

**SPECIAL COUNCIL  
17 FEBRUARY 2022**

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**MEDIUM TERM FINANCIAL PLAN  
INVESTING IN AND DELIVERING SUCCESS FOR DARLINGTON**

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**Responsible Cabinet Member - Councillor Heather Scott  
Leader and all Cabinet Members**

**Responsible Directors – Chief Officers Executive**

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**SUMMARY REPORT**

**Purpose of the Report**

1. To approve a Medium Term Financial Plan (MTFP) for 2022/23 to 2025/26 including setting a budget and Council Tax increase for 2022/23. To also approve a 2022/23 to 2025/26 Capital programme.

**Summary**

2. Whilst 2020/21 was undoubtedly the year of Covid, 2021/22 will be remembered as the year we started to live and adapt to the difficulties and opportunities it created. The pandemic fundamentally impacted on the priorities of, and the way in which the Council conducted its business. The financial pressure on the public sector as a whole and the Council more specifically have been significant over the last couple of years, and this was on the background of a decade of significant financial challenge following the economic downturn and the reductions in public sector spending.
3. Despite this the Council has been successful in responding to these challenges, both in the last couple of years supporting residents, business and NHS colleagues in their response to the pandemic, and more generally by continuing to provide vital core services and investing the resources available in growing our economy to deliver success for the benefit of all. This is becoming increasingly difficult in the light of the pandemic with demand for services increasing, particularly in regard to social care where costs are predicted to rise substantially; this is alongside reduced income in our leisure and cultural venues as residents understandably are cautious in rushing back to normality. There are also external pressures in the wider economy with transport, fuel and material prices all increasing which have an impact on the day to day running of the Council.
4. The Local Government Finance Settlement delivered on 16 December 2021 confirmed a one year settlement and a number of funding streams announced in the Autumn Statement including the £1.5bn additional funding stream which has been split between a specific grant for Social Care and an un-ringfenced Services Grant which is only guaranteed for 2022/23 whilst a review of Local Government funding takes place. This means the MTFP is based on a one year funding basis, and whilst this is unhelpful for

planning purposes, it is understandable given the fair funding review has been paused for the last few years and time will be needed to establish robust allocation and distribution of departmental budgets.

5. The consequence of this is that the 2022/23 Budget and MTFP has an eye to future years but does not seek to presume what the future will look like. It aims to ensure that the Council can continue to provide vital services in response to Covid should it be required and importantly continue to provide our core offer level of services to the residents of Darlington regardless of Covid.
6. The Council has performed well in responding to the financial challenges and has taken early action in order to ensure that it is ahead of the curve and not therefore pushed into short term decisions. The outcome of the significant consultation and detailed budget review exercise in 2016 was a core offer budget with a small provision for discretionary services and this is the base level the new MTFP has been prepared on.
7. A healthy level of reserves has been maintained for medium term stability and this is now a crucial component of the budget strategy which will allow time for the key ambition of economic growth to take effect.
8. In addition to the core offer budget a futures fund was established from reserves in the following five areas:
  - (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
9. Whilst this was for a time limited period it is clear the ongoing commitments in the fund for example community safety and developing a vibrant town centre are key to driving our ambition of growing the economy, therefore these ongoing elements have been mainstreamed into the budget from 2025/26.
10. The core offer remains challenging with some significant pressures arising as mentioned, nevertheless, through tight financial management, innovative financial investments and increased income from economic growth successes, the Council can still deliver the agreed balanced plan, finance the MTFP to 2025/26 whilst retaining usable balances of £1.523m.
11. In summary, if the recommendations are agreed, the Council's financial position is robust with a four-year balanced MTFP which will allow net revenue investment in Darlington and its residents of over £100m per year, capital investment of over £157m, and create the conditions and opportunities for growth.

## Recommendation

12. Council are requested to :
  - (a) Approve the Revenue MTFP as set out in **Appendix 6** and the Capital programme as set out in **Appendix 7**, including the following:

- (i) Council Tax increase of 1.99% plus a 1% Adult Social Care Precept to help fund social care for 2022/23.
  - (ii) The Schedule of Charges as set out in **Appendix 3**.
  - (iii) Mainstreaming the ongoing services provided by the futures fund into the budget from 2025/26 onwards as set out in paragraph 71.
- (b) Approve a delegation for Cabinet to vary the Revenue Budget for 2022/23 by up to £0.5m without further Council approval.
- (c) Approve a delegation for Cabinet to vary the Capital Budget for 2022/23 by up to £0.5m without further Council approval.

### **Reasons**

13. 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.
- (d) To ensure investment in our assets is maintained.

### **Chief Officers Executive**

### **Background Papers**

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

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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 and Climate Change	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.
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
Council Plan	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 Council Plan 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

14. The Council has faced significant financial challenges over the last decade as the Government responded to the worldwide economic downturn by introducing public sector spending reductions. This has been exacerbated by the pandemic and a growing demand for services, particularly in relation to social care, both Adults and Children's services.
15. The Council has performed well in responding to these challenges and following an in-depth review of all service provision in 2016 took early decisions in order to ensure that it is ahead of the curve and was not pushed into short term decision making. A good level of reserves has been maintained and this will now be a crucial component of the budget strategy. Given the essential emphasis on responding to Covid, recovering from Covid and the background of a decade of savings there is much less scope for new and significant savings proposals. Reserves are therefore key to ensuring that a medium term approach to planning can take place and time created to see the impacts of the economic growth strategy.
16. In addition to the core budget, following good progress made on achieving savings, strong cost management and innovative treasury initiatives, the Council was in a position to add back some discretionary services from unallocated balances which were key to growing Darlington's economy and consistent with the Council's priorities. This was called the Futures Fund and covered the following areas:
  - (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
17. The funds are being utilised as expected to make positive change and are a significant contributor to growing Darlington's economy, whether that be more attractive streets and green areas to festivals and safer streets.
18. As time has passed it has become clear a number of the services funded via the futures fund are key to the aim of growing our economy and without them would have a significant impact on that key aim. Therefore, it is proposed the ongoing elements of the fund are mainstreamed into the budget and are considered with all other funded services in any future budget discussions.
19. The core offer budget plus the futures fund as noted above is the starting position for this year's MTFP.
20. Income and resource levels will be discussed in detail later in the paper, however we have only received a one year finance settlement which along with the turbulent times we find ourselves in makes it challenging to predict expenditure and income levels moving forward. As a consequence, best estimates have been used and assumptions made on the

impact of Covid-19 on budgets in 2022/23 and the income and resources we will receive in future years.

