

**CABINET  
3 DECEMBER 2024**

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**MEDIUM TERM FINANCIAL PLAN (MTFP)  
FOR CONSULTATION**

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**Responsible Cabinet Member - Councillor Stephen 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 2025/26 to 2028/29 for consultation, including setting a budget and Council Tax increase for 2025/26.

**Summary**

2. The Council continues to face significant and unparalleled financial challenges stemming from reductions in public spending between 2010 and 2019 where the Council's budget was reduced by £46m in real terms, a 36% reduction in budget. This financial position was further compounded in the aftermath of covid as demand for services rose along with an unstable economic climate, where the country saw the cost of living increasing, high inflation, income deprivation and poverty rising. It is a challenge for everyone including the Council with a spiralling increase in cost and demand for services in particular adult and children's social care and homeless with numbers of people in temporary accommodation rising significantly over the last couple of years, all of which have a direct impact on the Council's contracted expenditure.
3. The Council has previously met the challenges faced head on through value for money service delivery, shared services, economic growth, and strong financial management and has utilised built up reserves to continue to provide vital services for the residents of Darlington. However, the significant additional demand for services is putting an unprecedented pressure on affordability and despite additional savings achieved our reserves will be fully depleted by the end of 2026/27.
4. The new Government administration has recognised the significant pressure in public services and additional funding for core services was announced in the budget along with a promise of fundamental reform of how local government is funded. However, this is not a panacea, we do not yet know what this will look like or the specific impact for Darlington and given the overall government finances is unlikely to fully fill the sustainability gap we are anticipating.

5. Over two thirds of our expenditure is on Adult and Children's social care, caring for our most vulnerable residents and children. Inflation, the national living wage and interest rate levels directly impact on our adult care contracts which increased by 7.93% over the last year, in addition, since the pandemic there has been a continual rise in the demand for children's care services. We are seeing more vulnerable children with increasingly complex needs requiring help and support, there has been a 50% increase in contacts from partner agencies and people concerned for a child's welfare, a 45% increase in referrals and an 11% increase in children in our care since pre pandemic levels. These are our largest budgets, and we have a statutory requirement to provide these services, this consequently impacts on the funding available for all other Council services in particular discretionary areas which keep our town clean, vibrant and safe.
6. Darlington currently has the second lowest Council Tax in the North East and as such we cannot raise sufficient income from Council Tax charges to fund the spending pressures we face, every 1% increase in Council Tax increases revenue by approximately £0.67m. Darlington has a low tax base with 44% of our properties in Band A and 79% Band A - C, this along with the Council Tax level means we generate significantly less Council Tax than some other more affluent areas. If Darlington had the average England Band D Council Tax level, we would generate an additional £8.7m per year. This highlights the disparity in how local government is funded.
7. To protect services as far as possible and push back the impending cliff edge, a significant review and challenge of all our services has been undertaken with savings of £3.649m achieved in 2025/26, totalling £21.494m across the MTFP through back office efficiencies, restructuring, and income generation which do not affect front line service delivery in 2025/26. The savings include a transformation programme to review Business Support to improve systems and processes, and to reduce the subsidy on our Leisure and Cultural offer and facilities, which will involve spend to save initiatives, service review and increased use of technology. In addition, a Council Tax increase of 2.99%, and a 2% social care precept to help fund adult social care, has been proposed which would generate £2.003m and £1.340m respectively to help continue to provide vital services.
8. The Council Plan vision is for Darlington to be one of the best places to live, learn, work and invest in the UK, with a strong and sustainable economy, healthy and thriving communities and opportunities for all. There are three core principles running through everything we do, addressing inequalities, tackling climate change and the efficient and effective use of resources. The Council's priorities are
  - (a) Economy – a strong and stable economy and highly skilled workforce with opportunities for all.
  - (b) Homes – affordable and secure homes that meet the current and future needs of residents.
  - (c) Living Well – a healthier and better quality of life for longer, supporting those who need it most.
  - (d) Children and Young People – the best start in life, realising the potential and raising aspirations.
  - (e) Communities – safer, healthier and more engaged communities.
  - (f) Local Environment – a well connected, clean and sustainable borough.

