

**MEDIUM TERM FINANCIAL PLAN**

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**Responsible Cabinet Member - Councillor Harker,  
Leader and all Cabinet Members**

**Responsible Director - Chief Officers Executive**

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**SUMMARY REPORT**

**Purpose of the Report**

1. To propose a Medium Term Financial Plan (MTFP) for 2019/20 to 2022/23 for consultation including setting a budget and council tax increase for 2019/20. To also propose a 2019/20 to 2022/23 Capital Programme for consultation.

**Summary**

2. Between the financial years 2010/11 to 2018/19 the Council has faced unprecedented financial challenges from reductions in public sector spending. In the case of Darlington Borough Council this has meant an overall real terms decrease in government funding of £47.5m anticipated to increase to £51m by 2022/23. This resulted in the Council agreeing reductions to planned expenditure of over £57m leading to a reduction to date of 747 in the Council's workforce. These income reductions have come at a time when demands for services in particular social care are increasing.
3. This report has been prepared before the Local Government Finance Settlement (LGFS) which is being announced on the 6 December so if there are any changes an update will be provided at the meeting. Members will recall however the Council submitted an Efficiency Statement in 2016 which gave certainty over the Revenue Support Grant (RSG) levels for four years, albeit this funding is now a small and decreasing element of the Councils revenue stream particularly as there is a further cut of £2.8m in 2019/20. Therefore amendments in regard to the LGFS are not expected to be significant.
4. In the 2018 Budget delivered on the 29 October the Chancellor made reference to a number of additional one off finance including funding for adult and children's social care and road maintenance. The additional income is welcomed but as it is one year short term funding, it does not assist with the future sustainability of services and which are facing major demand pressures particularly in Children and Adult social care.
5. The Council undertook a significant consultation exercise in 2016 following an in-depth and detailed review of all services which resulted in the agreement of a Core Offer budget which allowed for a small futures fund allocated to discretionary services. Furthermore in February 2018 when agreeing the 2018/19 MTFP Members following

consultation agreed to use unallocated balances of £4.1m to invest in five areas which hold great value to our community, they were;

- (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
6. The Core offer remains extremely challenging with some significant pressures arising in Children's social care. Nevertheless, through innovative financial investments, increased income from economic growth successes and release of redundant earmarked reserves, the Council can still deliver the agreed balanced plan, extend the MTFP, and have also identified a further £0.600m which can be used to bolster the Futures Fund themes.
7. In summary despite a further £2.8m reduction in RSG in 2019/20, with significant good progress on savings, strong cost management and innovative treasury management, the councils financial position is robust with a four year balanced MTFP and funds available for investment which will be delegated to Cabinet.

### **Recommendation**

8. It is recommended that Cabinet approve for consultation;
- (a) the Revenue MTFP as set out in **Appendix 7** and the proposed Capital Programme summarised in **Appendix 8** including the following;
    - (i) Council tax increase of 2.99% for 2018/19.
    - (ii) Schedule of charges as set out in **Appendix 3**

### **Reasons**

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

### **Chief Officers Executive**

### **Background Papers**

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

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

## MAIN REPORT

### Background and Context

10. The Council for the period 2010/11 to 2018/19 has faced unprecedented financial challenges as the Government responded to the worldwide economic downturn by introducing significant public sector spending reductions. In the case of Darlington Borough Council this meant an overall real terms decrease in government funding of £47.5m anticipated to increase to £51m by 2022/23. This resulted in the Council agreeing reductions to planned expenditure of £57m leading to reduction to date of 747 in the Council's workforce. Higher expenditure reductions were required due to the significant pressures being faced which have been documented over the years but the most significant being the increased demand in both children and adult services.
11. Savings minimising service disruption to residents and service users were targeted initially and included efficiencies and reductions in back office services and management, however in 2016 it was clear this did not go far enough and expenditure needed to be reduced by a further £12m.
12. The Council undertook a significant consultation exercise with the public during 2016 following an in-depth and detailed review of all services. This resulted in the agreement of a Core Offer budget which reduced expenditure and services to a risk based minimum level with a small investment fund (The Futures Fund) of £2.5m per annum for services which the Council does not have to provide but which add great value to Darlington and its residents.
13. Subsequently in the 2018/19 MTFP following good progress made on achieving savings, strong cost management and innovative treasury initiatives the council was in a position to add to the futures fund and Members after listening to feedback agreed to use unallocated balances of £4.1m to invest in five areas which hold great value to our community.
14. In setting the criteria for the futures fund investments Cabinet first and foremost took the two key priorities held in the Community Strategy One Darlington Perfectly Placed.
15. One Darlington aims to make sure that all residents have opportunities for a good quality of life; that inequalities are tackled, the most vulnerable supported and the potential of every resident realised.
16. Perfectly Placed aims to make sure that Darlington's natural advantages, its transport links, good housing and attractive environment, are maximised to create wealth within the economy and to ensure that everyone is able to share in that wealth.
17. As a consequence of looking to these long term goals the following five themes which are wholly consistent with the Council's corporate plan priorities were agreed:-
  - (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