### Updated Information and changes to the draft MTFP

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

No.	Change	Effect	Para	App
1	Additional council tax from increased taxbase	Over life of the MTFP improves reserves by £2.271m	52, 60, 61, 74	6
2	Settlement – less Top Up Grant due to CPI rate	Over the life of the MTFP reduces reserves by £0.588m	60, 61, 74	6
3	Settlement – less RSG due to NHB being extended by a further year	Over the life of the MTFP reduces reserves by £0.609m	45, 60, 61, 74	6
4	Settlement – NHB scheme extended for a further year	Improves reserves by £1.416m	46, 60, 61, 74	6
5	Settlement – BCF inflation	Over the life of the MTFP improves reserves by £0.528m	60, 61, 74	6
6	Settlement – Adult Social care Support Grant inflation	Over the life of the MTFP improves reserves by £0.640m	60, 61, 74	6
7	Settlement – Lower Tier Services Grant	Over the life of the MTFP improves reserves by £0.151m	60, 61, 74	6
8	Settlement – Additional funding through Adult Social Care and 2022/23 Services Grant	Over the life of the MTFP improves reserves by £0.164m	49, 60, 61, 74	6
9	Additional pressures	Pressures identified in utilities, car parking, additional inflationary contract pressures and employee costs. Reduces reserves by £2.532m.	22, 42, 43, 61, 74	1, 2 & 6
10	Stronger Communities Fund	Reduces reserves by £0.050m.	32, 33	6
11	2025 Bicentennial Anniversary Event programme Reserve	Reduces reserves by £1.000m n.b. this is the maximum amount as other sources of funding are sought.	41, 60, 61, 74	6
12	Qtr 3 Revenue Budget Management	Improved position at Quarter 3 increases reserves by £0.237m.	60, 61, 74	6

## Financial Analysis

### Projected Expenditure

22. As noted previously the core offer budget and futures fund is the level on which the MTFP is based upon. 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 are discussed in the following paragraphs. The assumptions used when preparing the estimates are set out at **Appendix 4**.

<b><u>Summary of Pressures</u></b>	<b>2022/23 £m</b>	<b>2023/24 £m</b>	<b>2024/25 £m</b>	<b>2025/26 £m</b>
Efficiencies and Savings	(1.782)	(0.954)	(0.745)	(0.783)
Increased Service Demand	2.073	2.350	2.394	2.413
Price Inflation	1.833	1.707	1.870	3.188
Reduced Income	0.134	0.678	0.647	0.682
Other and Contingencies	1.829	1.316	1.368	1.322
Covid 19 Pressures	0.738	0.181	0.186	0.191
	4.825	5.278	5.720	7.013

23. **Efficiencies/Savings** – there are significant anticipated savings over the life of the MTFP of £4.264m. Our investment returns are higher than anticipated with the dividends from our joint venture partnership £0.700m higher over the next couple of years. Other efficiencies cut across all areas and include staff savings and a realignment of running costs achieved following the different ways of working throughout the pandemic.
24. **Increased Service demand** – is the most significant strain on the budget and within this category the main pressure area is Adult Social Care. Pressures in this area are being felt nationwide and whilst the new social care funding reforms will assist people paying for their care from 2023, they do not assist with the pressure being faced now. There has been a significant increase in demand for home care with an additional 1,771 hours per week commissioned. In addition, there are pressures from demographic, residential care, day care, direct payments, and the provision of respite requirements. Over the life of the MTFP there is a £7.5m social care demand pressure.
25. **Price Inflation** – our adult social care contracts are linked to various inflation factors in the Consumer Price Index, the main one being the national living wage which has been set at £9.50 per hour from 1 April 2022 – an increase of 6.6% and this automatically feeds through to the care providers. With residential care there is also a utilities factor which has significantly increased from at 22% year on year and has impacted on the contract rate. There is also the National Insurance increase of 1.25% which again will be fed through the contracts. Whilst this is a significant pressure on the Council's finances the pressure on the care sector is recognised and these uplifts are required to ensure stability. The pressure from contract uplifts is £5.78m across the MTFP.

26. The other significant inflation pressure is the utilities increase, again being seen across the country and which has a direct impact on our running costs, from the buildings we operate to the street lighting electricity usage. Our energy is purchased through the North East Procurement Organisation and the impact is not as high as it could have been as fuel was pre-purchased before the rises. Energy efficiency measures are continually being looked at, for instance the LED street lighting programme, however the significant increase cannot be contained within existing budgets.
27. **Reduced Income** - The patronage of the Council's car parks is at 75% of pre-Covid levels and anticipated to remain at that level as the shift to home working and more sustainable modes of transport grow. The position will be constantly reviewed however it is prudent to put a marker down in the MTFP to acknowledge the potential pressure at this point.
28. **Other and Contingencies** – the main pressures here are for the additional 1.25% Employers National Insurance contributions payable from April 2022 and also a provision for an employee pay award. These are both estimated at this point in time and based on current staffing levels.
29. There is also a provision for continuation of the strengthening families programme into 2022/23. The increase in children needing support from the local authority has put pressures on both staffing levels and the placement budgets over the last few years. This pressure is being felt across the country with most Councils' reporting an increased investment requirement in this area. The Council was awarded a £1.2m grant from the DfE to assist in transforming social care practice within Darlington and the team is working in partnership with Leeds City Council who have already been through this process. The ultimate aim is to improve outcomes for children, focus on prevention and reducing the number of children who need to come into care and ultimately reduce the budget pressure.
30. Unfortunately, due to Covid, the scheme didn't progress as quickly as anticipated and the funding did not extend to 2022/23. In order to achieve the savings required the programme needs to be extended for a further year, the cost is £0.533m however it is felt this investment will achieve longer term savings to help the service achieve a sustainable footing.
31. **COVID-19** – the coronavirus pandemic had a significant effect on the Council's expenditure and income budgets over the last 18 months. The government has responded well with help to offset a large proportion of these pressures however this support has now come to an end. Whilst in the medium term it is anticipated most income in our leisure and culture venues will return to pre-Covid levels there remains a pressure in 2022/23 as visitors become more confident in returning. The area anticipated to have an ongoing pressure is waste disposal where an increase in household levels of waste have remained high; it is anticipated they will reduce gradually over the coming years but not to pre-Covid levels.

#### **Additional budget provision**

32. **Stronger Communities Fund** – the stronger communities fund was established to assist grass roots projects and initiatives in each of the elected Members Wards. It was agreed in the 2021/22 budget that £0.001m was made available to each member to utilise as they see fit in their communities and reviewed on an annual basis. A report was taken to the



Local Communities Scrutiny Committee on 6 January and subsequently forwarded to the Economy and Resources Committee on 20 January, updating on the spend to date and initiatives Councillors had funded. The fund is being utilised for varied and creative uses from purchasing benches and seating in parks, sports kit for local teams, to Christmas lights and hampers, goal posts and equipment for Scouts and craft sessions to name a few.

