

CABINET

Tuesday, 12 February 2019

PRESENT – Councillors Harker (Chair), Crumbie, C L B Hughes, McEwan, S Richmond, A J Scott and Wallis

INVITEES – Councillors Coultas, Curry, Haszeldine and Johnson

APOLOGIES – Councillors Nicholson and Mrs H Scott

ALSO IN ATTENDANCE – Councillor Knowles

C115 DECLARATIONS OF INTEREST.

There were no declarations of interest reported at the meeting.

C116 KEY DECISIONS:-

(1) MEDIUM TERM FINANCIAL PLAN

Pursuant to Minute C85(2)/Dec/18, the Leader introduced the report of the Chief Officers Executive (previously circulated), proposing a Medium Term Financial Plan (MTFP) for 2019/20 to 2022/23, including setting a budget and council tax increase for 2019/20 and a Capital Programme for 2019/20 to 2022/23, for Council approval on 21 February 2018.

The submitted report stated that the Council had faced unprecedented financial challenges between the financial years 2010/11 to 2019/20, following reductions in public sector spending, leading to an overall decrease in real terms in government funding of £45.7m, which was anticipated to increase to £50m by 2022/23. The reductions in funding resulted in the Council agreeing reductions to planned expenditure of £57m and a reduction of 747 in the Council's workforce.

It was reported that since the draft MTFP had been proposed in December 2018 there had been a number of changes that affected the Council's financial position, namely the receipt of the Local Government Finance Settlement, which confirmed the reduction in the revenue support grant of £2.8m; extra one off funding for social care of £0.856m that had been announced in the 2018 budget; additional funding of £0.346m that was allocated to Darlington following the distribution of surplus levy funding; and increases in Top up Grant and New Homes Bonus of £0.020m and £0.038m respectively.

The submitted report also stated that £1.5m had been saved over the MTFP life following the repayment of two Lender Option Borrower Option loans as part of a Treasury Management initiative; that a Core Offer budget was agreed following a significant consultation exercise undertaken in 2016 (Minute 11(h)/Jun/16 refers); delivering the Core Offer continued to be extremely challenging with significant pressures arising from Children's social care; and that although further pressures had arisen, the Council could still deliver the agreed plan.

Discussion ensued on the risks to the Council associated with the MTFP; contingencies to mitigate those risks; Council Tax; and the Library Service.

RESOLVED – That it be recommended to the Special Meeting of Council scheduled to be held on 21 February 2019, that the Revenue Medium Term Financial Plan, as set out in Appendix 7 of the submitted report, and the proposed Capital Programme as summarised in Appendix 9 of the submitted report, be approved, including the following:-

- (a) a Council Tax increase of 2.99% for 2019/20; and
- (b) the Schedule of Charges, as set out in Appendix 3 of the submitted report.

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.

(2) HOUSING REVENUE ACCOUNT - MTFP 2019/20 TO 2022/23

Pursuant to Minute C85(4)/Dec/18, the Cabinet Member with the Housing, Health and Partnerships Portfolio presented the report of the Director of Economic Growth and Neighbourhood Services, requesting that consideration be given to the proposals for the revenue budget, rent levels, and service charges for the Council's Housing Revenue Account (HRA) for the financial year 2019/20 in the context of the HRA Medium Term Financial Plan 2022/23 and the 30 year Business Plan.

The submitted report stated that through the Welfare Reform and Work Bill 2015, the Government had implemented a compulsory one percent reduction in Social and Affordable rents for a four year period commencing in 2016/17, and that as a result all Council tenants would receive an average 61p reduction in weekly rent; the Council had been able to increase the housing capital programme by £12m as a result of the HRA borrowing cap being lifted, which could be further supplemented by the Homes England grant; the Council planned to build 100 affordable homes per annum, over the next ten years, as a result of the HRA borrowing cap being lifted; and that the proposals contained within the submitted report had been considered and supported by the Joint Tenants Customer/Scrutiny Panel.

Reference was made at the meeting to the priorities identified through the Housing Business Plan to be funded from the estimated capital resources for 2019/20, and in particular the funding available to replace windows.

RESOLVED – That it be recommended to the Special Meeting of Council scheduled to be held on 21 February that:-

- (a) an average weekly social rent reduction of one percent for 2019/20 be implemented, giving an average social rent of £70.53 and affordable rent of £77.92;
- (b) garage rents and services charges be increased, as shown in Table 3 of

the submitted report;

- (c) the budget, as set out in Appendix 1 of the submitted report, be approved; and
- (d) the Housing Business Plan, as set out in Appendix 2 of the submitted report, be agreed.

REASON – To enable the Council to deliver an appropriate level of service to tenants to meet housing need and to support the economic growth of the Borough through housing development.

C117 MID YEAR PRUDENTIAL INDICATORS AND TREASURY MANAGEMENT MONITORING REPORT 2018/19

The Leader and Cabinet Member with the Efficiency and Resources Portfolio introduced the report of the Managing Director (previously circulated), requesting that consideration be given to the revised Treasury Management Strategy and Prudential Indicators and providing a half-yearly review of the Council's borrowing and investment activities.