9. This MTFP is shaped to help meet these priorities despite the financial challenges faced, by directing the resources available to the area's where most impact can be made.  
Darlington has some significant inequalities across the borough from a financial as well as a health perspective. The best thing you can do to improve health is to have a good home, a good job, and a good friend. The Council is determined to address inequalities, and to have the best possible chance of doing this we need to continue to grow the Darlington economy, attract businesses and companies to the area helping to create more better paid jobs and to provide a good mix and range of homes for our residents to benefit from.
10. However, this ambition is not an overnight fix, inclusive economic growth takes time, particularly in this economic climate. We have made a great start over the last 10 years, the structural landscape of Darlington has changed, new businesses and government departments have relocated to the town bringing high quality jobs, and 315 new Council houses have been built providing good quality affordable housing. There is significant investment going into Darlington station paving the way for improved rail services for the town and wider area as well as a significant development occurring across the borough all of which boosts regeneration, job opportunities and revenue. But more needs to be done and we will allocate the resources we do have into realising this ambition.
11. This report has necessarily been prepared before the 2025/26 Local Government Finance Settlement (LGFS), however on the 30 October 2024, the Chancellors budget announced additional funding for local government including.
  - (a) Core spending power increasing by 3.2% in real terms.
  - (b) £1.3bn in additional grant including £0.600m for social care.
  - (c) A targeted approach to allocating the additional funding in 2025-26 anticipated to be towards deprivation and low Council Tax raising powers.
  - (d) Extended Producer Responsibility payments guaranteed for 2025-26 on central estimates.
  - (e) An additional £0.233m in 2025-26 to prevent homelessness.
  - (f) £1bn uplift in SEND funding and alternative provision.
12. The Local Government Finance Settlement is not anticipated until late December, consequently several assumptions have been made in this draft 2025/26 Budget, and the 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 set a legal budget in 2025/26 and continue to provide our core offer level of services to the residents of Darlington.
13. The Council has performed well in responding to the financial challenges over the years, taking early action to ensure that it is ahead of the curve and not therefore pushed into short term decision making. However, the overwhelming demand for services, increased contract costs linked to inflation and living wage increases is making future budgets untenable without the funding reform promised.
14. Darlington is not alone in facing these pressures, Council's across the country are struggling with the same issues which have been widely reported in the media over the last year with a significant percentage indicating the inability to balance their books. Darlington's financial pressures have been raised with the Local Government Association and the Ministry for Housing, Communities and Local Government (MHCLG) directly.

15. The Council operates a core offer which is at a statutory service level with a small provision for discretionary services and this is the base level the new MTFP has been prepared on. Reserves have been maintained for medium term stability and this is now a crucial component of the budget strategy given the pressures faced in the coming year. The reserves will be utilised to meet the 2025/26 funding gap allowing time to understand what the review of Local Government finances will bring. This is a prudent position to ensure our statutory services are maintained along with a small proportion of discretionary which are important to the vitality of the town and residents in the borough and continue some preventative services which stop the need for more costly service provision in the future. At this juncture it would be unwise to reduce much needed discretionary and preventative services which are key to enabling our Council Plan priorities before funding levels are clarified.
16. In summary, if the recommendations are agreed, the Council can deliver a 2025/26 budget which will allow net revenue investment in Darlington and its residents of £136m and new capital investment of £97m to add to the current capital programme of £332m. It also allows time for clarification of the Government's intentions for Local Government funding reform and the impact on Darlington.

### **Recommendations**

17. It is recommended that Cabinet approve for consultation the Revenue MTFP as set out in **Appendix 6** and the Capital Programme as set out in **Appendix 7**, including the following:
  - (a) A Council Tax increase of 2.99% plus a 2% Adult Social Care Precept to help fund social care for 2025/26.
  - (b) The Schedule of Charges as set out in **Appendix 3**.
  - (c) The efficiency savings, transformation and services reviewed proposed.

### **Reasons**

18. The recommendation is 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 reduce the pressures on the MTFP in the medium term.
  - (e) To ensure investment in our assets is maintained.

**Chief Officers Executive**

## Background Papers

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

Elizabeth Davison: Extension 5830

Council Plan	The MTFP proposals direct resources to the priorities of the Council Plan.
Addressing inequalities	The MTFP proposals direct resources to assist in reducing inequalities.
Tackling Climate Change	The MTFP proposals seek to continue to support the Council's responsibilities and ambitions to reduce carbon impact in the Council and the Borough.
Efficient and effective use of resources	The MTFP proposals include savings to ensure the efficiency and effective use of resources.
Health and Wellbeing	The report contains proposals to continue to allocate resources in support of the Council's Health and Well Being responsibilities
S17 Crime and Disorder	The report contains proposals to continue to allocate resources in support of the Council's Crime and Disorder responsibilities
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
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

