
MEDIUM TERM FINANCIAL PLAN – PHASE 1

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

Responsible Director - Chief Officers Executive

SUMMARY REPORT

Purpose of the Report

1. To approve the 2016/17 Budget and Council Tax.

Summary

2. Between the financial years 2010/11 to 2015/16 the Council has faced unprecedented financial challenges following the Governments response to the worldwide economic downturn by introducing significant public sector spending reductions. In the case of Darlington Borough Council by the forthcoming year this means an overall real terms decrease in government funding of £37.3m. To date this has resulted in the Council agreeing reductions to planned expenditure of £35.4m leading to reduction of 572 in the Council's workforce.
3. Whilst the economy overall appears to be improving the austerity measures are still impacting on the Council. Since the draft MTFP the Local Government Finance Settlement has been delivered with an indication of funding for the next four years, albeit not guaranteed. As expected there have been further funding reductions, in particular to Revenue Support Grant and Public Health Grant, whilst additional Better Care Funding has been announced which will be fully enacted by 2019/20 with the purpose of assisting with pressures in Social care, it has however been funded by a reduction in New Homes Bonus funding.
4. The overall position is worse than predicted so the Council faces significant challenges over the medium term. There has been a two stage approach to the MTFP this year and this report addresses the first stage which is to agree the budget for 2016/17, including setting the council tax and fees and charges. Cabinet have made proposals on how the funding gap can be achieved and this is out to consultation at present.

Recommendation

5. Council are requested to;
 - (a) Approve the Revenue MTFP as summarised in Appendix 7 including the following :-
 - (i) Council tax increase of 3.99% for 2016/17 and subsequent years.
 - (ii) Schedule of charges as set out in Appendix 3
 - (b) A delegation for Cabinet to vary the Revenue Budget for 2016/17 by up to 0.5m without further Council approval.
 - (c) Approve the Capital Medium Term financial Plan set out in paragraphs 51 to 80 and Appendix 8.
 - (d) A delegation for Cabinet to vary the Capital Budget for 2016/17 by up to £0.5m without further Council approval.

Reasons

6. The recommendations are supported by the following reasons :-
 - (a) To set the 2016/17 Budget and Council Tax in compliance with statutory requirements and the Council's constitution.

Chief Officers Executive

Background Papers

No background papers were used in the preparation of this report

Paul Wildsmith: Extension 5828

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.

MAIN REPORT

Background and Context

7. The previous Council administration for the period 2010/11 to 2015/16 financial year, faced unprecedented financial challenges as the then Government responded to the worldwide economic downturn by introducing significant public sector spending reductions throughout the period of the Government. During the period 2010/11 to the forthcoming year 2016/17 the Council's comparable government funding will have reduced in cash terms by £28.5m which in real terms (after taking inflation into account) equates to £37.3m, a 47% reduction. In response, by the end of 2015/16 the Council will have reduced expenditure by over £28.7m leading to workforce reductions of 572, with plans to save a further £6.8m

8. It is predicted that comparable Government funding in real terms will reduce by a further £6.3m by 2020 in addition to the £37.3m already lost since 2010, an overall real terms decrease of £43.6m, a significant 55%.
9. In agreeing the MTFP 2015/16 to 2019/20, the previous Council acknowledged that potentially Council spending would need to be further reduced by £12m by 2019/20. Due to the significant impact such reductions would have in addition to previous reductions and the uncertainty around financial projections due to the pending Government elections, major decisions on spending reductions were deferred to allow the incoming Council to make the decisions with the benefit of greater certainty about the MTFP projections.
10. In terms of the financial context faced by the Council since approving the current MTFP the situation remains similar following the appointment of the new Government and the Local Government Finance Settlement which confirmed the continued reduction in Revenue Support Grant.
11. The 1 December 2015 Cabinet report noted the two stage approach to the MTFP this year. This report looks at the financial position to 2019/20 based on expenditure levels based on current service levels and concentrates on the 2016/17 budget, the council tax and use of balances. Cabinet have made proposals in regard to the second stage and how the funding gap can be closed at its meeting on 11 February which are currently out to consultation and will be considered at a Special Council in June.