18. The funds are being utilised as expected to make positive change, the progress of which is detailed later in the report.
19. In terms of the financial context faced by the Council since approving the MTFP the situation remains similar with reductions in Local Government funding along the lines predicted. Following the submission and approval of the Council's Efficiency Statement, RSG is guaranteed at the published reducing level with a further £2.8m cut in 2019/20, however this is now only a small fraction of the Council's overall revenue stream. The Council's two main sources of funding are Council Tax and Business Rates, the former being relatively stable, the latter being more volatile.
20. The Chancellor's budget on the 29<sup>th</sup> October 2018 highlighted a number of areas which should be of benefit to the Council details of which are discussed below.

## Financial Analysis

### Progress on Delivery of the Current MTFP

21. Good progress has been made on delivering the savings identified in the current MTFP although there has been a change in regard to the proposal to move Crown Street Library to the Dolphin Centre and the Cockerton Library proposal to be run by volunteers. At the 11 September 2018 Cabinet meeting Members revised their decision to relocate the Crown Street library, the context being the rapidly changing Town Centre environment and the better financial position of the council in comparison to when the original decision was made.
22. Members agreed to an alternative proposal which is currently subject to consultation and includes the refurbishment of the Crown Street building and to refresh the internal design and service standards. The cost of this alternative proposal is £0.220m per annum which includes the financing costs for the refurbishment and has been built into these initial estimates.
23. The original £0.038m saving proposal for the Cockerton library was for it to be volunteers led with assistance from the council. Unfortunately the group who agreed to operate the library have now withdrawn their support so the library will continue to be operated by the council.

### Projected Expenditure

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

<b><u>Summary of Pressures</u></b>	<b>Estimate 19/20 £m</b>	<b>Estimate 20/21 £m</b>	<b>Estimate 21/22 £m</b>	<b>Estimate 22/23 £m</b>
Efficiencies/Savings offsetting pressures	(2.092)	(1.947)	(1.147)	(0.124)
Service Demand	1.345	0.757	0.216	0.249
Price Inflation	0.212	0.223	0.427	0.637
Loss of grant and reduced Income	0.062	0.320	0.680	0.709
Other	0.455	0.473	0.485	0.531
Crown Street/Cockerton Library	0.275	0.285	0.295	0.305
Risk Contingencies	0.784	1.319	1.691	1.691
<b>Total</b>	<b>1.041</b>	<b>1.430</b>	<b>2.647</b>	<b>3.998</b>

25. **Efficiencies/Savings** - the transformation work in Adult Services to ensure people receive the right level of care and are able to stay in their homes longer has reduced the cost of residential care placements and exceeded the estimated target. The saving does however reduce in future years due to increasing inflationary costs. Further significant savings have been achieved in financing costs where increased activity in the Council's Joint Ventures in house building have been successful with returns to the Council higher than initially anticipated.
26. **Service demand** –The largest service demand pressures are the external residential placements and Independent Fostering placements in Children's Services with an anticipated pressure of £1.85m. The cost of children's care is being highlighted at a national level as local and national trends are showing an upward trajectory with cases becoming more complex with and the cost of external placements increasing. Work is on-going in the Children's transformation project to try and reduce the expenditure, however the likelihood of reducing this further in the short term is limited, with the more likely scenario being the establishment initiatives which will to stem demand and growth in this area. This pressure has been reduced over the MTFP life however there is a significant risk that this cannot be achieved. This is being taken into account in the risk contingency provision discussed below. Another linked demand pressure is the legal costs of associated with children entering care of £0.146m per annum.
27. These demand pressures are high and increasing and whilst the service is looking for innovative ways to reduce the cost and future demand these children are among the most vulnerable in society and need help and protection. The Council is fully committed to investing the resources needed in these children to ensure they are safeguarded and have a bright future.
28. **Reduced income** – the main area of income reduction is the loss of the troubled families grant from 2020/21. The Council receives £0.530m per annum which supports our core staffing in children's social care. To reduce the staffing to the level required to cover this pressure would render the service unsustainable. Further reductions relate to changes to DSG funding and the council's rechargeable element.
29. **Other** – there are a number of other pressures including increases in coroners pay following a national review, software upgrade pressures in particular Microsoft 365, this should however assist with future productivity, ICT anti-virus contract renewal where