19. The Council continues to face significant and unparalleled financial challenges stemming from reductions in public spending between 2010 and 2019 where the Council's budget was reduced by £46m in real terms, a 36% reduction in budget. This financial position was further compounded in the aftermath of covid as demand for services rose along with an unstable economic climate, where the country saw the cost of living is increasing, and income deprivation and poverty rising. It is a challenge for everyone including the Council with a spiralling increase in demand for services in particular adult and children's social care and homeless with numbers of people in temporary accommodation rising significantly over the last couple of years, all of which have a direct impact on the Council's contracted expenditure.
20. The Council has previously met the challenges faced head on through value for money service delivery, shared services, economic growth, and strong financial management and has utilised built up reserves to continue to provide vital services for the residents of Darlington. However, the significant additional demand for services is putting an unprecedented pressure on affordability and despite further savings being achieved our reserves will be fully depleted by the end of 2026/27.
21. Over two thirds of our expenditure is spent on adult and children's social care, caring for our most vulnerable residents and children. Inflation, the national living wage and interest rate levels directly impact on our adult care contracts which increased by 7.93% over the last year, in addition, since the pandemic there has been a continual rise in the demand for children's care services. We are seeing more vulnerable children with increasingly complex needs requiring help and support, there has been a 50% increase in contacts from partner agencies and people concerned for a child's welfare, a 45% increase in referrals which must statutorily be responded to and an 11% increase in children in our care since pre pandemic levels. These are our largest budgets, and we have a statutory requirement to provide the services, this consequently impacts on the funding available for all other Council services in particular discretionary areas which keep our town clean, vibrant and safe.
22. Darlington is not alone in facing these pressures, Council's across the country are struggling with the same issues which have been widely reported in the media over the last couple of years with several Councils indicating the inability to balance the books and either requesting exceptional financial support or issuing a Section 114 notice.
23. A fundamental review of how local government is financed (the Fair Funding Review) was announced by government back in 2019 but it has continually been postponed. The new Government administration has recognised the significant pressure in public services and additional funding for core services was announced in the budget along with the promise of fundamental reform of how local government is funded with a redistribution and multiyear settlements from 2026-27.
24. The Council's core offer budget, which is based on statutory service provision along with a small discretionary provision, is the starting position for the 2025/26 budget. Back in 2014 it was recognised that strong economic growth was needed to help the Council's overall

financial position but that it takes time to realise so we needed to maintain reserves as far as possible. This strategy to preserve reserves has worked well to date allowing time for the financial impact of the economic growth strategy to come to fruition, however, the additional demands and increased costs have escalated the financial pressures faced to unprecedented levels and whilst further significant savings have been achieved our reserves will be fully depleted by the end of 2026/27. Fundamental funding reform is therefore vital to ensure the ambitions we all have for Darlington come to fruition.

25. Income and resource levels are discussed in detail later in this paper, however as the Local Government financial settlement will not be received until late December it makes it challenging to predict expenditure and income levels moving forward. Consequently, best estimates have been used and assumptions made on the impact of inflation and demand in 2024/25 going into 2025/26 and the income and resources we will receive in future years.

## Financial Analysis

### Projected Expenditure

26. As noted previously the core offer budget is the level of service provision the MTFP is based upon. Estimates attached at **Appendix 1** have been prepared based on current service levels and include known pressures and the savings proposed 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**.

<u>Summary of Pressures</u>	<b>2025/26 £m</b>	<b>2026/27 £m</b>	<b>2027/28 £m</b>	<b>2028/29 £m</b>
Service Demand	4.469	3.917	3.599	3.544
Price Inflation	0.038	0.569	0.843	2.413
Reduced Income	0.582	0.345	0.376	0.801
Pay award	0.761	0.782	0.811	0.828
Other	0.512	0.612	0.521	0.547
<b>Total</b>	<b>6.362</b>	<b>6.225</b>	<b>6.150</b>	<b>8.133</b>

### Pressures

27. There are some significant pressures emerging which fall into one of five categories being increased demand, reduced income, pay award, price inflation and other.
28. **Service demand** – the largest pressure area regarding increased demand in 2025/26 is Adult Services, accounting for £1.557m of the pressure, and £3.972m across the MTFP. This is a continuation of the pressure we are seeing in the 2024/25 budget in particular the growth in mental health and older people where the cases are more complex and expensive.