Updated Information and Changes to the Draft MTFP

12. As a result of updated information since the draft MTFP was approved for consultation last December a number of changes have been made to this proposed MTFP. These changes along with references to where they appear in the report are shown below:-

No.	Change	Effect	Para.	App.
1	Public Health Grant has been projected to reduce following a government announcement and the figures used are based on the national average reduction.	Increase in service expenditure and a reduction in available balances to support the GF.	14, 16, 47	1, 2, 7
2	Children's Services – additional resources to improve the service and manage case loads.	Increase in service expenditure and a reduction in available balances to support the GF.	14, 17, 47	1, 2, 7
3	Apprentice levy – the Government announced an Apprentice Levy in the Spending Review based on 0.5% of the salary bill commensurate from 2017/18.	Increase in service expenditure and a reduction in available balances to support the GF.	14, 18, 47	1, 2, 7

No.	Change	Effect	Para.	App.
4	Other pressures – minor amendments due to ongoing budget management.	Increase in service expenditure and a reduction in available balances to support the GF.	14, 47	1, 2, 7
5	Additional Better Care Fund (BCF) – In the Spending Review a new funding stream was introduced to aid local authorities to meet their Adult Social Care responsibilities.	Improved income projections and increased level of balances to support the GF.	29, 30, 31, 46, 47	7
6	New Homes Bonus (NHB) – in the Spending Review there was a consultation paper on the future of NHB based on a reduction of £0.800M nationally to help fund the BCF with the Governments projected figures used in income projections.	Reduction in income projections and reduced level of balances to support the GF.	26, 27, 28, 31, 46, 47	7
7	RSG – a greater than expected level of reductions in RSG to part fund the BCF.	Reduction in income projections and reduced level of balances to support the GF.	25, 31, 46, 47	7
8	Charges for Services – minor changes to Appendix 3 but no effect on resources.	No effect on MTFP.		3
9	MRP – Utilisation of over provision	Reduction in expenditure and an increase in available balances to support the GF.	14, 21, 22, 23, 47	1, 2, 7
10	NNDR projections reduced due to updated intelligence.	Reduction in resource projections	42, 46, 47	4, 7
11	Final Settlement illustrative figures for NHB £0.002m lower than anticipated	Reduction in income projections and reduced level of balances to support GF	26, 27, 28, 31, 46, 47, 49	7

Production of Phase One of the MTFP Revision

- The following sections bring together the various components to deliver a revised MTFP for Phase One and set the scene for Phase two.

Projected Expenditure

14. 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 paragraph. Assumptions used when preparing the estimates are set out at **Appendix 4**.

	Estimate 16/17 £m	Estimate 17/18 £m	Estimate 18/19 £m	Estimate 19/20 £m
<u>Summary of Pressures</u>				
Service Demand	1.043	1.049	1.061	1.067
Reduced Income	0.974	1.301	1.496	1.489
National Living Wage	1.498	2.203	3.388	4.553
Other	0.124	0.483	0.579	0.820
Additional Savings offsetting pressures	(3.842)	(3.750)	(3.639)	(3.666)
	(0.203)	1.286	2.885	4.263

15. **National Living Wage** – In this year’s budget the Chancellor announced there would be a National Living Wage. It will start at £7.20 and rise to £9+ an hour by 2020 and replaces the current £6.50 minimum wage. The estimated impact on the Councils own workforce by 2019/20 is £0.236m however the real pressure is from the anticipated effect on our contracts in particular social care where the increase over and above that already predicted is £4.317m by 2019/20.
16. **Reduced Income** – whilst there a few areas where income has reduced marginally the significant pressure in this area is Public Health where the ring fenced grant is being cut significantly whilst responsibilities are growing. We have not been given the actual allocations yet however based on the national reduction announced we are estimating a loss of £1.378M by 2019/20.
17. **Service Demand** -. We have significant pressure on service demand in Children’s Services which requires additional capacity in our social care teams to manage caseload levels and ensure robust performance monitoring. There is a national shortage of social workers in this area and agency and cover staff therefore come at a premium.
18. **Other pressures** include the apprentice levy announced in the Autumn Statement to be introduced in 2017/18. The Council will need to pay over 0.5% of the pay bill which is estimated to be £0.274M in 2017/18.
19. **Implementation of LED Street Lighting** – The Council has been successful in securing funding to carry out works to upgrade the existing street lighting to LED lights in order to save £0.365m per year on its electricity bill. All English local authorities were invited to submit a bid to the Department for Transport’s Challenge Fund and Darlington’s bid was one of only 28 to be successful in sharing £275m. The Council will receive a contribution of £5.294m to carry out the street lighting improvement works. The work will take 3 years to complete and will involve

converting 11,884 street lights to energy efficient LED lights. In addition to the electricity savings the completed works will reduce the Councils carbon footprint by 1,938 tonnes a year. The Council will also be using the funding to replace 4,053 street lighting columns which are over 40 years old, with new columns.