prices are increasing due to the increased complexity and of cyber-attacks and partnership contributions. Furthermore government funding will cease this year for a trail blazing project which tackles vulnerable adult homelessness. As the project is successful and good outcomes are being achieved, gap funding is required for a further year whilst an alternative funding source is secured. This gap is being jointly funded in partnership with Police Crime and Victims Commissioner

30. **Crown Street and Cockerton Library** – as noted previously at the 11 September 2018 Cabinet meeting Members revised their decision to relocate the Crown Street library, the cost of this proposal is £0.220m and includes the financing of the refurbishment costs. There is also a financial implication following the withdrawal of support in regard to Cockerton Library which was proposed to be volunteer led.
31. **Risk Contingency** – as noted earlier there are a number of risks pressures which have been identified but at this point it is not certain when or if they will come to fruition. They do however differ from monies set aside in the risk reserve as they are known risks with a significant likelihood some will happen. The numbers in these noted risks are high and it is therefore prudent to recognise them in the budget but without allocating them to individual service budgets. Following a review of these risks it is recommended that a prudent level would be at 60% of the total risk and this has been included in the risk contingency line. The four risks identified are;
  - (a) Learning Disability – rising cost of ordinary residency placements in Adult services and five high costs cases the services are alerted to.
  - (b) Adult care – Demand and complexity pressures – whilst the service has reduced demand for residential placements over the last few years the elderly population is growing along with increased complexities. The service are mindful that we are at base level and pressures are likely to materialise in the coming year/s.
  - (c) Children Services - Independent fostering placements and independent residential placements – As noted above the Children’s services transformation programme is looking at ways to reduce expenditure in this area, an example being the newly established Edge of Care team which looks to support children and families to stop the children having to come into care. There are targets set for a reduction over the next four years but given the increasing demand and the spiralling costs of external placements there is a significant risk they won’t all be achieved.
  - (d) School Transport. The service is overspending in the current year and this is anticipated to rise over the coming years. The Council is currently consulting on SEND Transport arrangements and pending the outcome of the consultation it is proposed that changes to the way transport is delivered will reduce the current projected overspend occurring for this service. Notwithstanding this as a significant area of overspend related to out of borough placements and savings rely on these children being brought back to Darlington provision where there is currently not enough provision.

32. Taking all of the above savings and pressures into account the projected expenditure is shown in the table below:-

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
Children and Adult Services	55.607	56.298	57.747	59.602
Economic Growth & Neighbourhood Services	20.173	20.689	21.772	22.355
Resources	10.062	10.194	10.402	10.636
Financing costs	0.997	1.231	1.358	1.650
Joint Venture – Investment Return	(1.212)	(1.028)	(0.812)	(0.517)
Council Wide Pressures/(savings)	(0.108)	(0.110)	(0.046)	0.181
Risk Contingencies	0.784	1.319	1.691	1.691
# Pensions backfunding provision	(2.453)	0.000	0.000	0.000
Apprentice levy	0.197	0.199	0.201	0.201
<b>Total Expenditure</b>	<b>84.047</b>	<b>88.792</b>	<b>92.313</b>	<b>95.798</b>

# the pension backfunding provision relates to the upfront pension deficit payment made by the Council in 2017/18 saving £0.465m. The mechanism is to capitalise appropriate revenue expenditure which creates a credit in the revenue account.