29. The second largest pressure is in the homelessness budget due to a substantial increase in demand and the lack of move on accommodation in Darlington. There has been a significant increase in the nights spent in emergency and temporary accommodation and consequently our contracted temporary provision is fully utilised, with the need to place people in alternative hotels and bed and breakfast provision. The shortfall in housing benefit subsidy and rent allowance is anticipated at £1.326m and £5.304m over the MTFP.
30. The Council is not alone in facing this challenge with homelessness widespread across the country. The Council is looking to build more Council housing and the recent announcements by government to remove discounts on right to buy housing will help retain Council stock. We are also looking to purchase and lease additional property to both help the financial position and give residents more stability. This however is a long term approach and will take time to implement.
31. A further demand pressure is concessionary fares which has increased by £0.373m in 2025/26 and £1.537m over the MTFP. This is an area the council has no control over.
32. **Price Inflation** – whilst the price inflation pressure in 2025/26 appears low this masks the significant increase built into last year's MTFP. In addition inflation increases significantly in future years with the largest element being mainly around ICT costs where software upgrades and the move to cloud based services for our major systems have increased substantially.
33. **Reduced Income** - the main area of reduced income in Financing Costs is due to a change in reporting requirements for the Minimum Revenue Provision and interest rates remaining relatively high. In addition there is a reduction in grant income in Local Taxation as residents move on to the universal credit system and a one off reduction in income at the Dolphin centre whilst the phase three mechanical and electrical works are completed. There has also been a reduction in cemetery and crematorium income due to market conditions and the rise of direct cremations.
34. **Pay Award** – the 2024/25 pay award was settled at a flat rate of £1,290 per full time employee (to spinal point 43 with all other employees at 2.5%). The percentage increase was therefore different depending upon base salary; however, the average increase was approximately 4.1%. The 2024/25 MTFP budgeted for a 3% increase in 2024/25 and 2% thereafter hence the pressure which is recurring each year. In addition, a provision of 3% has been included in 2025/26 given the recent above inflation increases in the National Living wage which impact on are lower pay scales.
35. **Other** – this includes several pressures across all service areas, including security which unfortunately is needed across a few of our premises to keep our staff and members of the public safe, including Customer Services, the Dolphin Centre, Crown Street Library and Hopetown due to the increase in violent presentations. There is a significant increase in external audit costs following the failure in the system and the need to rebuild the external audit function. In addition, there are the holding costs of the Wilko and former Northern Echo buildings whilst regeneration takes place.



## Savings

Summary MTFP savings by Type	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
Back office efficiencies and process review keeping	-0.993	-0.861	-0.848	-0.854
Energy savings	-0.375	-0.375	-0.375	-0.375
Increased income	-1.617	-1.985	-2.023	-1.803
Other	-0.000	-1.453	-1.462	-1.462
Pressure offset	-0.133	-0.240	-0.240	-0.240
Transformation and service review	-0.531	-0.962	-1.071	-1.216
<b>Net Summary by Type</b>	<b>-3.649</b>	<b>-5.876</b>	<b>-6.019</b>	<b>-5.950</b>

36. To protect front line services to our residents as far as possible we continually work to maximise savings and efficiencies across the Council. In total £3.649m has been identified in 2025/26 totalling, £21.5m across the MTFP of which only a small proportion will impact on service provision.
37. **Back Office** - by reducing costs in management, back office, general housekeeping and process review, £0.993m has been identified in 2025/26, and £3.556m over the life of the MTFP. These savings come from staffing vacancies through redesign of service provision, removal of historic underspends and reduction in running costs due to partial closure of buildings and alternative ways of working.
38. **Energy** - usage has been closely monitored over the year given the substantial increase over the last few years and £1.500m in savings over the MTFP are anticipated following reduced rates and usage savings.
39. **Income** - income streams have been reviewed and anticipated an additional £1.617m in 2025/26, £7.428m over the MTFP. This includes additional grant income, fees and charges, appropriate overhead recovery, additional traded and SLA income, more efficient debt collection and rental income.
40. Included in the additional income is an increase to car parking tariffs. Given the significant financial pressure the Council faces, the difficult decision to increase car parking charges is being proposed. The proposal is to increase the rates as per the schedule in **Appendix 3**, including £1.20 per hour in short stay car parks up to a cap of £5.00 then reverting to a £1 tariff thereafter and £5 per day in long stay up to a £20 weekly ticket. This along with the additional patronage we have seen in the past year would generate an additional £0.500m per annum if introduced. This proposal is not taken lightly but will support ongoing provision of car parking services, highway maintenance works and highway schemes across the borough and is preferable to cutting discretionary services such as grass cutting, street cleaning, community safety and leisure provision.
41. **Other** – A provision for future increases in pension contributions has been released following a recent update from Durham Pension fund which indicated a healthy position with a rise in contribution rates unlikely following the forthcoming tri annual valuation.