Debt Re profiling – Minimum Revenue Provision

20. Members will recall that in agreeing the 2015/16 MTFP they agreed to adjust the speed at which outstanding debt was repaid moving from a repayment of 4% of outstanding debt each year to 2% which was agreed by our auditors and felt to be a prudent amount given the life out our assets. This change had the net effect of halving the amount of principal each year and therefore in the short to medium term, reducing revenue expenditure in the region of £1.5m per year.
21. The ability to move away from repaying 4% of principal each year became possible in 2008 when the prudential code was introduced, however the Council did not opt to change its approach until 2014/15. Similar flexibility is available in respect of our PFI debt relating to the Education Village which was not invoked in 2014/15. This means in effect, since 2008 the Council has been paying back more debt than it was prudently required to had it adopted the new accounting methods earlier. If the approach now taken was backdated to 2008 and the same approach taken for the PFI scheme the Council would be able to benefit and utilise the over provision of £19m over the next 7 Years. Other Councils in the Country have taken this approach with the agreement of their auditors.
22. Clearly such an approach will increase debt costs in the future; they will become more expensive than the current budget in 2030. Whilst some may argue that pushing debt repayment into the future to gain current spending capacity may not be prudent it could equally be argued that providing funds now for preventative services such as Children's early intervention is in fact prudent as such services will reduce costs in the future so balancing off the additional debt costs.
23. It is the Council's Chief Financial Officer's view that this is a reasonable and prudent financial approach. The Council is currently in consultation with our external auditors, Ernst & Young (EY), regarding the proposed revisions to our MRP policy. At present, EY are working with all other local government external audit providers to establish a consistent approach to MRP

Core Grant Funding to Local Government

24. The Governments Local Government Finance Settlement was announced on the 17 December 2015 and included indicative four year settlement figures. This assists in future planning however is subject to each council producing an Efficiency Plan, as yet there are no details on what this needs to contain. Given our history and proven ability to achieve efficiencies we are assuming that the figures detailed below will become our core budget. However it must be noted that this gives the Council certainty only in respect of RSG which is a very small element of overall income.
25. Revenue support grant has again been reduced and by more than originally anticipated, by 2019/20 a further £14.382m will have been lost reducing the grant to £3.556m. The Government promised 100 per cent business rate retention by the

end of Parliament and that Local Government will be entirely funded by Council Tax, Business rates and other local revenues. There is no detail on how this will work and there will undoubtedly need to be some method of equalisation however it is clear that Revenue Support Grant will be stopped altogether.

26. New Homes Bonus (NHB) is included in core Government funding as it is top sliced from RSG with £1.5bn now distributed based on net increases in housing numbers, on current levels Darlington breaks even in this arrangement. The current financial rewards in terms of NHB are £1,470 per band D equivalent property with an additional £350 for affordable housing. However the government are proposing and currently consulting on reducing the payment from six to four years and this is likely to commence in 2017/18.
27. The Governments preferred option is that from 2017/18 onwards Local Authorities who have not submitted a Local Plan prepared under the 2004 Act should not receive new NHB allocations for the years for which that remains the case. Their legacy payments relating to allocations in previous years would be unaffected although would still be subject to a reduction in the number of year's entitlement.
28. There are other proposals in the consultation to further reduce the payment of NHB and due to this the MTFP is based on indicative figures supplied by the Government for the next 4 years until it is clear which option is introduced.
29. The savings the Government will make on changing the NHB scheme along with a reduction in RSG are being used to fund the Additional Better Care Fund (BCF) which is separate to the current funding stream allocated direct to the NHS. This additional BCF is included in the core settlement funding however the proposal is for it to come through a section 31 grant via the NHS, it is not clear therefore that it is entirely within the gift of the Council to make decisions on how this is best used.
30. The Government will consult on how the additional BCF is distributed with the default option being that the BCF grant should act as a method of equalising the relative needs for social care services and the maximum possible impact of the social care council precept. The government has recognised the pressure councils are under in regards to social care funding however it is disappointing this funding won't be coming fully into force until 2019/20 when the pressures we are facing are immediate.
31. Set out in the table below are the latest projections which show a further £11.113m reduction in cash terms which equates to £11.485m in real terms.