## Projected Income

### Core Grant Funding to Local Government

33. As mentioned earlier, the Council submitted an Efficiency Statement which was approved and guaranteed our level of Revenue Support Grant (RSG) until 2019/20. Therefore the resource levels are as per the current MTFP. It must be noted however that this represents a further £2.8m reduction in RSG for 2019/20. This is a significant sum in particular in context of reduction that have already been made and also in the context of our current pressure which would be funded in their entirety for the next three years if this grant wasn't being cut.
34. In terms of New Homes Bonus (NHB) this is included in core Government funding as it is top sliced from RSG. However in the 2017/18 Local Government Finance Settlement changes to the formula were announced and there is now a national baseline of 0.4% with no NHB paid until the increase in numbers is above this limit, which for Darlington is 164. The NHB payment of 6 years was reduced to 4 years in 2018/19.
35. The national saving in NHB of £240m in 2017/18 was converted into an Adult Social Care Support Grant of which Darlington's element was £0.503m. This grant however was for one year only whereas the NHB reduction is on an annual basis putting further pressure on our finances.
36. As part of the Economic Growth Strategy, the Council is working towards increasing housing numbers to meet the needs of our population particularly as the economy is growing well and new jobs being created with a subsequent inward migration and increased demand for housing. There are a high number of planning applications being granted and whilst some of the developments are slow to come to fruition there has been a positive increase in properties being built. The current financial incentives in terms of NHB are £1,591 per band D equivalent property with an additional £350 for



affordable housing. In addition the Council also receives additional Council Tax for each property. Clearly housing growth is key to sustaining the Councils MTFP.

37. Members will recall that previous year changes to the NHB scheme along with the reduction in RSG funded the Additional Better Care Fund (BCF) which was separate to the funding stream allocated direct to the NHS. This was in recognition that Councils were under significant pressure in regards to social care funding, it was however only allocated until 2019/20. For estimate purposes it has been assumed this funding will continue given it is part of the core funding settlement.
38. Set out in the table below are the latest projections which show a further £2.934m reduction in cash terms, in real terms (which assumes inflation) this equates to £4.3m.

	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Revenue Support Grant	6.334	3.556	3.102	3.102	3.102
Top up Grant	7.019	7.175	7.318	7.465	7.614
New Homes Bonus	1.830	1.675	1.501	1.840	1.856
Better Care Fund	3.157	3.855	3.147	3.147	3.147
Adult Social Care Support Grant	0.313	0.000	0.000	0.000	0.000
<b>TOTAL</b>	<b>18.653</b>	<b>16.261</b>	<b>15.068</b>	<b>15.554</b>	<b>15.719</b>

39. What happens to Local Government funding beyond 2020 is unknown, the Government had announced that it would be reviewing the system and was proposing to allow Councils to keep 100% of NNDR subject to some equalisation of resources and safety nets. In return Local Government will receive no RSG and take on additional responsibilities and costs. Following the national election and the priority given to Brexit the full review of Local Government Finance has been delayed so any changes that happen will only take place where there is no need for legislative changes; this means a 100% business rate retention scheme cannot happen. The government is now aiming for 75% business rate retention by 2020/21, alongside system reset and implementation of the Fair Funding Review.
40. Progress on the Fair Funding Review remains slow, the initial timetable promised an outline of the system in Autumn/Winter 2018 for consultation with indicative numbers in early summer 2019, followed by final numbers that autumn and implementation in April 2020. Soundings now are that it will be very difficult to actually have it up and running for 2020/21. This change puts a level of uncertainty into the system and planning at this stage beyond 2020 is challenging.

### **Budget announcements**

41. On the 29<sup>th</sup> October the Chancellor delivered his budget statement with some potentially beneficial one off funding streams. The allocations for both the Social care and Local Highways Maintenance monies have been received as below.
42. Social Care Funding – for adults £240m winter pressures money in 2018/19 and 2019/20 with a further £410m in 2019/20 for children and adult services. For Darlington the £240m winter pressures money equates to £0.501m and is welcomed, however this funding needs to be agreed in a plan with the NHS and it is anticipated this will come

with additional expenditure requirements so cannot be used as core funding in either year. The funding allocation for the remaining £410m is £856m for Darlington and can be used for Children and/or Adult Services. Again this is welcomed although it will only address some short term pressures and not the full extent of all immediate pressures. As members will have noted above the children's services pressures are significant and anticipated at £4.8m over the MTFP. This funding will therefore be utilised to assist in this investment into our children.

43. Local Highways Maintenance Funding - £420m. To tackle potholes, repair damaged roads, and invest in keeping bridges open and safe. We have been notified of Darlington's allocation which is £0.720m all of which is capital grant and must be spent by March 2019 so will not show in the new MTFP.
44. Future High Streets Fund - £675m – will support local areas to develop and fund plans to make their high streets and town centres fit for the future. At present there are no further details on this funding and how it will be allocated or bid for, however we are preparing a bit to meet anticipated criteria.
45. Given the above the only income taken into account in this MTFP is the one off estimated £0.856m for Children and Adult Social Care.