42. **Transformation and service review** – our leisure and cultural offer and facilities are well used and loved by our residents. Our facilities have all enjoyed significant capital investment over the past few years and help Darlington be the vibrant and inclusive town it is. However, these facilities, being the Dolphin Centre, Eastbourne Sports Complex, Crown Street Library and the Hippodrome all run with a financial subsidy. A programme of transformation is looking at how this subsidy can be reduced, this will be a mixture of income generation, reducing the cost of the premises through spend to save initiatives and along with back office and process review.
43. Our successful Town Centre events programme is included in this transformation review with the aim being to maintain a full events programme by reviewing the whole budget area to see what can be done more efficiently and what adds value for money for the Town Centre and Darlington residents
44. In addition, a significant review of Business Support is currently ongoing looking to improve systems and processes through technology and automating where possible. This project is already bringing benefits to how we work and will deliver more savings over the MTFP period. Vacant posts are being held in the interim to avoid where possible redundancies. Work is ongoing on all the transformation areas and savings are profiled to increase across the MTFP period anticipated to be £0.531m in 2025/26 increasing to £1.216m in 2028/29.

#### Previous budget provision

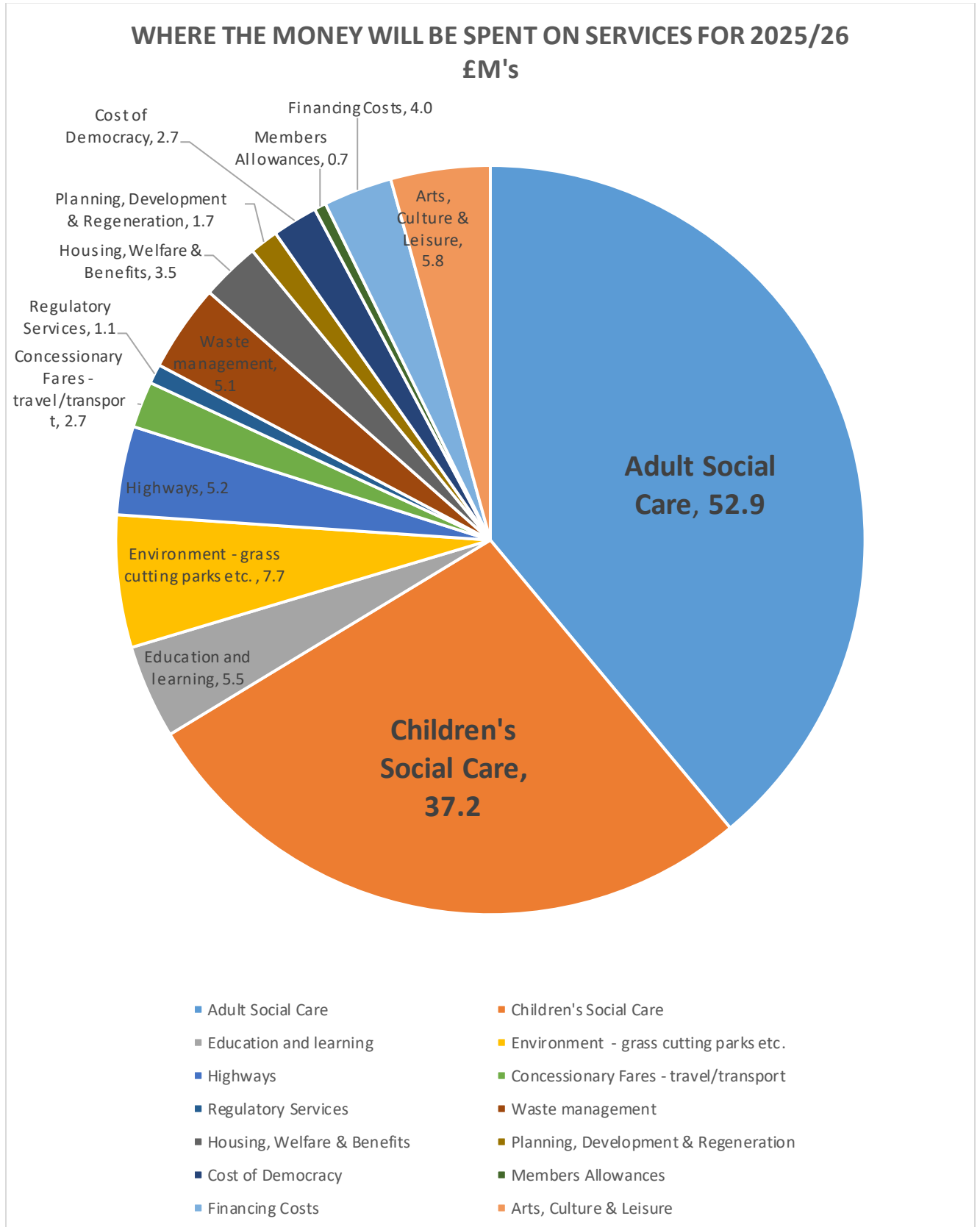
45. **Stronger Communities Fund** – the stronger communities fund was established in 2021/22 to assist in grass roots projects and initiatives in each of the elected members wards with £0.001m made available to each member to utilise as they see fit in their communities and reviewed on an annual basis. At this point no provision has been made in the estimates but the utilisation will be reviewed over the next few months with a recommendation on the future of the fund included in the final draft for recommendation in February 2025.