	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Revenue Support Grant	17.938	13.286	9.094	6.334	3.556
Top up Grant	3.979	4.012	4.091	4.212	4.346
New Homes Bonus	1.880	2.698	2.713	1.704	1.635
Better Care Fund	0.000	0.000	0.161	1.731	3.147
TOTAL	23.797	19.996	16.059	13.981	12.684

32. What happens to Local Government funding beyond 2020 is unknown, the previous Government committed to a “reset” of the system which would take account of local needs and ability to raise local taxation therefore re-establishing some form of equalisation within the system. As noted above the Government has announced that it will be reviewing the system and is 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. Any changes will reflect the need for further savings to be made.
33. This change puts a significant level of uncertainty in to the system at a time when the need for certainty to allow good financial planning is paramount given the scarcity of resources. Although the new system has not been shared by Government, based on past history it is an officer view that such changes will not benefit areas such as the North East and more likely to assist more wealthy areas, however at this stage there are no real facts so we must await the details and continue to plan based on the best information available at the time of making decisions.

Council Tax Income

34. Council Tax is by far the largest single funding stream and it will become an increasing percentage over the coming years as it represents 50% of all income in 2015/16 increasing to 61% by 2019/20, this is due to reducing government funding and planned annual increases of 3.99%, the maximum allowed without a referendum. The ongoing 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 £393,000 and that Darlington has the second lowest Council Tax in the North East Region.
35. In the Autumn Statement delivered on the 25 November 2015 the Government 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 and must be spend on adult social care services. For Darlington, adult social care expenditure is the largest overall budget and the 2% levy is required to help in funding the ongoing increases. The 3.99% quoted above includes the additional 2%.
36. Current planning estimates anticipate growth levels to be an average of 415 properties over the period of this plan which is a growth on the tax base of 1.5%. These figures have been used to prepare the estimates; clearly should this be any different income levels will differ. Pleasingly the collection rate has increased slightly during the year and it is anticipated to be at 99% in 2016/17.
37. Taking the above into account Council Tax income over the period of this plan is estimated as follows :-

	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Total Council Tax anticipated	39.291	41.698	43.833	46.180	48.608

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 Retail Price Index (RPI). 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 business against valuations.
39. Whilst there have been a number of successes in regard to economic regeneration and the subsequent increases in business rates, a number of downward revaluations and successful rating appeals have been granted through the Valuation Office during the course of the year, along with an increase in reliefs for small businesses, charities and empty properties which have had an overall damaging effect on the NNDR anticipated.
40. The ability to increase NNDR is a key tool to improve the Council’s financial position and one of the key drivers in achieving the MTFP. 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.
41. The in-year collection rate target for NNDR is 97.2% and as at the end of December 2015 the actual collection figure is 80.2% as opposed to the equivalent figure in 2014 of 80.6%.
42. Taking the above into account the projections of NNDR are shown below

	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
NNDR	15.995	16.486	16.963	17.466	17.938

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 & Rescue precept authorities and Central Government.
44. The Collection Fund at 31 March 2016 is projected to have a deficit of £2.532m of which £1.4m is Darlington’s share. The key reasons are :-

	£m’s
Loss of NNDR appeals / reduction in liability	0.800
Increase in Charitable NNDR Relief	0.370
Increase in Empty Property Relief	0.180
Increase in small business rate relief	0.050

Other Grants

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

	2016/17
	£m
Public Health Grant	8.806*
PFI	3.200
Troubled Families Grant	0.360
Discretionary Housing Payments	0.200
Youth Justice Board	0.281
Local Reform & Community voices	0.057
Adult & Community Learning	0.911
Bus Service Operators Grant	0.027
Community Sports Activation Fund	0.023
Individual Electoral Registration	0.007
Total	<u>13.872</u>

* based on expected reductions in grant

Total Income

46. The table below shows the Council's estimated income for the period of this plan which shows a very slight cash increase over the 4 year period. This obviously presents a problem when the council has significant cost pressures to contend with and inflationary issues in terms of the National living wage, pay awards and contract inflation. The profile of income is also not helpful as it falls considerably before starting to increase towards the end of the plan.