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
Adult and children's one off funding	0.000	0.856	0.000	0.000	0.000

### Council Tax Income

46. As a direct consequence of reductions in Government funding Council Tax is now by far the largest single funding stream and will increase further as a percentage over the coming years as it represents 58% of all income in 2018/19 increasing to 62% by 2022/23. The on-going increases reflect the Cabinet's continued view that income from Council Tax must increase to protect key services. Members will recall that a 1% increase in Council Tax increases annual revenue by £0.480m and that Darlington has the second lowest Council Tax in the North East Region.
47. The 2018/19 LGFS gave Local Authorities more flexibility by increasing the Council Tax referendum limit to 2.99%. Although we haven't been given the limits for 2019/20 it is safe to assume it will be at the same 2.99% level and therefore the level set out for consultation.
48. Planning estimates anticipate growth levels to be an average of 470 band D equivalent properties over the period of this plan which is a growth on the tax base of 1.50% and higher than anticipated in the current MTFP. These figures have been used to prepare the estimates; clearly should this be any different income levels will differ. The collection rate is anticipated to remain at 99% in 2019/20.

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

	<b>2018/19 £m</b>	<b>2019/20 £m</b>	<b>2020/21 £m</b>	<b>2021/22 £m</b>	<b>2022/23 £m</b>
Total Council Tax anticipated	47.331	49.496	51.802	54.030	56.331

### **National Non Domestic Rates**

50. 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.
51. Member will recall one of the three conditions identified to help the Council tackle the austerity measures and government grant cuts was to grow the economy. The Council’s 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 projected NNDR collected over the coming MTFP, including the large development at Symmetry Park. Notwithstanding this major developments and attracting businesses into the Town by their very nature take time and upfront investment so this is an area which needs continued prioritisation 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 challenging in the current economy.
52. The in-year collection rate target for NNDR is 98.0% and as at the end of October 2018 the actual collection figure is 64.8% with five months to go and so is on track to achieve the target.
53. Taking the above into account the projections of NNDR are shown below

	<b>2018/19 £m</b>	<b>2019/20 £m</b>	<b>2020/21 £m</b>	<b>2021/22 £m</b>	<b>2022/23 £m</b>
NNDR	14.963	16.147	17.720	18.049	18.385

### **Collection Fund**

54. 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 (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.

55. Due to the positive economic growth over the last few years a number of large schemes have now come to fruition such as the Feethams leisure development, with the corresponding increase in NNDR. This in turn has had a positive impact on the collection fund reserve of £3.600m which can now be released into reserves to help fund the MTFP.

### Other Grants

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

	2019/20 £m
Public Health Grant	8.224
PFI	3.200
Troubled Families Grant	0.525
Discretionary Housing Payments	0.239
Youth Justice Board	0.222
Local Reform & Community Voices	0.057
Adult & Community Learning	0.968
Individual Electoral Registration	0.007
Staying Put	0.050
Bikeability	0.029
ACCESS	0.552
HLF	0.065
	14.138

### Total Income

57. The table below summaries the Council's estimated income for the period of this plan which thanks to increased economic growth and house building activity, and the subsequent increases in council tax and NNDR, confirms a much needed increase in income despite the reductions in government grant, albeit not in relative terms when taking inflation into account.

<b>Resources - Projected and assumed</b>	<b>2018/19 £m</b>	<b>2019/20 £m</b>	<b>2020/21 £m</b>	<b>2021/22 £m</b>	<b>2022/23 £m</b>
Council Tax	47.331	49.496	51.802	54.030	56.331
Business rates retained locally	14.963	16.147	17.720	18.049	18.385
Top Up Grant	7.019	7.175	7.318	7.465	7.614
RSG	6.334	3.556	3.102	3.102	3.102
New Homes Bonus	1.830	1.675	1.501	1.840	1.856
Better Care Fund	3.157	3.855	3.147	3.147	3.147
Adult Social Care Support Grant	0.313	0.000	0.000	0.000	0.000
Additional Social Care Grant	0.000	0.856	0.000	0.000	0.000
<b>Total Resources</b>	<b>80.947</b>	<b>82.760</b>	<b>84.590</b>	<b>87.633</b>	<b>90.435</b>