33. There was unanimous agreement that it be recommended to Cabinet that the pilot should be extended for a further year with six monthly reports back to committee to monitor progress. At the beginning of the financial year each members fund will be topped back up to £1,000. Members final spend will not be known until the end of March 2022 so a full provision of £0.050m has been included in the MTFP for 2022/23. If this is not utilised it will be returned to reserves.
34. **2025 Bicentenary Anniversary Event Programme** - In 2025 it is the 200th anniversary of the birth of the modern passenger railway. The Stockton and Darlington Railway (S&DR) is of national and international significance and Government and national agencies are keen to support and promote.
35. An ambitious programme of celebrations is being developed of national event standard by a core group of partners who have been collaborating for 5 years to develop the plans for the S&DR Bicentenary. Darlington Borough Council, Stockton Borough Council, Tees Valley Combined Authority and Durham County Council have been working with Historic England, Network Rail, the Friends of SDR and others, to develop a connected set of visitor sites, experiences and interpretation that will be programmed in the year approaching the anniversary and culminate in celebrations on the actual anniversary. This programme of events will set the permanent heritage visitor attractions on strong foundations for future return visits to the region.
36. The 200th anniversary in 2025 has the potential to attract visitors from across the world and establish the profile and identity of the S&DR visitor attraction in all its parts, celebrating our heritage, changing perceptions about the area, and driving long term visitor economy growth. The draft Economic Impact Assessment demonstrates a potential across the Durham and Tees Valley area of 2,310 net additional temporary jobs in 2025 and 410 net additional permanent jobs after the Bicentenary, a Gross Value added of £120m and a wider impact value of £227m.
37. The plans involve a mixture of investment in events, in buildings and the environment, linking Locomotion Museum in Shildon, Darlington's Rail Heritage Quarter, Preston Hall Museum & Grounds and Stockton's Riverside.
38. The Partnership has commissioned major pieces of work to provide the foundation for the development of the permanent visitor attraction and the promotion of the Bicentenary. These include a full access audit for the length of the line, historic significance and condition surveys of buildings and structures, marketing and interpretation frameworks, feasibility studies into live steam and early locomotive exhibitions.
39. A significant amount of work has been done to lay foundations for the core programme, but there is still a great deal of fluidity and flexibility. The core programme for 2025 will be built around the following:

- (a) **Live steam and motive power**, journeys into the region, within the region and along the line of the first journey from Shildon to Stockton. Replica of Locomotion No.1 operating on the private rail siding at Rail Heritage Quarter as well as other steam trains.
  - (b) **Exhibitions of early steam locomotives** from around the world, brought together for the first time displayed at 3 locations Locomotion in Shildon, Rail Heritage Quarter (a key site) and a site in Stockton.
  - (c) **Education and schools' projects** to understand and celebrate the S&DR and use the innovations of the early 1800s to inspire interest in technology, engineering and invention.
  - (d) **Knowledge sharing & conferences**, attracting national and international contributors, highlighting the many different social, cultural and technological impacts that railways have had and the contributions that transport innovation could make to environmental sustainability.
  - (e) **Community events**, parades, celebrations and installations illustrating some of the ways in which communities and localities were changed by S&DR.
  - (f) **Large scale outdoor arts and street theatre** creating moments of mass celebration and spectacle that are distinctive and rooted.
40. Our rail heritage is very important and the Council Plan recognises that we should make the most of our culture and heritage as these can be significant drivers for an area's economic growth and success.
41. Partners are currently seeking approvals to fund this major programme of events and Stockton recently presented a report to their Cabinet to allocate a budget of £1.3m to the programme. It is recommended that £1m is allocated in MTFP and a reserve set up to enable preparations to commence and be confirmed. The Council will continue to seek to raise funds to cover the costs of the programme from other sources which would reduce the council funding required.

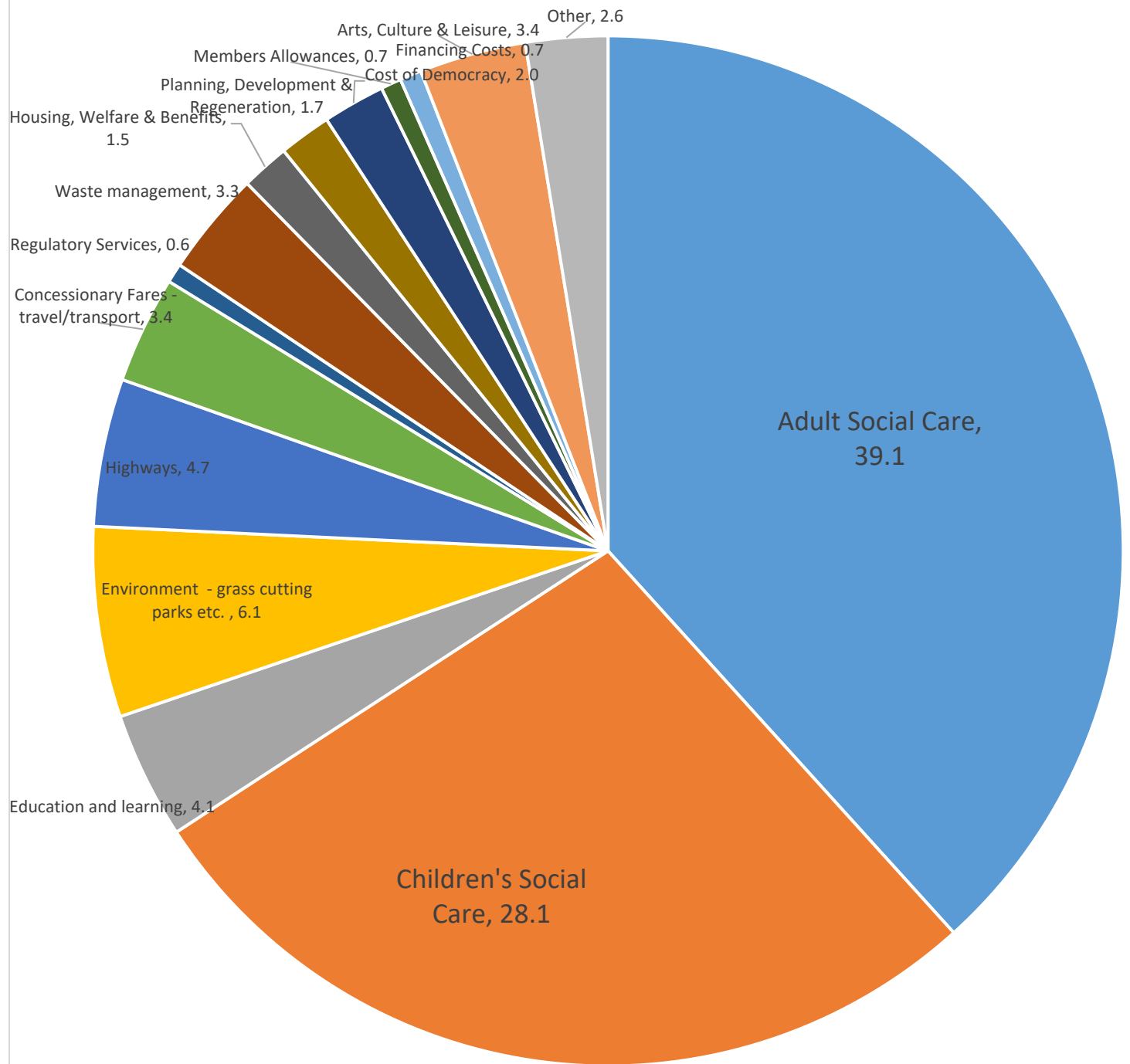
**Total Expenditure**

42. Taking the above savings and pressures into account the summarised projected expenditure is shown in the table below:

	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
People Services	66.018	67.900	70.652	73.251
Chief Executives Office & Economic Growth	1.288	1.334	1.366	1.455
Services	18.126	18.530	19.008	19.398
Operations	16.341	16.542	16.886	17.140
Financing costs	0.637	2.921	2.933	2.992
Investment Returns - Joint Venture	(1.864)	(1.480)	(1.130)	(1.130)
Council Wide Pressures/(savings)	1.037	1.054	1.079	1.106
Council Wide Contingencies	0.525	1.512	1.512	1.512
<b>Total Expenditure</b>	<b>102.108</b>	<b>108.313</b>	<b>112.306</b>	<b>115.724</b>

43. This proposed net investment in services of £102m in 2022/23 covers a wide range of areas from refuse collection to adult residential care, from street lighting to school crossing patrols and grass cutting to our Leisure and Culture provision. The chart below shows the split of investment and as can be seen Social Care, both Children's and Adults, are the most significant proportion of funding, accounting for nearly two thirds of the overall budget.

### WHERE THE MONEY WILL BE SPENT ON SERVICES FOR 2022/23 £m



- Adult Social Care
- Children's Social Care
- Education and learning
- Environment - grass cutting parks etc.
- Highways
- Concessionary Fares - travel/transport
- Regulatory Services
- Waste management
- Housing, Welfare & Benefits
- Planning, Development & Regeneration
- Cost of Democracy
- Members Allowances
- Financing Costs
- Arts, Culture & Leisure
- Other

## **Projected Income**

### **Local Government Finance Settlement**

44. The draft Local Government Finance Settlement was announced for consultation on 17 December 2021 and confirmed a number of funding streams announced in the Autumn budget and spending review. Consultation on the settlement closed on 13 January and we have yet to find out if there are any changes to the draft, however in previous years there has been little, if any, movement so this plan is based on the draft position. The settlement is for one year and therefore assumptions have been made for years two to four of the plan using best estimates using the latest information available. All assumptions are in Appendix 4 and detailed in the relevant sections below, however the overriding principle is that we will receive cash equivalent grant funding for all government funding streams unless otherwise stated.

### **Core Grant funding to Local Government**

45. **Revenue Support Grant (RSG)** has become a reducing element of the Council core funding over recent years however it has been assumed this will continue into future years at a cash equivalent position. Furthermore as the New Homes Bonus scheme is coming to an end, and the funding for NHB was top sliced from RSG, an assumption has been made this will be returned to Local Government and has therefore been included in the projections for future years.
46. **New Homes Bonus (NHB)** is included in core Government funding as it is top sliced from RSG. The scheme was due to end with only legacy payments made, however it was announced in the settlement that the scheme would be extended for a further year. The housing figures are taken from October 2020 and October 2021 and given the buoyant market between these dates this has increased NHB by £1.4m. As noted, we are anticipating the scheme coming to an end next year so have only accounted for legacy payments withing the RSG figures from 2023/24 onwards.
47. **Better Care fund** - Members will recall that previous year changes to the NHB scheme along with the reduction in RSG funded the Improved Better Care Fund which was separate to the funding stream allocated direct to the NHS. This was in recognition that Councils were under significant pressure in regard to social care funding, it was initially a three-year pot but continued in 2020/21 and 2021/22 as core funding. The settlement provided confirmation this will continue into 2022/23 and for estimate purposes it has been assumed this funding will continue over the life of the MTFP given it is part of the core funding settlement.
48. **Adult Social Care Support Grant** - In recognition of the significant pressures being faced by Councils in Social Care due to the growing elderly population and increases in children looked after, over the last couple of years the Chancellor announced additional funding for Councils through direct grant last year, this has been confirmed for 2022/23 and it has been assumed this funding will continue into future years on a cash-equivalent basis.
49. **Spending Review 2021** – In the Autumn Statement the Chancellor recognising the significant pressures faced by Councils and the important role they have taken throughout the pandemic announced a funding package for Local Government of £1.6bn of which

£0.1bn will be used for Cyber Security and Troubled Families programmes. The remaining £1.5bn has been distributed to councils. The funding needs to cover the cost of the National Living Wage increases along with the additional 1.25% National Insurance contributions for the Council's own workforce and that of its contractors and suppliers. The funding has been split into two funding streams:

- (a) **The Services Grant - £1.579m.** This grant funding is un-ringfence and one-off for 2022/23. The government have stated they will work closely with the sector on how best to distribute this money for 2023/24 onwards. Given this, the funding would not be included in the baseline for any protections required if allocations were reduced in future years. It has been assumed however given the levelling up agenda Darlington will receive the equivalent grant in the remaining years of the MTFP.
- (b) **Social Care Grant - £1.162m.** This funding can be utilised for both Adult and Children's Social Care and has been distributed to Councils based on the Adult Social Care relative needs formula.

### **Council Tax Income**

- 50. Due to reduction and reliance on Government funding over the last ten years, Council Tax is now by far the largest single funding stream and will increase further as a percentage over the coming years representing 61% of projected resources anticipated by 2025/26. The ongoing increases reflect the Cabinet's view that income from Council Tax needs to increase to protect key service provision and enable investment in vital services. Members will recall that a 1% increase in Council Tax equates to an annual revenue of £0.560m.
- 51. The Council Tax referendum limit has been set at 2% for 2022/23 and this MTFP assumes a Council Tax increase of 1.99% for 2022/23 and across the rest of the MTFP. In addition, Local Authorities have been given access to additional Social Care funding through an Adult Social Care precept of 1% for the next three years; this is in recognition of the extreme pressure Councils are facing, particularly in regard to demand and the increasing demographic of older people and rises in people with complex needs. As can be seen in the chart in paragraph 43, Adult Social Care is by far our largest overall budget with a spend of £39.1m. The precept is crucial to enable this investment in Social Care to continue and provide the ongoing sustainability of the service. This MTFP proposes the 1% precept is levied in 2022/23 but does not commit to future years and will be reviewed in the next MTFP cycle. The precept is in addition to the 1.99% Council Tax.
- 52. The Council Tax base was affected by Covid-19 firstly due to the increase in Local Council Tax support claimants (LCTS) and also a slight reduction in housebuilding in the earlier part of 2020. Whilst LCTS claimants remain higher than the pre-Covid position they are reducing month by month and furthermore housing building has started back in earnest. Moving forward planning estimates anticipate growth levels to be an average of 562 Band D equivalent properties over the period of this plan which is a growth on the tax base of 1.62% per annum. These figures have been used to prepare the estimates; clearly should this be any different income levels will differ. The collection rate (of collectable debt) is anticipated to remain at 99% in 2022/23, but as mentioned previously other factors are impacting on the overall income levels.