Resources - Projected and assumed	2015/16	2016/17	2017/18	2018/19	2019/20
	£m	£m	£m	£m	£m
Council Tax	39.291	41.698	43.833	46.180	48.608
Business rates retained locally	19.974	20.498	21.054	21.678	22.284
Revenue Support Grant	17.938	13.286	9.094	6.334	3.556
New Homes Bonus	1.880	2.698	2.713	1.704	1.635
Better Care Fund	0.000	0.000	0.161	1.731	3.147
Total Resources	79.083	78.180	76.855	77.627	79.230

Projected MTFP Phase One

47. Set out in the table below are the projections based on the income and expenditure analysis discussed in the previous sections of this report. As explained earlier there are significant budget gaps to be addressed in phase 2. The table shows the planned use of resources in 2016/17 to produce a balanced budget. Beyond

2016/17 no balances have been applied leaving £8.757m available to assist bridging the budget gap during implementation of reductions, details of balances are in paragraph 49.

	2016/17	2017/18	2018/19	2019/20
	£m	£m	£m	£m
Estimated Expenditure	84.515	85.765	86.735	87.708
Add Pressures / Additional savings	(0.203)	1.286	2.885	4.263
	84.312	87.051	89.620	91.971
Less				
Estimated Income	(78.180)	(76.855)	(77.627)	(79.230)
Use of Revenue Balances previously agreed	(6.593)			
Budget (Surplus) / Deficit	(0.461)	10.196	11.993	12.741

Revenue Balances

48. The table below is revised to take account of the projected revenue outturn for 2015/16 which is detailed at **Appendix 5**, the key issues for the report are below :-
49. And other changes including the assessment of required risk balances as set out in **Appendix 6**.

	£m's
Projected Balances at 31 March 2016	19.217
Less Risk Balances	(4.330)
Less Planned Usage already agreed	(6.593)
Add projected balances in 2016/17 not utilised	0.461
Total	8.755

Planning for the MTFP Revision in February 2016

50. Members will note the table in paragraph 47 that at this time the projected budget deficit is £12.739m by 2019/20. The second stage of the MTFP with proposals on how this deficit will be addressed is in a further report to be tabled later on the agenda.

Capital Expenditure

51. 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. In addition there are a number of schemes financed from

the Council's own resources for example the Dolphin Centre Plant and Equipment refurbishment and the Multi Storey Car Park.

52. Council financed schemes are funded by either capital receipts or prudential borrowing, both of which are scarce in these times of austerity. Attached at **Appendix 8** 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.
53. Whilst the main purpose of this section is to propose a capital programme in regards to council funding, it is worth noting the significant private sector capital investment the Borough continues to attract.
54. Residential and commercial development is progressing well at Central park, with completion of 95 new homes, opening of the £38m National Biologics Centre and location of 23 businesses into Business Central. Further investment of £2.2m is taking place now in a new junction and road, opening up access to further development, with the construction of the Factories for the Future facility planned to start in 2017/18.
55. The recent purchase of the Cornmill by New River Retail underlines investor confidence in Darlington, as the Town Centre sees the completion of the £30m Feethams Cinema and Leisure complex and the new £10m retail development takes shape on North Road.
56. Elsewhere in the Borough, Lingfield Point has seen £6m capital investment in building development, along with £1m in new infrastructure; investment of £5m in a new manufacturing plant at Faverdale and work at the former Torrington's site on Yarm Road has continued with completion of further warehouse units, bringing the total private sector investment in that site up to £8.5m.
57. Looking forward the pipeline is healthy, examples being the Heritage Lottery Fund Civic theatre restoration and the Arts Council funded Hullaballoon

Internal Investment

58. Set out below are details of the levels of Government funding available for investment by the Council in 2016/17 and outline proposed use of such funds, the detailed use of the funds will be subject to detailed reports to Cabinet.