#### Total Expenditure

46. Taking the above savings, pressures and children’s sufficiency proposal into account the summarised projected expenditure is shown in the table below:

Service	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
People Services	89.070	91.748	94.301	97.510
Chief Executives Office & Economic Growth Services	1.770	1.714	1.669	1.749
Resources & Governance	26.240	26.270	26.886	27.437
Financing costs	4.028	3.706	3.632	3.925
Investment Returns - Joint Venture	(1.977)	(2.006)	(1.753)	(1.524)
Council Wide Pressures	0.663	0.677	0.693	0.706
Council Wide Contingencies	0.272	0.278	0.202	0.202
<b>Total Expenditure</b>	<b>135.769</b>	<b>138.665</b>	<b>142.532</b>	<b>147.342</b>

47. This proposed net investment in services of £136m in 2025/26 covers a wide range of areas from adult residential care to refuse collection, from Children’s Services to street lighting 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 two thirds of the overall budget.



## Projected Income

### Spending Review and Local Government Finance Settlement

48. This report has been prepared before the 2025/26 Local Government Finance Settlement (LGFS) which is likely to be received late December 2024, however on the 30 October 2024, the Chancellors announced additional funding for local government in the Budget including.
- (a) Core spending power increasing by 3.2% in real terms.
  - (b) £1.3bn in additional grant including £0.600m for social care.
  - (c) A targeted approach to allocating the additional funding in 2025-26 anticipated to be towards deprivation and low Council Tax raising powers.
  - (d) Extended Producer Responsibility payments guaranteed for 2025-26 on central estimates.
  - (e) An additional £0.233m in 2025-26 to prevent homelessness.
  - (f) £1bn uplift in SEND funding and alternative provision.
49. There was also a mention of a policy statement to follow in November, at the time of writing this policy statement has not been received. Consequently, several assumptions have needed to be made in this draft 2025/26 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 set a legal budget in 2025/26 and continue to provide our core offer level of services to the residents of Darlington.
50. The draft 2025/26 – 2028/29 MTFP has therefore been based on the 2024/25 finance settlement along with assumptions made on the additional funding announced in the budget given it is the most up to date information available at the time of writing. The position will be updated for the final MTFP proposals in February. All assumptions are summarised in Appendix 4 and detailed in the 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

51. **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 with a Consumer Price Index (CPI) linked rise in 2025/26 of 2%.
52. **Better Care Fund and Adult Social Care Support Grant**- these funds were in recognition of the significant challenges faced in the Adult Social care sector and were initially time based. They have however been included as core funding for the last couple of years so it has been assumed this funding will continue into future years on a cash equivalent basis.
53. **Services Grant** – was announced in 2021 as an un-ringfenced package of support for Local Government, the Council received £1.579m in 2022/23 reduced to £0.926m in 2023/24 and to £0.166m in 2024/25. It has been assumed this level will continue into future years on a cash flat basis.

54. **Social Care Grant** - this funding was announced in two tranches in the 2021 and 2022 spending reviews and can be spent on children's and adult social care. Whilst the 2022 grant was repurposed monies from delaying the charging reforms in 2023/24 and 2024/25 it is anticipated this funding will continue into future years given the significant pressures on the system.
55. **Additional budget funding** - £1.3bn of additional funding was announced in the budget which included £0.600m for social care. Based on the usual funding mechanisms Darlington's proportion of this would be £2.340m. There was also £0.233m for the prevention of homelessness for 2025/26 only of which on usual formula we would receive £0.140m.

