as major developments and attracting businesses into the Town by their very nature take time and upfront investment. Net growth in NNDR collected relies on grant outstripping revaluations and reductions.
41. The in-year collection rate target for NNDR is 98.0% and as at the end of October 2017 the actual collection figure is 63.5% with five months to go and so is on track to achieve the target.
42. Taking the above into account the projections of NNDR are shown below

	<b>2017/18</b> <b>£m</b>	<b>2018/19</b> <b>£m</b>	<b>2019/20</b> <b>£m</b>	<b>2020/21</b> <b>£m</b>	<b>2021/22</b> <b>£m</b>
NNDR	14.499	14.963	15.502	15.967	16.366

### **Collection Fund**

43. The Collection Fund account reflects the statutory requirements for the Council to maintain a separate Fund in relation to the operation of Council Tax and Business Rates Retention Scheme (BRRS). The Fund records all of the transactions for billing in respect of Non Domestic Rates (NDR) and Council Tax, exemptions and discounts granted, provision for bad debts and appeals and payments made to the Council’s General Fund, the Police and Fire and Rescue precept authorities and Central Government. The collection fund is in a balanced position so there is no an impact on the MTFP

## Other Grants

44. Set out below are the estimated grants which are included in service estimates at Appendix 1.

	<b>2018/19</b>
	<b>£m</b>
Public Health Grant	8.362
PFI	3.200
Troubled Families Grant	0.536
Discretionary Housing Payments	0.200
Adult & Community Learning	0.858
Youth Justice Board	0.223
Local Reform and Community voices	0.070
Individual Electoral Registration	0.007
<b>Total</b>	<b><u>13.456</u></b>

## Total Income

45. The table below shows the Council's estimated income for the period of this plan which shows a steady state in cash terms, albeit not in relative terms when taking inflation into account, over the next three years, rising in 2021/22 when RSG funding stops falling. This is despite the anticipated reductions in government grant and new homes bonus as the following income streams offset the reductions. The proposed 1.99% Council tax increase, an Adult Social Care Precept of 3% in 2018/19, the IBCF grant and an anticipated growth in business rates.

<b>Resources - Projected and assumed</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Council Tax	44.123	46.884	48.361	50.858	53.472
Business rates retained locally	14.499	14.963	15.502	15.967	16.366
Top Up Grant	6.828	7.046	7.300	7.519	7.707
RSG	9.094	6.334	3.556	3.102	3.102
New Homes Bonus	2.278	1.754	1.506	1.106	1.254
Better Care Fund	0.161	1.731	3.147	3.147	3.147
Adult Social Care Grant	0.503	0.000	0.000	0.000	0.000
IBCF	2.192	1.426	0.708	0.000	0.000
<b>Total Resources</b>	<b>79.678</b>	<b>80.139</b>	<b>80.080</b>	<b>81.698</b>	<b>85.048</b>

## Projected MTFP

46. Set out in the table below is the projections based on the income and expenditure analysis discussed in the previous sections of this report along with the required use of balances.

	2018/19	2019/20	2020/21	2021/22
	£m	£m	£m	£m
Estimated Expenditure	80.510	81.763	85.726	87.617
Add Pressures / Additional savings	0.956	0.022	0.132	0.278
Projected Total Expenditure	81.466	81.785	85.858	87.895
Projected Total Resources	(80.139)	(80.080)	(81.698)	(85.048)
Projected budget deficit	1.327	1.705	4.160	2.847
Use of balances	(1.327)	(1.705)	(4.160)	(2.847)
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Revenue Balances

47. The table below shows the anticipated revenue balances position taking into account the projected revenue outturn for 2017/18 which is detailed at **Appendix 5** along with the assessment of required risk balances as set out in **Appendix 6** and the utilisation of revenue balances as set out above to fund the projected budget deficit. The reserves position has improved against the current MTFP and as can be seen there remains a closing balance of £4.435m by 2021/22:-

Revenue Balances	2018/19	2019/20	2020/21	2021/22
	£m	£m	£m	£m
Opening balance	18.804	13.147	11.442	7.282
Risk Reserve	(4.330)	0.000	0.000	0.000
Contribution to/(from) balances	(1.327)	(1.705)	(4.160)	(2.847)
Closing balance	<b>13.147</b>	<b>11.442</b>	<b>7.282</b>	<b>4.435</b>

## Strategy for using Available Revenue Balances

48. The unallocated balances rely on delivery of further savings of £4.3m by 2021/22, building around 400 houses per year, no significant overspending, no further pressure on pay inflation and Council Tax increase of 1.99% plus the Adult Social care precept of 2%. We therefore need to be cautious but understand the need to increase our Futures Fund as much as possible to invest into discretionary services which hold great value to our community.
49. The Council's Cabinet are proposing how the available balances should be spent and seeking views on whether this approach is right. The proposed approach is to;