	2016/17 £000's
Children's Services	
Basic Need	1,593
School Condition Allocation	197
Housing	
Disabled Facilities Grant	437
Transport	
Local Transport Plan	2,479
Local Growth Fund	2,402
Highway Maintenance Challenge Fund	1,546
Housing and Growth Fund	1,000
Other Capital Programme	
Adults Personal Social Services	279
Total Capital Grants Available	9,933

Children's Services

Basic Needs Funding

59. In March 2013 the local authority was allocated £1,519,760 as a two year allocation (13/14 & 14/15) to deliver additional school places (Basic Need Funding). An additional £1,516,959 was received in 2015/2016 and it is estimated that a further allocation of £1,592,807 will be made for 2016/2017.

60. A School Organisation Plan (SOP) for the period 2013-2017 has been approved by Cabinet alongside the release of £90,000 for feasibility projects which will finalise the next wave of addition school place projects. Feasibility projects for the following two schools are on-going in order to meet the demand for primary places on the East side of Darlington:

- (a) Red Hall Primary - PAN 30 to PAN 60 a total increase of 210 places
- (b) Heathfield Primary - PAN 60 to PAN 90 a total increase of 210 places

*Planned Admission Number (PAN) = number of places available in each admission year.
There are 7 admission years in each primary school from Reception to Year 6.*

- 61. The £90,000 feasibility funding has also been used to consider the possibility of expanding St Georges Academy from a PAN 45 to PAN 60 a total of 105 places due to a 250 home planning application being granted permission in early 2015, and other potential developments being considered within the village.
- 62. All feasibilities are at the CP1 stage, and over the next few months will be worked up to the planning application stage (CP2) to give an accurate cost and programme for each scheme. Both Red Hall and Heathfield will be shelved until Phase 2 Lingfield and the Burdon Hill development progress to allow each expansion to work alongside the developers build out rate. St Georges Academy will progress to CP3 stage, which will require submission of a planning application and a further report to Cabinet in spring 2016.
- 63. The LA will be looking to future DfE allocations along with developer contributions to fund further expansions required at primary schools and potentially at secondary phase to provide for the large primary cohorts moving through.

School Condition Allocations

- 64. 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 (LAMPA) 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.
- 65. Devolved formula capital (DFC) is a formula based grant provided to maintained schools to help support the capital need of their buildings. It is initially allocated to the LA on a formulaic basis, the LA then allocates the funding directly to schools. As a rule this funding should be invested in the priorities identified through the LAMPA process. The allocation for 2015/2016 was £295,401 and has yet to be allocated. It is estimated that the LA will receive £197,000 for 2016/2017 which is slightly lower than in previous years as 3 maintained schools are consulting to convert to Academy status during 2016. At this stage this is only an indicative cost for 2017/2018, as the allocation will be reviewed annually and adjusted to reflect any more schools moving responsible body, opening and closing.
- 66. The annual LAMPA process is currently being undertaken and the team are in the process of visiting the maintained schools to establish a programme which will be ready for cabinet approval in spring/summer 2016. It is anticipated that the cabinet report will seek the release of 2 years' worth of funding (2015/2016 and 2016/2017) to address condition, suitability, safeguarding, mechanical or electrical related items within maintained school buildings across the authority.

LCVAP

67. Locally Co-Ordinated Voluntary Aided Programme (LCVAP) is coordinated by the LA in consultation with the Diocese of Hexham and Newcastle and the Dioceses of Durham and Newcastle. In Darlington any priorities generated from the LAMPA process are shared with the Dioceses. The outline list of projects are submitted for the Department for Education's approval by the end of May each year. Once a project is approved the funding goes direct to the Diocese to be spent in the year it is allocated. Devolved Formula Capital funding for VA schools is paid directly to each Diocese, unlike LCVAP there is no requirement to seek approval from Department for Education. The LA is kept informed of works so that asset management plan information can be kept up to date.