## **National Non-Domestic Rates (NNDR)**

53. 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.
54. Growing the economy is the key priority in the Council Plan and the Economic Strategy gives priority to increasing business within the borough and significant effort has been put into achieving growth. This has been rewarded with a positive net increase in NNDR collection. Sites such as Symmetry Park and Central Park are all contributing to the growth and the recent announcement of a Government hub Darlington led by her Majesty’s Treasury Department will provide a tremendous boost to the town and will undoubtedly lead to other businesses moving into the area.
55. Notwithstanding these major developments, attracting businesses into the Town by their very nature takes time and upfront investment and therefore is an area which needs continued prioritisation and pump prime funding so growth can continue. It needs to be remembered that net growth in NNDR collected relies on growth outstripping revaluations and reductions which can be very challenging in the current economy.
56. One area of uncertainty is the business rate reset. The business rates system changed in 2013 and Councils received 49% of the NNDR collected above the base level, this was to incentivise councils to drive economic growth. The system was due to be reviewed in 2020, with the intention of resetting the baseline and a review of need across the board and a subsequent redistribution of funding. This was part of the Fair Funding Review which has been postponed for a couple of years and there is no indication of whether this will happen in 2022/23. As Darlington has seen a healthy increase in business rates any reset would likely reduce funding in this area. Given the review has been postponed and there would need to be consultation on any new formula system, it has been assumed this would not impact on Darlington until 2024/25.
57. The in-year collection rate target for NNDR is 98.0% and as at the end of December 2021 is 85.7% and on track to achieve the target.

## **Collection Fund**

58. 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 the Business Rates Retention Scheme (BRRS). The Fund records all of the transactions for billing in respect of Non-Domestic Rates (NNDR) 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 healthy position and it is not anticipated there will be a call on the general fund during 2022/23.

## Other Grants

59. Set out below are the estimated specific grants which as the title suggests are for specific areas of expenditure as dictated by the government and cannot be used for other areas; the main one being the Public Health ring-fenced grant. These grants are included in service estimates at Appendix 1.

	<b>2022/23</b>
	<b>£m</b>
Public Health Grant	8.636
PFI Grant	3.200
Youth Justice Board	0.223
Local Reform & Community Voices	0.057
Adult & Community Learning	1.057
Staying Put	0.055
Heritage Action Zone	0.047
Garden Village	0.100
Parks for People	0.014
Towns Fund	0.100
Bus Service Operators Grant	0.009
	13.498

## Total Income

60. The table below summaries the Council's estimated income for the period of this plan which thanks to the increase in spending announced in the Autumn Statement, continued economic growth and house building activity, and the subsequent increases in Council Tax and NNDR, confirms a much-needed increase in income given our expenditure pressures.

<b>Resources - Projected and assumed</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Council Tax	58.343	60.430	62.370	64.502
Business rates retained locally	20.175	20.546	20.227	20.612
Top Up Grant	7.297	7.297	5.238	5.343
RSG	3.748	4.781	4.781	4.781
New Homes Bonus	1.881	0.000	0.000	0.000
Better Care Fund	4.488	4.488	4.488	4.488
Adult Social Care Support Grant	3.753	3.753	3.753	3.753
Social Care Grant	1.162	1.162	1.162	1.162
2022/23 Services Grant	1.579	1.579	1.579	1.579
Lower Tier Services Grant	0.151	0.000	0.000	0.000
<b>Total Resources</b>	<b>102.576</b>	<b>104.035</b>	<b>103.598</b>	<b>106.220</b>



**Projected MTFP**

61. Set out in the table below are the projections based on the income and expenditure analysis discussed in the previous sections along with the required use of balances over the period. The projections assume additional futures funding for ongoing commitments in 2025/26 is agreed and allocated as noted in paragraphs 62-63.

	<b>2022/23</b> <b>£m</b>	<b>2023/24</b> <b>£m</b>	<b>2024/25</b> <b>£m</b>	<b>2025/26</b> <b>£m</b>
Estimated Expenditure	97.283	103.035	106.586	108.711
Add Pressures / Additional savings	4.825	5.278	5.720	7.013
	102.108	108.313	112.306	115.724
Projected Total Resources	(102.576)	(104.035)	(103.598)	(106.220)
Projected budget deficit	(0.468)	4.278	8.708	9.504
Utilisation of balances	0.468	(4.278)	(8.708)	(9.504)
<b>Total</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>

**Futures Fund**

62. As noted earlier to supplement the core offer a futures fund was established using unallocated reserves. In total £7.564m has been allocated to the fund over the years, a mix of one-off funding across five themes (£4.764m) and an ongoing revenue stream for Community Safety and Maintaining an Attractive Street Scene Environment (£2.8m).

63. The fund is being used to support the core offer budget, in particular areas which will help grow Darlington's economy through keeping the borough clean, safe and healthy whilst valuing our heritage and culture, alongside working with communities to maximise their potential.

64. To date £4.358m has been committed to the themes with a balance of £0.386m remaining. A summary of the spend and commitments is noted below.

**Futures Fund - Theme 1 - Community Safety (£1.134m)**

65. £1.115m of the fund has been committed, £1.040m on staffing across the seven years. This is to improve resilience and robustness in the team, particularly as community safety is a key priority for the Council. £0.075m was for the purchase of a mobile CCTV camera and deployment over the years.

**Futures Fund - Theme 2 – Maintaining an Attractive Street Environment (£0.561m)**

66. £0.216m has been allocated to employ an arboriculture team leader to help address the increasing workload in regard to trees. £0.125m for a street orderly concentrating on

keeping the arterial roads and areas into Darlington clean, £0.098m on a back-lane crew to help tackle fly tipping and £0.059m on trees in the town centre along with a memorial seat for those victims of Covid. The remaining funding has not been committed yet. The core funding allocation of £0.300m per annum has made a significant impact on the street environment. Grass cutting returned to a 12-15 day cycle which improved the look of the borough over the summer period and more frequent cleanses and litter picks have made a noticeable difference. Floral displays helped in achieving the Northumbria in Bloom awards accolades.

### **Futures Fund - Theme 3 – Maintaining a Vibrant Town Centre (£1.693m)**

67. 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. This fund is helping to maintain Darlington's vibrant town centre and £1.463m of the funding has been committed across a number of areas including a one-off grant to the House of Fraser to facilitate the store remaining open following the financial difficulties they faced and the announcement of store closures across the country. The fund is also supporting a full Town Centre events programme such as the Festival of Ingenuity, Pride and the Ice Sculpture installations all of which encourage footfall. The commitment to bringing Fireworks back to Darlington in 2022 is also being funded from this pot.