- (a) Minimise on-going committed annual spending to assist and work towards eradicating the unfunded budget gap of £3.0m in 2022/23.
  - (b) Create five Future Fund Investments themes which will stimulate growth to be utilised over the four years of the MTFP.
  - (c) Delegate the management of these funds to Cabinet over the four year period.
50. In setting this criteria Cabinet have first and foremost drawn on One Darlington Perfectly Placed – this is the plan, drawn up in consultation and agreed with all the public private and voluntary organisations which belong to the Darlington Partnership. One Darlington Perfectly Placed set out two key priorities for how Darlington can be a great place to live, work, visit and invest.
51. One Darlington aims to make sure that all residents have opportunities for a good quality of life; that inequalities are tackled, the most vulnerable supported and the potential of every resident realised.
52. Perfectly Placed aims to make sure that Darlington’s natural advantages, its transport links, good housing and attractive environment, are maximised to create and share jobs and wealth.
53. As a consequence of looking to these long term goals the Council’s Cabinet have drawn up proposals under the following five themes which are wholly consistent with the recently approved corporate plan priorities and the funding will enable the plan to be enhanced. The themes will be fully developed after consultation and funding may move from theme to theme accordingly:-

**Futures Fund - Theme 1 - Community Safety - £100,000 – ongoing - £567,000 one off funding**

54. Previous rounds of spending reductions in the Council and its partners in the Police have impacted on the co-ordination and leadership of work to keep Darlington a safe place. In line with national trends anti-social behaviour has increased and there are risks this may impact on public perceptions of safety.
55. This theme will be utilised to deliver on-going funding to provide leadership within the Council that would drive forward a co-ordinated approach where all relevant Council and partner resources are targeted to priority areas achieved by a Council-wide intelligence led problem solving group working with the Multi Agency group. This approach could see work undertaken in specific target areas likely initially to be linked to a Mutual Gain/Neighbourhood Renewal Strategy area. The one off funding would be used to support core resources to address priority issues and make one off interventions at a local level.

**Futures Fund - Theme 2 – Maintaining an Attractive Street Scene Environment - £300,000 ongoing - £567,000 one off funding**

56. Significant reduction in resources over the last six years is increasingly having an impact on the boroughs environment and whilst the teams have been innovative in delivering new ways of working it has been impossible to negate all the impact of the cuts. This theme would provide resource to return grass cutting to 12-15 day cycles, return to weekly back lane cleanse, a general increase in cleansing across the borough

along with one off investments for priority areas for deep cleans and physical improvements in some areas.

### **Futures Fund - Theme 3 – Maintaining a Vibrant Town Centre - £567,000 one off funding**

57. The Town Centre faces a number of challenges as do many towns across the country due to the increase in on-line shopping and out of town retailing. There is currently no funding available in this key area which would help create conditions for growth and therefore this theme could aim to provide investment to underpin the recently agreed Town Centre Strategy, targeting events to increase footfall, support the Markets, promote and market the Town Centre and design schemes to attract businesses along with providing match funding with the private sector on improvement schemes.

### **Futures Fund - Theme 4 – Developing an Attractive Visitor Economy - £567,000 one off funding**

58. The core offer budget does not allow for any investments in the Experience Darlington Strategy or the 2025 200th Anniversary of the opening of the Stockton and Darlington Railway. These and other culture opportunities will be missed if funding is not available to match those of others and to pump prime investment. This one off fund could be utilised to deliver such cultural activities, which in turn will promote and improve the Darlington economy.

### **Futures Fund - Theme 5 – Neighbourhood Renewal - £567,000 one off funding**

59. Despite the significant work undertaken to reduce the inequality gap through the One Darlington Strategy the austerity measures have had a negative impact and poverty and inequality remain significant barriers to all of our communities enjoying a good quality of life. The fund could be used to trial the sort of approaches that are making a difference in Red Hall in another area and would assist public services and communities to determine how best to work together to address inequalities in employment, health etc.
60. In addition, the Council as Corporate Parent for Looked After Children (LAC) recognise the inequality of opportunity for LAC to gain employment and this funding could also be used to assist in helping out LAC to become 'work ready'.
61. With limited funding, it is proposed that the approach would be to select a further area (beyond the Red Hall Healthy New Town) to develop an holistic approach to tackling the impacts of inequality and poverty with firm outcomes to be achieved in areas such as attainment, crime, and employment. Subsequent to consideration of the MTFP in the new year, a further report would be brought to Cabinet proposing an approach which it is suggested will include an assessment of evidence on deprivation, a set of criteria, and proposed outcomes. Once selected it is likely that as with Red Hall, a local steering group made up of public service representatives, ward members and residents will drive delivery. There is a degree of complementarity with the theme around Community Safety but it is suggested that while it will focus more on place-based interventions, the NR approach is directed towards the impacts on people.