Housing

68. The priorities identified through the Housing Business Plan to be funded from the estimated capital resources for 2016/17 include:-

- (a) Adaptations – £300,000 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.
- (b) Heating Replacement - £1,470,000 to fund new condensing boiler and central heating upgrades. This work will predominantly be completed in the following wards: Redhall & Lascelles. There will also be some miscellaneous properties which will be included in the programme and we will be running a "just in time" programme of replacement for those boilers that fail before their due replacement date within the financial year.
- (c) Structural Repairs - £140,000 has been set aside to address any structural issues that may be identified within the year.
- (d) Lifeline Services - £80,000 is set aside to continue to provide upgrades to Lifeline equipment. There will also be investment to replace the existing telecommunications equipment to improve the level of service that can be provided to residents.
- (e) Repairs before Painting - £100,000 will be invested in joinery repair works in anticipation of the cyclical external painting programme in areas throughout the Borough.
- (f) Roofing – £420,000 for the replacement of roofs, fascia's, soffits and rainwater goods alongside the top-up of loft insulation where appropriate. The programme will primarily be in Harrogate Hill & Park East Wards.
- (g) Garages - £75,000 will be invested in improvements to the Council's garage blocks in areas to be determined.
- (h) External Works - £500,000 will be used to provide new rear dividing fences and new footpaths to Council properties across areas to be determined.

- (i) Smoke Detectors - £50,000 is required to replace existing hard wired smoke and heat detectors where systems are now 10 years old and reached the end of their recommended lifespan.
- (j) Pavement Crossings - £25,000 has been identified to fund pavement crossings across the Borough.
- (k) Energy Efficiency - £850,000 is required for the replacement PVCu windows and the installation of composite doors to Council properties across areas to be determined. Consideration will be given to properties depending on their Energy SAP ratings and repair trends.
- (l) Door Entry Systems - £80,000 will be used to replace failing door entry systems and communal doors across the borough.
- (m) Internal planned maintenance – £2,100,000 for the replacement of kitchens and bathrooms, rewiring of electrical systems and heating system upgrades where required. This work will predominantly be completed in the following wards: Rurals, Lingfield & Firthmoor. There will also be some miscellaneous properties which will be included in the programme and we will incorporate additions to the programme when void properties which have been omitted from previous year's programmes become available.
- (n) Communal Works - £50,000 will be spent on the upgrade and improvement of flooring within communal areas across the borough.
- (o) Lifts - £87,000 to complete any unplanned major works to passenger lifts within sheltered and extra care schemes.
- (p) New Build - £8,614,000 will be spent developing 64 new build council housing units.

Transport and Highways

69. The following works are proposed for delivery in 2016/17

Local Transport Plan

- 70. The Department for Transport (DfT) releases capital funding to Local Authorities through the Local Transport Plan (LTP) based on a needs formula. The allocation is constituted of two blocks of funding; the Integrated Transport Block and Highways Capital Maintenance.
- 71. During 2016/17 £886,000 has been allocated for the Integrated Block and £1,593,000 for the Highways Maintenance Block and will fund an agreed priority of maintenance of highway assets, management of the highway network and improvement schemes.
- 72. The Highways Maintenance Block reduces over the term of the MTFP with two new elements introduced by the DfT that enables authorities to try and recover money that has been top-sliced from allocations by Government. These are:

- (a) Competitive Highway Maintenance Challenge Fund bidding process and,
- (b) Incentive Fund for Highway Maintenance management.

73. Since April 2015 within the Local Growth Fund (LGF) the Local Enterprise Partnership (LEP) has been allocated a significant element of the available capital funding for transport schemes. In the Tees Valley the Local Growth Fund funding priorities are agreed by Tees Valley LEP, the key factors being strategic importance to supporting Economic Growth, deliverability and leverage in securing funds from other partners. Proposals for LGF schemes to be delivered in 2016/17 are a new car park at Morton Palms (£0.550M).
74. The Council has recently submitted a funding proposal to Highways England for a £1M contribution, from their 'Housing and Growth Fund' towards a package of measures in the North Western area of the Town, aimed at mitigating for increases in traffic arising from new housing and commercial development. If successful the Highways England funding will be allocated to widening the A68 approach to the Rotary Way roundabout, constructing a new left turn lane.