### **Futures Fund - Theme 4 – Developing an Attractive Visitor Economy (0.500m)**

68. £0.435m has been committed against this theme including Heritage Action Zone funding and the development of live stream events and a feasibility study exhibition of early locomotives for the 2025 200th anniversary of the opening of the Stockton and Darlington Railway.

### **Futures Fund - Theme 5 – Neighbourhood Renewal (0.876m)**

69. One of the Council priorities is to work with communities to maximise their potential and enjoy a good quality of life. The funding in this theme assists with this priority and £0.848m has been allocated to various initiatives including £0.050m to the Darlington Credit Union to enable them to continue work in addressing financial hardship and across households in Darlington; £0.236m for a skills and employability officer across the years to understand what skills are required in the borough and take action to promote employment; £0.221m to run initiatives and part fund a programme officer for the Northgate project which is a multi-agency programme providing a range of interventions from support and advice to enforcement activities where required in order to improve outcomes for local residents; £0.180m for specialist benefits advice to assist residents claiming benefit entitlements; and £0.020m for the pilot In2 Programme which introduces children who wouldn't usually have access to arts and cultural experiences. There has also been an allocation of £0.032m for the initial set up of the Bread and Butter Thing which has been a huge success and has over 1,600 members and £0.035m to support work to embed community wealth building across the Council and partners.

### **Futures Fund – ongoing commitments**

70. As time has passed it has become clear a number of the services funded via the futures fund are key to the aim of growing our economy and without them would have a

significant impact on that key aim. A significant proportion of the futures fund expenditure is on staffing to carry out services over and above the statutory level, for example Community Safety including enforcement officers; Street Scene activities including grass cutting, street cleaning, back lane clear ups and tree work; helping neighbourhoods with our skills and employability officer. In total there are 22.7 full time equivalent staff funded on an annual basis through this fund. Additionally, there is £0.110m allocated to the Town Centre events programme per annum to assist in maintaining a vibrant Town Centre and helping out local businesses with increased footfall.

71. It is therefore proposed the ongoing elements of the fund as shown in the table below are mainstreamed into the budget (from 2025/26 onwards) and are considered with all other funded services if expenditure needs to be reduced at a future point.

<b>Mainstreamed elements of the futures fund</b>	<b>2025/ 26 £m's</b>
<b>Ongoing annual funding - Street Scene</b>	<b>0.300</b>
<b>Ongoing annual funding - Community Safety</b>	<b>0.100</b>
<b><u>Theme 1 - Community Safety - £1.134m</u></b>	
Enforcement Officers	0.068
Private Sector Housing officer	0.024
Community Safety Enforcement officers	0.082
Deployment of mobile camera's	0.010
<b>Total Theme 1</b>	<b>0.184</b>
<b><u>Theme 2 - Attractive Street Environment - £0.561m</u></b>	
Team Leader – Arboriculture	0.036
Street Orderly	0.025
<b>Total Theme 2</b>	<b>0.061</b>
<b><u>Theme 3 - Maintaining a Vibrant Town Centre - £1.693m</u></b>	
Town Centre Partnership Officer	0.028
Town Centre Events - Gold Standard	0.110
Town Centre Footfall Monitoring	0.015
Town Centre Event – Pride	0.010
Outdoor Events Infrastructure	0.030
<b>Total Theme 3</b>	<b>0.193</b>
<b><u>Theme 5 - Neighbourhood Renewal - £0.876m</u></b>	
Specialist Benefits Advice	0.030
Road closures & local events	0.003
Skills and employability officer	0.049
Neighbourhood renewal Programme officer	0.024
<b>Total Theme 5</b>	<b>0.106</b>
<b>Overall total</b>	<b>0.944</b>

## Revenue Balances

72. Taking into account the projected revenue out turn for 2021/22 detailed at **Appendix 5**, the Risk Reserve of £5.350m and the utilisation of balances to fund the projected budget deficit over the four year period, leaves a projected general fund balance of £1.523m by 2025/26.
73. However, it needs to be noted that the MTFP is only being balanced annually by using reserves which is not a sustainable position moving forward as reserves will eventually be depleted. Also, the unallocated balances rely on building around 562 Band D equivalent houses per annum; no significant overspending; assumptions of a cash equivalent position materialising in the settlement and a Council Tax increase of 1.99% with a 1% Social Care precept totalling 2.99% in 2022/23. We therefore need to be cautious, particularly in light of future years estimated income, but we understand the need to invest into our services as much as possible to stimulate growth and tackle inequality.
74. Given the uncertainties in regard to future funding and expenditure pressures it is recommended the balance remains unallocated at this point in time to assist in future pressures and reviewed in future MTFP's when a clearer position on local government funding is given.

Revenue Balances	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
Opening balance (net of risk reserve)*	24.595	24.013	19.735	11.028
Stronger Communities fund	(0.050)	0.000	0.000	0.000
2025 Bicentennial Celebration Reserve	(1.000)	0.000	0.000	0.000
Contribution to/(from) balances	0.468	(4.278)	(8.708)	(9.504)
Closing balance	<b>24.013</b>	<b>19.735</b>	<b>11.028</b>	<b>1.523</b>

\*n.b. the opening balance is £172k higher than the Q3 projected position due to the difference between the 2% budgeted pay award and the 1.75% national employers offer.

## Capital Expenditure

75. The Council has an extensive capital programme with significant resources invested to purchase, improve, protect and maintain our 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 grant or other external funding which is targeted at specific schemes and programmes such as Transport and Schools. Furthermore, investment from the Tees Valley Combined Authority (TVCA) along with European and other external funding sources are being used for economic growth initiatives.

76. The Council can also supplement these funding sources with its own resources such as capital receipts or prudential borrowing where there is a need, however as capital receipts are limited and prudential borrowing comes with future revenue implications there must be a strong case for doing so.
77. In recent years there has been significant investment in Economic Growth either funded or pump primed by the Council; schemes such as Central Park including the National Biologics Centre and Business Central along with the Development of Feethams House which is Grade A Office accommodation, and recent Town Centre purchases are helping to make Darlington a more vibrant place to be. The Council's Investment Fund and Economic Growth Investment Fund are both being utilised to invest in these areas which ultimately increases business rates and the finances of the Council helping vital services to be funded.
78. The current capital programme stands at £274m as summarised in Table 1 below. The programme is monitored on a monthly basis and reported to Cabinet on a quarterly basis; the latest available monitoring report for the 2021/22 was presented to Cabinet on 8 February 2022 and noted the programme was within budget with the majority of schemes on target.