### Projected MTFP

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

	<b>2019/20 £m</b>	<b>2020/21 £m</b>	<b>2021/22 £m</b>	<b>2022/23 £m</b>
Estimated Expenditure	83.006	87.362	89.666	91.800
Add Pressures	1.041	1.430	2.647	3.998
	84.047	88.792	92.313	95.798
Projected Total Resources	(82.760)	(84.590)	(87.633)	(90.435)
Projected budget deficit	1.287	4.202	4.680	5.363
Utilisation of balances	(1.287)	(4.202)	(4.680)	(5.363)
<b>Total</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>

### Revenue Balances

59. The table below shows the anticipated revenue balances taking into account the projected revenue outturn for 2018/19 which is detailed at **Appendix 5** along with the assessment of required risk balances as set out in **Appendix 6** and the utilisation of revenue balances as set out above to fund the projected budget deficit. The reserves position has improved against the current MTFP and as can be seen there remains a closing balance of £0.595m by 2022/23:-

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
Revenue Balances				
Opening balance	16.606	12.876	9.674	5.994
2018/19 social care grant	0.307			
Risk Reserve	(4.350)	0.000	0.000	0.000
Contribution from Collection fund	1.600	1.000	1.000	0.000
Contribution to/(from) balances	(1.287)	(4.202)	(4.680)	(5.363)
Closing balance	<b>12.876</b>	<b>9.674</b>	<b>5.994</b>	<b>0.631</b>

60. The unallocated balances rely on building around 470 houses per year, no significant overspending, assumptions of additional income in the budget statement materialising and a Council Tax increase of 2.99%. We therefore need to be cautious but understand the need to invest into our services as much as possible to stimulate growth and tackle inequality.
61. Members will recall that the recent strategy for using unallocated balances has been to
- To minimise on-going committed annual spending to assist and work towards eradicating future years funding gaps.
  - Invest into the Futures Fund to stimulate growth over the four years of the MTFP.

### **Futures Fund**

62. As noted earlier Council allocated £4.1m to the futures fund, £0.400m pa over the MTFP life for ongoing funding for Community Safety and Maintaining an Attractive Street Environment and this funding is being utilised for those purposes. The remaining £2.5m was split equally between the five themes and the current commitments along with remaining balances are shown below;

<b>Theme</b>	<b>Budget £m</b>	<b>Committed £m</b>	<b>Balance £m</b>
Theme 1 - Community Safety	0.500	0.476	0.024
Theme 2 - Maintaining an Attractive Street Scene Environment	0.500	0.000	0.500
Theme 3 - Maintaining a Vibrant Town Centre	0.500	0.486	0.014
Theme 4 - Developing an Attractive Visitor Economy	0.500	0.000	0.500
Theme 5 - Neighbourhood Renewal	0.500	0.101	0.399
<b>Total</b>	<b>2.500</b>	<b>1.063</b>	<b>1.437</b>

63. To date £1.063 has been committed to the futures fund themes with a balance of £1.437m remaining. A summary of commitments is noted below

### **Futures Fund - Theme 1 - Community Safety**

64. £0.476m of the fund has been committed on staffing across the four years. This is to improve resilience and robustness in this newly formed team. The position will be reviewed when the team is fully resourced and functioning and resource altered and prioritised as necessary.

### **Futures Fund - Theme 2 – Maintaining an Attractive Street Scene Environment**

65. The one off funding has not been committed yet. The core funding allocated of £0.300m per annum has already made a big 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**

66. 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. £0.486m of the funding has been committed across a number of areas including a one of grant to the House of Fraser to facilitate the store remaining open following the financial difficulties they face and the announcement of store closures across the country. We have invested in a Town Centre partnership officer position and also committed to a full events programme to target more footfall.

### **Futures Fund - Theme 4 – Developing an Attractive Visitor Economy**

67. No funds have been committed against this theme at present as it was to be mainly focused on the Experience Darlington Strategy or the 2025 200th Anniversary of the opening of the Stockton and Darlington Railway to pump prime investment and match fund initiatives on these and other culture opportunities.

### **Futures Fund - Theme 5 – Neighbourhood Renewal**

68. Despite the significant work undertaken to reduce the inequality gap through the One Darlington Strategy the austerity measures have had a negative impact and poverty and inequality remain significant barriers to all of our communities enjoying a good quality of life. £0.101m has been committed against this theme with £0.050m to the Darlington Credit Union to enable them to continue work in addressing financial hardship and deprivation across households and neighbourhoods in Darlington. Also £0.015m to fund a holiday hunger scheme through the school holidays and £0.036m to support work to embed community wealth building across the Council and partners.