The report stated that the mandatory Prudential Code, which governed Council's borrowing, required Council approval of controls, called Prudential Indicators, which related to capital spending and borrowing. The indicators were set out in three statutory annual reports and the key objectives of those reports were set out in the submitted report, together with the key proposed revision to the indicators which related to a reduction in the Operational Boundary and the Authorised Limit to allow for any additional cashflow requirement.

The Audit Committee, at its meeting on 30 January 2019, examined the mid-year prudential indicators and treasury management activity and were satisfied with the Council's revised prudential indicators and limits and the revised Treasury Management Budget (Financing Costs).

RESOLVED – (a) That it be recommended to Council, that the revised prudential indicators and limits, as detailed within Tables 1 to 6, 8 and 15 to 18 of the submitted report, be approved.

(b) That the reduction in the Treasury Management Budget (Financing Costs) of £0.590m, as shown in Table 12 of the submitted report, be noted.

REASON – (a) In order to comply with the Prudential Code for Capital Finance in Local Authorities.

(b) To inform Members of the performance of the Treasury Management function.

(c) To comply with the Local Government Act 2003.

(d) To enable further improvements to be made in the Council's Treasury Management function.

C118 PRUDENTIAL INDICATORS AND TREASURY MANAGEMENT STRATEGY REPORT 2019/20

The Leader and Cabinet Member with the Efficiency and Resources Portfolio introduced the report of the Managing Director (previously circulated), requesting that consideration be given to the Prudential Indicators and Limits for 2019/20 to 2021/22, relating to expenditure and Treasury Management activity; a policy statement relating to the Minimum Revenue Provision; and the Treasury Management Strategy 2019/20, which included the Annual Investment Strategy for 2019/20.

The submitted report outlined the Council's Prudential Indicators for 2019/20 to 2021/22 and set out the expected treasury operations for that period and reported that the expenditure plans, Treasury Management and Prudential Borrowing activities indicated that they were within the statutory framework and consistent with the relevant codes of practice, were prudent, affordable and sustainable and were an integral part of the Council's Revenue and Capital Medium Term Financial Plans.

The submitted report also included a Treasury Management Strategy for 2019/20, covering the Council's debt and investment projections estimates and limits on future debt, expected movements in interest rates and the Council's borrowing and investment strategies for future years. Key objectives of the investment strategy were outlined noting that the primary objective was the safeguarding of the repayment of principal due to the Council, ensuring adequate liquidity of those investments and finally the rate of return on the investment.

It was reported that the Council's Audit Committee, under their responsibilities for ensuring effective scrutiny of the Treasury Management Strategy and its policies, had considered the report and resolved that they were satisfied with the Prudential Indicators, the Treasury Management Strategy and Minimum Reserve Position, as presented therein.

RESOLVED – That it be recommended to the Special Meeting of Council scheduled to be held on 21 February 2019, that:-

- (a) the Prudential Indicators and limits for 2019/20 to 2021/22 as summarised in Tables 1 and 2 of the submitted report, be approved;
- (b) the Minimum Revenue Provision (MRP) statement as detailed at paragraphs 37 to 41 of the submitted report, be approved;
- (c) the Treasury Management Strategy 2019/20 to 2021/22, as summarised in paragraphs 45 to 70 of the submitted report, be approved; and
- (d) the Annual Investment Strategy 2019/20, as contained in paragraphs 71 to 112 of the submitted report, be approved.

REASONS – (a) In order to comply with the Prudential Code for Capital Finance in Local Authorities and the Department for Communities and Local Government (CLG) guidance on investments.

(b) To comply with the requirements of the Local Government Act 2003.

(c) To approve a framework for officers to work within when making investment decisions.

C119 DARLINGTON CAPITAL STRATEGY

The Leader and Cabinet Member with the Efficiency and Resources Portfolio introduced the report of the Managing Director (previously circulated), requesting that consideration be given to the Council's proposed Capital Strategy (also previously circulated) for 2019/20,

The submitted report stated that following the publication of the revised Prudential Code for Capital Finance in Local Authorities 2017, all Councils were required to produce a Capital Strategy from April 2019. It was reported that the strategy provided an overview of how capital expenditure and financing plans were decided upon; provided the framework for the development, management and monitoring of the Council's capital investment plans; focused on core principles that underpinned the Council's four year capital programme and governance framework that were in place; and that it maintained links to the Council priorities and to its key strategy documents, including the Treasury Management Strategy, Medium Term Financial Plan and the Corporate Plan.

RESOLVED – That it be recommended to Council that the Capital Strategy for 2019/20 to 2022/23, as appended to the submitted report, be approved.

REASON – (a) To ensure the Council adopts the Prudential Code for Capital Finance 2017.

(b) The Strategy is approved by Council.

**DECISIONS DATED –
Friday 15 February 2019**