**Table 1**

	Construction				Non construction	Capital investment fund	Housing New Build not yet allocated	Total
	Live Schemes 75k & Over	Annualised Schemes	Completed Schemes awaiting review	Live Schemes under 75k				
Area	£m	£m	£m	£m	£m	£m	£m	£m
Housing	32.635	0.687	6.815	0.122	0.940	0.000	33.524	74.723
Economic Growth	50.919	0.000	0.918	0.487	10.200	31.713	2.037	96.274
Highways/Transport	45.132	7.894	18.872	1.063	1.220	0.000	0.000	74.181
Leisure & Culture	21.620	0.000	0.000	0.225	0.000	0.000	0.000	21.845
Education	4.155	0.000	0.058	0.213	0.053	0.000	0.000	4.479
Adult Social Care	0.000	0.000	0.000	0.000	0.071	0.000	0.000	0.071
Other	0.000	0.000	0.000	0.000	2.890	0.000	0.000	2.890
<b>Total</b>	<b>154.461</b>	<b>8.581</b>	<b>26.663</b>	<b>2.110</b>	<b>15.374</b>	<b>31.713</b>	<b>35.561</b>	<b>274.463</b>

79. In addition to the current agreed programme the Council looks ahead to future capital requirements based on the principles of the capital strategy. A four-year timeframe has been adopted to fall in line with the revenue Medium Term Financial Plan. Attached at **Appendix 7** are the priority proposals for addition to the plan along with the funding methods. The majority of schemes are focused on 'Housing and Transport, funded via the HRA and government grants respectively; there are also a number of Council funded corporate schemes that have already been approved.
80. The following paragraphs describe the major elements of the capital programme priorities for approval. Specific scheme funding release will be subject to detailed reports to Cabinet.

## Corporate schemes – funding required

81. As noted previously the Council can supplement government capital funding, albeit options are limited in the current financial climate. Funding can come from prudential borrowing, repaid via revenue, which puts additional pressure on the revenue account or from capital receipts.
82. The risk assessed usable capital receipts over the next four years are in the region of £12m. Of this £1.110m has been allocated to the Eastbourne Sports Complex for the replacement running track and the new APG pitches and parking leaving just under £11m unallocated.
83. There will be many competing priorities against the available resources for both regeneration and refurbishment and these schemes will emerge over the coming year/s. At this stage Members are requested to make capital provision for five priority schemes with a total value of £3.470m, which will be subject to full reports to Cabinet in due course, these are:
  - (a) **Dolphin Centre phase 3 - M & E replacement and renewal works - £2.200m** – The mechanical and electrical installations in the Dolphin Centre are now nearly 40 years old and are well past their serviceable life cycle with some equipment likely to fail in the next couple of years. The replacement programme has been delivered in a phased way with the first two phases being completed over the past 5 years. Phase 3, which is the final phase, needs to be completed in the next 2 years to mitigate the risk of failure of the plant and equipment and therefore closure of areas of the building.
  - (b) **Whinfield School replacement roof - £0.620m** - The latest survey has determined the school will need to be completely re-roofed within a 1-3 year period. The funding received for school condition works is insufficient to fund an undertaking of this magnitude. Over the last five years ongoing maintenance work has been carried out to keep the school watertight, however it is now at the point where unless this work is undertaken there will be further deterioration of the roof and a likely impact on delivery of education at the school. It would be necessary to phase the works over a three year period due to the complexity of the roof and the restrictions of having to complete the works during summer holidays.
  - (c) **West Cemetery drainage - £0.250m** – Additional drainage work is being carried out as part of the extension of the burial ground at West Cemetery. There is a pond close to properties on Salutation Road that collects water from the adjacent allotments and surrounding area which drains naturally; however, at times has not been able to hold the volume of water and run-off has potentially contributed to residents' gardens being flooded. This area is subject to maintenance and improvement works as part of the current project. Subject to the success of the proposed drainage improvements then additional work may not be required to the pond. However, it is considered prudent to identify capital funding should the area need to be drained into the main NWL drainage system in the future.
  - (d) **Capitalised repairs – £0.250m** is required for repairs on the Council building stock in 2025/26 to ensure it is fit for purpose. This is a rolling programme and funding has

already been agreed for 2022/23 – 2024/25. Details on specific areas of spend will be brought to Cabinet for consideration.

- (e) **Advanced design fees - £0.150m** per annum is requested for 2025/26 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. This is a rolling programme and funding has already been agreed for 2022/23 – 2024/25. This funding has been invaluable in the past in enabling the Council to be site ready and without this it is likely schemes would stall and not progress.
- (f) In addition to the schemes above it is recommended the **Economic Growth Investment Fund (EGIF) is replenished with £0.500m allocated each year**. The EGIF was set up in 2017 to enable a programme of investments that were required or desired in order to deliver Darlington's ambitions for sustainable economic growth. The plan was developed as a means to implement key strategies and to set out what needs to be done in order for the Borough to accelerate sustainable, managed and planned economic growth. It was also developed in order to provide the structured framework required to ensure that a programme of investments is created that can deliver the strategic ambitions and goals of the Council.
- (g) The fund has been very successfully deployed across the Borough and has accelerated some key regeneration schemes. Investments have been a combination of land acquisition to accommodate residential and commercial development, through to basic site infrastructure to enable more commercial development to happen. Notable investments included:
  - (i) Early feasibility work on Bank Top station that has since led to master plan and planning being approved and will lead to a £105m redevelopment of the station. To accommodate, the Cattle Mart site was demolished (utilising EGIF) and will be a temporary car park and compound whilst Bank Top works are ongoing, then will become a regeneration site in its own right. Other adjacent properties (needed for the redevelopment) have been acquired through negotiation with that funding reimbursed from TVCA funding for Bank Top.
  - (ii) Land acquisition and contribution to the road development was necessary to accommodate the 1.6m sq ft Amazon development, provide additional wider estate road improvements, and another investment was forward funding of key infrastructure at Ingenium Park 40 Ha of economic land (investment recovered through Government grant).
  - (iii) Land acquisition of land at Feethams then paved the way for the speculative Feethams Office Development which will house the Darlington Economic Campus initially. At least five Government Departments will locate in Darlington.
  - (iv) Land acquisition at Neasham was an integral part of the moves to relocate the Cattle Mart to the A68 site and the Neasham site is currently under

construction as a much-needed 450 unit residential site with the Council aiming to build 150 units for social rent.

- (v) If the above investments are approved at £5.470m there would potentially be £5.5m of unallocated capital receipts. However, as capital receipts are not guaranteed and potentially receipts may be needed to assist with the revenue MTFP in the future, along with the significant pressures being faced in the construction industry with regard to material and labour resource, it would be prudent, and my advice, to hold onto these receipts for review in future years.

### Corporate Schemes on the horizon

84. In addition to the schemes noted above, there are a number of schemes on the horizon which will be further explored during the coming year/s in regard to need, cost and funding opportunities. They are highlighted here as a potential marker for future investment:

- (a) Electric charging infrastructure at the depot to facilitate a change to an all-electric fleet.
- (b) Replacement CCTV cameras.
- (c) A67 Victoria Road culvert repairs.
- (d) Town Centre capital works outside IGF.
- (e) Changes to waste management, e.g. food and green waste collections.
- (f) Climate change – potential COP26 issues.
- (g) Potential Town Hall modernisation works following the agile pilot.