### **Use of balances**

69. Given the pressure on budgets and the limited funds for discretionary services it is proposed the £0.600m of the unallocated balances is utilised for the futures fund and the allocation between funds is delegated to Cabinet depending on need throughout the period.

## Capital Expenditure

70. 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.
71. The Council can also supplement Government Capital and funding from its own resources such as capital receipts which are scarce in these times of austerity and or prudential borrowing which has future revenue implications. The Capital programme set and agreed by Council last year laid out a four year plan, in addition there are some significant pressures on our own council assets which require attention over the next year, including the heating system at Harewood House, renewing the louvres in the Town Clock Tower and damp proofing at the Head of Steam Goods Shed. As capital receipts are limited and required for the previously agreed Economic Growth Investment Fund prudential borrowing of £1m is proposed to facilitate these requirements over the life of the MTFP. These schemes will be prioritised and a detailed report will come to Cabinet to release the funds before work commences.
72. 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.
73. Set out below are details of the levels of Government funding available for investment by the Council in 2019/20 and outline proposed use of such funds, the detailed use of the funds will be subject to detailed reports to Cabinet.

	<b>2019/20 £m</b>
<b>Children's Services</b>	
School Condition Allocation	0.110
<b>Transport</b>	
Local Transport Plan	2.575
Local Growth Fund	0.425
Pothole Action Fund	0.095
National Productivity Investment Fund	1.855
<b>Other Capital Programme</b>	
Disabled Facility Grant	869
<b>Total Capital Grants Available</b>	<b>5.929</b>



## **Children's Services**

### **School Condition Allocations**

74. 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**

75. The following works are proposed for delivery in 2019/20;

76. The Department for Transport (DfT) releases capital funding to the Tees Valley Combined Authority (TVCA) under the devolution deal, to implement the Local Transport Plan (LTP) based on a needs formula. A new Local Transport Plan is currently in draft form as the Strategic Transport Plan for the Tees Valley which is due for consultation and publication early 2019. There will be a number of further documents under the Strategic Plan including a Local Implementation Plan for each local authority area, which will effectively replace the individual local authority's LTP's. Currently the TVCA has agreed to passport the LTP allocation of funding to the local authorities and it is assumed that this will continue in 2019/20. The allocation is made up of two blocks of funding; the Integrated Transport Block and Highways Capital.

77. In 2019/20 the indicative amounts are £0.886m allocated for the Integrated Block and £1.689m for the Highways Maintenance Block (comprising £1.398m maintenance and £0.291m incentive funding). These will fund an agreed priority of maintenance of highway assets, management of the highway network and improvement.

78. An Expression of Interest has been submitted to the TVCA for Local Growth Fund Sustainable Access to Employment programme funding for £0.425m. If successful this will fund works on Victoria Road to improve sustainable and public transport links with Darlington.

79. In 2017/18 a successful bid was made to the National Productivity Investment Fund (NPIF) to improve the route between the A66 and Darlington town centre. 2019/20 is the final year of this two year funding and Darlington will claim a further £1.855m. This will continue to fund the following schemes: -

- (a) McMullen Road roundabout scheme to increase capacity and traffic flow along Yarm Road and to facilitate access into Ingenium Parc.
- (b) To signalise Lingfield Way/Yarm Road junction to improve bus reliability and punctuality; improve access into the Business Park and Industrial Estate for all modes including by bike through the creation of an off road cycle route; and to improve traffic flow on Yarm Road.
- (c) To change the layout of the throughabout junction on Haughton Road and create more capacity to improve traffic flow, whilst retaining good walking and cycling crossing points and routes.

## Disabled Facility Grants

80. These grants are available if you are disabled and need to make changes to your home with examples being:

- Widen doors and install ramps,
- Improve access to rooms and facilities – e.g. stairlifts or a downstairs bathroom,
- Provide a heating system suitable for your needs, and
- Adapt heating or lighting controls to make them easier to use.