Council Funded Schemes

75. At this stage in the MTFP development process it is usual to review any demands for capital expenditure and propose the allocation of any available resource. Given the considerable financial challenge the Council faces and the need to significantly reduce spending it would be inappropriate to make any further significant investment decisions at this point in time however some urgent works will need funding.
76. An equally significant reason for not making any decisions on capital investment at this time is the links between capital and revenue expenditure. Despite capital receipts and prudential borrowing only being available to fund capital expenditure there are links as set out below :-
- (a) Any prudential borrowing has to be funded via repayments from revenue.
 - (b) Utilising capital receipts for capital expenditure removes the ability of the Council to utilise receipts from reducing debt and consequential revenue debt repayment costs.
 - (c) Recent announcements by the Government may make it possible to fund certain expenditure from capital.
77. Given the above it is recommended that only urgent capital expenditure be proposed at this stage. This does leave however a list of competing priorities which are not funded which will need to be reviewed in future years or as and when any funding becomes available.
78. Urgent works proposed are set out below and will be subject to detailed reports to Cabinet;
- (a) Advanced Design Fees/development site preparedness - £0.150m. This is to ensure that resources are available to work up any new schemes brought forward in relation to economic growth including site investigations on

development sites, industrial and housing land. Without this funding, schemes would not progress and growth would stall.

- (b) Railway Museum structural repairs £0.250m – as required under the lease terms essential structural repairs and damp proofing need to be completed to keep the building above the LIVE line.
- (c) Council premises planned maintenance programme £0.250m - the Council owns a significant number of premises and various works need to be completed to ensure they remain structurally sound and in good repair. Work will be completed on the Town Hall, Central House and Central House annex among others.

79. As noted there are a number of further and/or aspirational priorities which would be recommended if there were sufficient resources, they priorities are listed in the table below.

Future capital priorities and aspirations					
	2016/17	2017/18	2018/19	2019/20	Total
	£'000	£'000	£'000	£'000	£'000
Schemes to be considered					
Dolphin Centre M&E	-	750	750	-	1,500
Indoor Market refurbishment	-	-	-	4,000	4,000
West Cemetery Extension	300	-	-	-	300
Crematorium - refurbishment	-	-	2,000	2,500	4,500
Highway Maintenance	450	450	450	450	1,800
CPI Temporary car park	250	-	-	-	250
Town Centre aesthetic uplift	200	-	-	-	200
Town Centre Fringe - Gasometer	-	200	-	-	200
Heritage Campus / Head of Steam	2,000	-	-	-	2,000
Speculative Fund to accommodate growth	750	750	750	750	3,000
Development Pot - subject to LGF funding	-	900	500	-	1,400
Total Resources	3,950	3,050	4,450	7,700	19,150

80. The Tees Valley Devolution Deal offers the promise of more flexibility on the various capital funding streams that are directed towards economic growth and transport, and from 2017, additional funding of £15m per year. Council Officers will continue to work to develop proposals and programmes that could enable access to these resources, and will also be contributing to the development of criteria and priorities.

Consultation

81. The Efficiency and Resources Scrutiny Committee met on the 25 January 2016 to consider the draft MTFP and the responses from all the Councils Scrutiny Committees. The minutes are shown in **Appendix 9**, however in summary there was a majority support for the council tax increase of 3.99% and the fees and charges levels.

82. Attached at **Appendix 10** is the ANEC response to the provisional settlement which highlights the large scale of the cut in grant next year in particular Revenue Support Grant at £2.74bn (27.6%) nationally with only £0.39bn of this being offset by the additional 2% precept for adult social care. In the North East the cut in RSG for the twelve local authorities is £120m, with the potential to raise only £19.5m from the 2% precept to help offset this cut. This will place councils in an extremely difficult position, particularly given the additional cost pressures arising from the costs of the National Living Wage.

Comments of the Director of Neighbourhood Services and Resources

83. As the Council's Statutory Chief financial Officer I 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 I can be confident that they are an accurate reflection of the Council's financial position. General Reserves are adequate however the Council is carrying a very significant risk in terms of the need to reduce expenditure, it is essential that cost reductions as noted in the following report on the agenda are agreed for delivery in 2016/17 and beyond as the council will be operating with minimum levels of balances to fund any cost pressures or non delivery of saving.

APPENDICES

Appendix 1	Detailed Estimates
Appendix 2	Budget Pressures / Savings
Appendix 3	Fees & Income Proposals
Appendix 4	Assumptions used to prepare estimates
Appendix 5	Projected Revenue Outturn 2015/16
Appendix 6	Assessment of Risk Balances
Appendix 7	Proposed MTFP 2016 to 2020
Appendix 8	Capital summary
Appendix 9	Efficiency & Resources Scrutiny consultation
Appendix 10	ANEC consultation