### Government Funding

85. Set out below are details of the levels of Government funding available for investment by the Council in 2022/23 and an outline of the proposed use of these funds.

	<b>2022/23 £m</b>
<b>Children’s Services</b>	
School Condition Allocation	0.142
<b>Transport</b>	
Local Transport Plan	2.575
<b>Other</b>	
Disabled Facilities Grant	1.063
<b>Total Capital Grant Available</b>	<b>3.780</b>



### **School Condition Allocations**

86. 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.

### **Transport and Highways**

87. A new Local Transport Plan for the Tees Valley has been consulted upon and was endorsed by the Tees Valley Cabinet in 2021. This will help set the spending plans for the funding allocations from the Department for Transport and from the Devolution deal. The Integrated Transport Programme (ITP) of TVCAs Investment plan identifies £256.7m of investment over the next 10 years. There will be projects and initiatives delivered in Darlington from this fund. However, these will be subject to separate business cases and approval processes as they are developed.
88. The new Tees Valley Local Transport Plan has a number of accompanying documents that set the strategy and vision for different modes of transport. Each Local Authority is required to produce a Local Improvement Plan, which will effectively replace the local authority Local Transport Plan. These plans will cover local priorities and maintenance requirements. Prior to this year the Council received funding via TVCA that was based on needs formula. However, all of the funding has now been merged into the new City Region Sustainable Transport Settlement (CRSTS), which is a 5 year allocation of funding. The Tees Valley have been allocated £310m. However, the details of this allocation have yet to be confirmed including the governance on how this money will be prioritised and allocated. It is hoped funding will be no less than previous allocations under the formula approach that allocated £0.886m for the Integrated Block and £1.689m for the Highways Maintenance Block plus varying amounts for the Pothole action programme. The new CRSTS will provide the opportunity to deliver larger improvement schemes in Darlington identified in the Tees Valley and Darlington transport plans and these will be dealt with on an individual project basis.

### **Disabled Facility Grants**

89. These grants are available if you are disabled and need to make changes to your home with examples being:
- (a) Widen doors and install ramps,
  - (b) Improve access to rooms and facilities – e.g. stair lifts or a downstairs bathroom,
  - (c) Provide a heating system suitable for your needs, and
  - (d) Adapt heating or lighting controls to make them easier to use.

## Housing

90. All Housing Capital schemes are funded fully from the Housing Revenue Account. The priorities identified through the Housing Business Plan will be funded from the estimated capital resources for 2022/23. Further detail is given in the Housing Revenue Account financial plan but in summary includes:

- (a) Adaptations and lifts - £0.2m
- (b) Heating Replacement - £1.105m
- (c) Structural Works - £0.4m
- (d) Lifeline Services - £0.05m
- (e) Repairs before Painting - £0.06m
- (f) Roofing and Repointing work - £1m
- (g) Garages - £0.05m
- (h) External Works - £0.2m.
- (i) Smoke Detectors - £0.025m
- (j) Pavements - £0.032m
- (k) Replacement Door Programme - £0.450m
- (l) Window Replacement - £0.500m
- (m) Internal planned maintenance (IPM) - £1.91m
- (n) Communal Works - £0.15m
- (o) Energy Efficiency Improvements - £1m
- (p) New Build housing - £25.581m

## Consultation

91. Consultation on the draft plan ran from 30 November 2021 to 21 January 2022. The plan was promoted on the Council's consultation website, which had 2,597 page views over the period and a double page article in the One Darlington Magazine. There was also information available in both Crown Street and Cockerton Library.

92. Council Scrutiny Committees reviewed the MTFP and its proposals through December and January and the Economy and Resources Committee met on 20 January 2022 to consider the responses from all the Council's Scrutiny Committees. The minutes of that meeting are shown in Appendix 8; in summary the committee submitted the following response for Cabinet consideration:

- (a) The Leader and the Cabinet Member for Resources should continue to lobby the Government in relation to the need for :
  - (i) Increased funding generally for local government; and
  - (ii) An alternative method of funding the current pressures in Adult Social Care as the Adult Social Care Precept is not a sustainable solution.
- (b) Cabinet should ensure work is undertaken to plan for the projected budget deficit over the four-year period of the MTFP, including details of what steps and actions might need to be taken and report back to the Economy and Resources Scrutiny Committee in 12 months' time;

- (c) A comprehensive communication strategy should be developed to better inform residents of the Borough of the reasons for the proposed increase in Council Tax and how the funding is being spent to deliver services;
- (d) If additional funding becomes available, Cabinet should consider increasing the budget allocation to Early Help Services to prevent expensive and intrusive statutory interventions in the future and is therefore a more financially viable way of supporting families;
- (e) Having considered the use, to date, of the Stronger Communities Fund, the view is that Cabinet should consider the continuation of that Fund in the 2022/23 financial year; and
- (f) The continuation of the ongoing work around the New Homes Bonus Scheme.

93. No further feedback has been received.

### **Conclusion**

94. The current 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 associated financial implications. The proposed MTFP includes the Risk Reserve at the same level as 2021 given the financial challenges we are still facing.
95. The Council still has the financial capacity to deliver a four-year balanced MTFP which puts it in a stronger position than many Councils, however this is based on a core offer service level with limited discretionary services and does rely on the use of balances across the four years. Despite significant pressures in social care, the proactive stance taken in growing the economy and our joint venture partnerships is working and assisting in minimising ongoing committed annual spending.
96. Planning beyond the current MTFP is extremely difficult, given the uncertainty around future funding and the review of the new Local Government Financial system (the government have committed to working with Councils during 2022/23 to review the funding mechanisms), and issues such as the impact of Brexit and Covid on the country's finances. Given the four-year balanced position, the proposed plan will allow time, post-the funding reforms, to assess the impacts of the changing landscape and decide how to address the future financial position faced. Current planning suggests there will be a budget deficit of approximately £9.5m, however for the reason above, this will almost certainly change. At this stage it is not possible to know whether this will be a positive or negative position.
97. In summary, the Council continues to face significant financial challenges, however, due to the healthy reserves position which now play a crucial role in the budget strategy, the MTFP remains deliverable on the basis of what we know now and the following conditions – economic growth, house building, no further pressures, fair funding reforms and a fair settlement, if this changes plans will need to be adjusted.

98. As the Council's Statutory Chief Financial Officer, the Group Director of Operations 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 at this point in time, therefore the Director is confident that they are an accurate reflection of the Council's financial position.
99. General Fund Reserves are adequate, however the Council is carrying a financial risk over the lifetime of the plan which is difficult to forecast at present, in particular the implications and impacts of Covid-19, Brexit and the uncertainty around the local government funding reforms. It is essential that growing pressures in Social Care are addressed through transformation and implemented as the Council will be operating with minimum levels of balances to fund any future cost pressures.

## 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 2021/22
Appendix 6	Proposed MTFP 2022 to 2026
Appendix 7	Capital programme
Appendix 8	Consultation – Economy and Resources Scrutiny Committee minutes