## Housing

81. All Housing Capital schemes are funded fully from the Housing Revenue Account. The priorities identified through the Housing Business Plan to be funded from the estimated capital resources for 2019/20 include:-

- (a) Adaptations and lifts – £0.150m budget is to deliver adaptations within the Council's housing stock to enable tenants with a disability to remain in their own home and live independently across the Borough and to complete any unplanned major works to passenger lifts within sheltered and extra care schemes.
- (b) Heating Replacement - £0.950m to fund new condensing boiler and central heating upgrades. This work will predominantly be completed in the following areas: Park Place and Dodds Street. 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 - £0.500m has been set aside to address any structural issues that may be identified within the year.
- (d) Lifeline Services - £0.050m is set aside to continue to provide upgrades to Lifeline equipment.
- (e) Repairs before Painting - £0.100m will be invested in joinery repair works in anticipation of the cyclical external painting programme. This will predominantly be in the Haughton, Springfield and Firthmoor areas of the Borough.
- (f) Roofing – £0.700m for the replacement of roofs, fascia's, soffits and rainwater goods alongside the top-up of loft insulation where appropriate. The programme will primarily be in the Geneva Road area.
- (g) Garages - £0.050m will be invested in improvements to the Council's garage blocks in areas to be determined, which will include Nightingale Road and demolition of poor condition garages in Lock street.
- (h) External Works - £0.300m will be used to provide new rear dividing fences and new footpaths to Council properties across areas including Tennyson Gardens and Hilda Street.
- (i) Smoke Detectors - £0.025m is required to replace existing hard wired smoke and heat detectors where systems are now 10 years old and reaching the end of their recommended lifespan.

- (j) Pavement Crossings - £0.032m has been identified to fund pavement crossings across the Borough.
- (k) Replacement Door Programme - £0.350m will be used to replace external doors in the Springfield area.
- (l) Window Replacement - £0.500m has been identified to replace windows across the Borough. These areas will be determined based on those in the poorest condition.
- (m) Internal planned maintenance – £1.980m for the replacement of kitchens and bathrooms, rewiring of electrical systems and heating system upgrades where required. This work will predominantly be completed in Branksome. 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 - £0.100m is required to replace communal doors and screens in the North Road Estate.
- (o) New Build - £16.480m will be spent completing the current new build programme.

## **Consultation**

The MTFP will be subject to consultation between the 11 December 2018 and the 25 January 2019

## **Conclusion**

82. The MTFP as agreed by Council remains deliverable but as previously acknowledged it is not without risk and challenges. Some risks previously identified have occurred and the recommendations within this report address the associated financial implications. The proposed MTFP includes the retention of risk balances to offset further unforeseen risks and the provision of a risk contingency to cover significant value risks which are already known.
83. The Council still has the financial capacity to deliver a four year balanced MTFP which puts it in a much stronger position than many Councils, however this is at the cost of reductions in service levels. To mitigate some of these reductions the Council agreed to utilise available revenue balances to create five Future Fund Investments themes which will stimulate growth and assist in delivery of One Darlington Perfectly Placed outcomes to be utilised over the four years of the current MTFP. A further £0.500m has been identified and it is recommended this is used to supplement the futures fund themes. Despite further grant cuts and significant pressures faced in Children's services, the proactive stance taken in growing the economy is working and assisting in minimising on-going committed annual spending to assist and work towards eradicating the unfunded budget gap in 2023/24 and.
84. Planning beyond the current MTFP is extremely difficult given the uncertainty around the new Local Government financial system planned for 2020 and such issues as the impact of BREXIT on the Country's finances. The proposed plan will allow the new Council elected in 2019 to inherit a balanced MTFP to 2022/23 giving it time to assess the impacts of the changing landscape and make its decision on how it will address the

financial position it faces. Current planning suggests there will be a budget deficit of approximately £5.4m for the new Council to address however for the reason above, this will almost certainly change but at this stage it is not possible to know whether the change will be positive or negative.

85. In summary, the Council continues to face significant financial challenges however the MTFP remains deliverable on conditions – economic growth, house building, no further pressures, fair funding review, fair settlement
86. As the Council's Statutory Chief Financial Officer, the Assistant Director Resources, must advise the Council on the robustness of the budget and adequacy of reserves. The budget presented to Members in this report has been based on the most accurate information available therefore the Assistant Director is confident that they are an accurate reflection of the Council's financial position. General Reserves are adequate however the Council is carrying a significant risk in terms of the need to reduce expenditure, it is essential that growing pressures in children's services 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 2018/19
Appendix 6	Assessment of Risk Balances
Appendix 7	Proposed MTFP 2019 to 2023
Appendix 8	Capital Programme 2019 to 2023