## Capital Expenditure

62. Capital expenditure is significant, one off expenditure used to purchase or improve assets to enable the Council to deliver its priorities, for example purchasing land to enable road improvements or investing in modernising school buildings and housing. The Council continues to deliver a significant capital investment programme in the main funded from the Housing Revenue Account (HRA) and external funding which is targeted at specific schemes and programmes such as Transport and Schools.
63. The Council can also supplement Government Capital and funding from its own resources such as capital receipts which are scarce in these times of austerity and or prudential borrowing which has future revenue implications. The Capital programme set and agreed by Council last year laid out a four year plan and with regard to council funded schemes it is not proposed to make any changes to the programme at this point.
64. Attached at **Appendix 9** is the latest capital programme which has regular updates as decisions are made and external funding becomes available. The following paragraphs describe the major elements of the programme. Specific scheme approvals will be subject to detailed reports to Cabinet.
65. Set out below are details of the levels of Government funding available for investment by the Council in 2018/19 and outline proposed use of such funds, the detailed use of the funds will be subject to detailed reports to Cabinet.

	2018/19 £m
<b>Children's Services</b>	
School Condition Allocation	0.142
<b>Transport</b>	
Local Transport Plan	2.575
Local Growth Fund	1.695
National Productivity Investment Fund	1.519
<b>Other Capital Programme</b>	
Disabled Facility Grant	0.804
<b>Total Capital Grants Available</b>	<b>6.735</b>

## **Children's Services**

### **School Condition Allocations**

66. The Local Authority now only receives school condition funding for Community Maintained Schools. Maintenance funding for Academies is available through other routes. This funding received by the Local Authority will be spent in line with key priorities identified with each maintained school through the locally agreed asset management planning (LAMP) process, carried out each January. There are no strict spend deadlines for these small scale condition related projects which are prioritised and completed as funding becomes available.

### **Transport and Highways**

67. The following works are proposed for delivery in 2018/19

#### **Local Transport Plan**

68. The Department for Transport (DfT) releases capital funding to Tees Valley Combined Authority under the devolution deal, to implement the Local Transport Plan (LTP) based on a needs formula. A new Local Transport Plan is currently in draft form as the Strategic Transport Plan for the Tees Valley, which is due for consultation and publication in 2018. There will be a number of further documents below under the Strategic plan including a Local Implementation Plan for each local authority area, which will effectively replace the individual local authorities' LTPs. Currently the TVCA has agreed to passport the LTP allocation of funding to the local authorities and it is assumed that this will continue in 2018/19. The allocation is constituted of two blocks of funding; the Integrated Transport Block and Highways Capital Maintenance.

69. In 2018/19 the indicative amounts are £0.886m allocated for the Integrated Block and £1.689m for the Highways Maintenance Block (comprising £1.398m maintenance and £0.291m incentive funding) and these will fund an agreed priority of maintenance of highway assets, management of the highway network and improvement schemes.

70. The TVCA Local Growth Fund will provide £1.175m for the access road and associated highway improvements to open up Ingenium Parc to phase 1 of the commercial development. Expressions Of Interest have been submitted for two schemes to be funded from the LGF Sustainable Access To Employment programme. If successful £0.220m will fund the Rotary Way cycle route and £0.300m will fund the Woodland Road cycle route.

71. During 2017/18 a successful bid was made to the National Productivity Investment Fund to improve the route between the A66 and Darlington town centre. The two year programme consists of three schemes:

- (a) McMullen Road roundabout scheme to increase capacity and traffic flow along Yarm Road and to facilitate access into Ingenium Parc;
- (b) To signalise Lingfield Way/Yarm Road junction to improve bus reliability and punctuality; improve access into the Business Park and Industrial Estate for all modes including by bike through the creation of an off road cycle route; and to improve traffic flow on Yarm Road.

- (c) To change the layout of the throughabout junction on Haughton Road and create more capacity to improve traffic flow, whilst retaining good walking and cycling crossing points and routes.