### **Council Tax Income**

56. Due to the reduction and reliance on Government funding over the last decade, Council Tax is now by far the largest single funding stream and will increase further as a percentage over the coming years representing 57% of projected resources anticipated by 2028/29. 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 circa. £0.67m.
57. There was no announcement in the budget on either the council tax referendum limits or the social care precept however subsequently there has been a clear indication from civil servants and the government that the 3% and 2% for Council Tax and precept respectively will be maintained.
58. This MTFP assumes a Council Tax increase of 2.99% for 2025/26 reducing to 1.99% thereafter and an Adult Social Care precept of 2% for 2025/26 reverting to 1% thereafter. As can be seen in the chart in paragraph 47, Adult Social Care is by far our largest overall budget with a spend of £53m. The precept will raise circa. £1.3m which is crucial to meet the overall costs and pressure faced in this service area.
59. Darlington has the second lowest Council Tax in the North East, to put this in perspective if Darlington had the average North East Band D level the Council would generate an additional £3.3m per annum, and if we had the average England band D level, we would generate an additional £8.7m per annum.
60. Darlington has a low Council Tax Base with 44% of our properties in Band A and 79% of our homes in Band A – C, which means significantly less Council Tax is generated for each 1% raised than in some other more affluent areas and highlights the disparity in how local government is funded.
61. Despite some turbulent years in house building due to Covid, Nutrient Neutrality and high interest rates Darlington's house building remained stable, planning estimates anticipate growth levels to be an average of 514 Band D equivalent properties over the period of this plan which is a growth on the tax base of 1.4% per annum. This growth is helping to address the national housing shortage and the increasing demand for homes in Darlington. 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 2025/26.

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

62. 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.
63. Growing the economy is a key priority for the Council 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 planning permission for the new Darlington Economic campus has been granted at Brunswick Street which will house His Majesty’s Treasury Department along with several other government departments including the Ministry for Housing, Communities and Local Government. This is providing a boost to the town with other employers looking to relocate to Darlington.
64. 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 economic climate.
65. 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 several years now.
66. The new Government have committed to a fundamental reform of local government funding system stating they will update and improve the approach to funding allocations within the Local Government finance settlement by redistributing funding to ensure that it reflects an up-to-date assessment of need and local resources. This will be a long-term programme of recovery and reform which will start with a deprivation-based approach in 2025-26 with additional funding targeted to the places that need it most. Broader redistribution of funding will follow through a multi-year settlement from 2026-27. It is anticipated these reforms will encompass business rates retention given they are a fundamental part of local government finance.
67. The in-year collection rate target for NNDR is 98.0% and as at the end of October 2024 is 68% and on track to achieve the target.

## Collection Fund

68. 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 the transactions for billing in respect of National Non-Domestic Rates (NDR) and Council Tax, exemptions and discounts granted, provision for bad debts and appeals and payments made to the Council's General Fund, the Police and Fire and Rescue precept authorities and Central Government.

## Other Grants

69. 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 areas being the Dedicated Schools Grant which funds Darlington's maintained schools, special educational needs and early years provision and Public Health Grant, both which are ring-fenced. These grants are included in service estimates at Appendix 1.

Description	2025/26 £m
Housing Benefits	0.421
Public Health Grant	9.523
PFI Grant	3.200
Market Sustainability & Improvement Fund	2.193
Youth Justice Board	0.285
Local Reform & Community Voices	0.057
Adult & Community Learning	1.370
Staying Put	0.056
Delayed Discharge	1.049
Garden Village	0.091
Pupil Premium	1.104
Dedicated Schools Grant	31.751
Virtual Headteacher	0.130
Heritage Lottery Fund	0.125
Domestic Abuse	0.051
Unaccompanied Asylum-Seeking Children	1.358
Homeless	0.564
Safer Streets	0.065
Towns Fund	0.092
DFE Phonics	0.004
Bikeability	0.039
	53.528

## Fees and charges

70. The proposed fees and charges of the Council are set out in Appendix 3 the increases proposed are based on the cost of providing the services and take account of inflation and market conditions. Overall, the proposed increases are anticipated to generate approximately £0.818m of income to help offset the cost of service provision.