72. National Productivity Investment Fund (NPIF) will provide £1.519m in 2018/19 and a further £1.855m in 2019/20.

## **Housing**

73. All Housing Capital schemes are funded fully from the Housing Revenue Account. The priorities identified through the Housing Business Plan to be funded from the estimated capital resources for 2018/19 include:-

- (a) Adaptations and lifts – £0.200m budget is to deliver adaptations within the Council's housing stock to enable tenants with a disability to remain in their own home and live independently across the Borough and to complete any unplanned major works to passenger lifts within sheltered and extra care schemes.
- (b) Heating Replacement - £1.280m to fund new condensing boiler and central heating upgrades.
- (c) Structural Repairs - £0.500m has been set aside to address any structural issues that may be identified within the year.
- (d) Lifeline Services - £0.050m is set aside to continue to provide upgrades to Lifeline equipment.
- (e) Repairs before Painting - £0.100m will be invested in joinery repair works in anticipation of the cyclical external painting programme in areas throughout the Borough.
- (f) Roofing – £0.700m for the replacement of roofs, fascia's, soffits and rainwater goods alongside the top-up of loft insulation where appropriate.
- (g) Garages - £0.075m will be invested in improvements to the Council's garage blocks in areas to be determined.
- (h) External Works - £0.500m will be used to provide new rear dividing fences and new footpaths to Council properties across areas to be determined.
- (i) Smoke Detectors - £0.050m is required to replace existing hard wired smoke and heat detectors where systems are now 10 years old and reaching the end of their recommended lifespan.
- (j) Pavement Crossings - £0.032m has been identified to fund pavement crossings across the Borough.
- (k) Replacement Door Programme - £0.350m will be used to develop a planned programme to replace existing timber doors with new PVC doors.



- (l) Internal planned maintenance – £1.800m for the replacement of kitchens and bathrooms, rewiring of electrical systems and heating system upgrades where required.
- (m) Communal Works - £0.100m will be used on the upgrade and improvement of flooring within communal areas across the borough and to replace failing door entry systems and communal doors across the borough.
- (n) New Build - £8.694m will be spent completing the current new build programme.

## **Consultation**

74. The MTFP will be subject to consultation between the 12 December 2017 and the 26 January 2018.

## **Conclusion**

75. The MTFP as agreed by Council remains deliverable but as previously acknowledged it is not without risk and challenges. Some risks previously identified have occurred and the recommendations within this report address the financial implications of them. The proposed MTFP includes the retention of risk balances to offset further unforeseen risks.
76. The Council still has the financial capacity to deliver a four year balanced MTFP which puts it in a much stronger position than many Councils, however this is at the cost of reductions in service levels. To mitigate some of these reductions the Council's Cabinet are proposing to utilise available revenue balances and have proposed an approach which will minimise on-going committed annual spending to assist and work towards eradicating the unfunded budget gap in 2022/23 and create five Future Fund Investments themes which will stimulate growth and assist in delivery of One Darlington Perfectly Placed outcomes to be utilised over the four years of the MTFP.
77. Planning beyond the current MTFP is extremely difficult given the uncertainty around the new Local Government financial system planned for 2020 and such issues as the impact of BREXIT on the Country's finances. The proposed plan will allow the new Council elected in 2019 to inherit a balanced MTFP to 2021/22 giving it time to assess the impacts of the changing landscape and make its decision on how it will address the financial position it faces. Current planning suggests there will be a budget deficit of approximately £3m for the new Council to address however for the reason above, this will almost certainly change but at this stage it is not possible to know whether the change will be positive or negative.
78. In summary, the Council continues to face significant financial challenges however the MTFP agreed by Council in June 2016 remains deliverable and through prudent pooled investment along with further efficiency savings and release of earmarked reserves there is an opportunity to increase the futures fund and invest a further £3.7m in our services over the next four years.
79. As the Council's Statutory Chief Financial Officer, the Director of Neighbourhood Services and Resources, must advise the Council on the robustness of the budget and adequacy of reserves. The budget presented to Members in this report has been

based on the most accurate information available therefore the Director is confident that they are an accurate reflection of the Council's financial position. General Reserves are adequate however the Council is carrying a significant risk in terms of the need to reduce expenditure, it is essential that cost reductions as agreed in the MTFP in June 2016 are progressed and implemented as the Council will be operating with minimum levels of balances to fund any cost pressures or non-delivery of savings.

## APPENDICES

Appendix 1	Detailed Estimates
Appendix 2	Budget Pressures / Savings
Appendix 3	Fees and Income Proposals
Appendix 4	Assumptions used to prepare estimates
Appendix 5	Projected Revenue Outturn 2017/18
Appendix 6	Assessment of Risk Balances
Appendix 7	Proposed MTFP 2018 to 2022
Appendix 8	Capital Programme 2018 - 2022