## Total Income

71. The table below summarises the Council's estimated income for the period of this plan which thanks to 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>2025/26 £m</b>	<b>2026/27 £m</b>	<b>2027/28 £m</b>	<b>2028/29 £m</b>
Council Tax	70.226	73.482	76.761	80.171
Business Rates retained/Top Up Grant	35.725	36.185	36.929	36.929
RSG	4.663	4.738	4.814	4.814
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	7.153	7.153	7.153	7.153
Services Grant	0.166	0.166	0.166	0.166
Additional Resources In budget	2.340	2.340	2.340	2.340
Additional Homeless Grant	0.140	0.000	0.000	0.000
National Insurance Offset	1.476	1.522	1.498	1.515
<b>Total Resources</b>	<b>130.130</b>	<b>133.827</b>	<b>137.902</b>	<b>141.329</b>

## Projected MTFP

72. Set out in the table below are the projections based on the income and expenditure analysis discussed in the previous sections, as can be seen there is a significant funding gap in each financial year. We are anticipating having £11m reserves which can be utilised to support the plan which would cover the position until 2026/27, however it is clear the financial position is unsustainable in future years if local government funding reform does not bear fruit.

	<b>2025/26 £m</b>	<b>2026/27 £m</b>	<b>2027/28 £m</b>	<b>2028/29 £m</b>
Projected Total Expenditure	135.769	138.665	142.532	147.342
Projected Total Resources	(130.130)	(133.827)	(137.902)	(141.329)
Projected budget deficit	5.639	4.838	4.630	6.013



## Revenue Balances

73. The projected revenue outturn for 2025/26 detailed at **Appendix 5**, after taking into account the Risk Reserve of £6.0m, it is anticipated we will have £11.0m of reserves which will be fully utilised at the end of 2026/27 and as previously mentioned not a sustainable position if funding is not forthcoming. Significant savings and efficiencies have been found £3.7m for 2025/26 as noted above, through service redesign, back office efficiencies, economic and income growth and a review of fees and charges, however without cutting all our discretionary and preventative services, those which help to keep our borough clean, safe, healthy and vibrant and which are a key tool in economic growth and prevent escalation of future costs we are unlikely to meet our funding gap in 2027/28.
74. The Council has reviewed its earmarked reserves, and £0.220m held as a contingency in Direct Payments for redundancies, which has not been called upon for many years, can be released.

<b>Revenue Balances</b>	<b>2025/26 £m</b>	<b>2026/27 £m</b>	<b>2027/28 £m</b>	<b>2028/29 £m</b>
Opening balance	10.979	4.910	0.072	(4.558)
Increase in Risk Reserve	(0.650)	0.000	0.000	0.000
Release of Earmarked Reserves	0.220	0.000	0.000	0.000
Contribution to/(from) balances	(5.639)	(4.838)	(4.630)	(6.013)
Closing balance	<b>4.910</b>	<b>0.072</b>	<b>(4.558)</b>	<b>(10.571)</b>

## 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 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 acceleration of economic investment some of which is funded or has been pump primed by the Council; examples of such schemes include key road infrastructure that facilitated developments at Symmetry Park, and Central Park that now houses the College, two University buildings, the National Biologics Centre and two

Business Incubator buildings. The Council owned and funded Feethams House in the Town Centre has been the catalyst in attracting the Darlington Economic Campus, and recent Town Centre investment funded from the Towns Fund and Indigenous Growth Fund are both reinvigorating key parts of the Town Centre and importantly enabling the Council to be well positioned for the future and to reshape the Town through its next phase of private sector redevelopment. The Council’s Investment Fund and Economic Growth Investment Fund are vital in helping to stimulate more private sector economic investment across the town that ultimately increases business rates and contributes to the finances of the Council thereby helping to fund vital services

78. The current capital programme stands at £332m as summarised in Table 1 below. The programme is monitored monthly and reported to Cabinet on a quarterly basis; the latest available monitoring report for 2024/25 was presented to Cabinet on 5 November 2024 and noted there was a projected £0.485m underspend on the approved capital programme.

**Table 1**

Area	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				
	£m	£m	£m	£m	£m	£m	£m	£m
Housing	43.842	35.633	0.000	0.033	1.705	0.000	11.840	93.053
Economic Growth	49.491	0.080	0.440	1.034	7.010	49.223	3.476	110.754
Highways/Transport	65.912	13.501	10.081	1.347	1.741	1.877	1.512	95.971
Leisure & Culture	25.040	0.125	2.545	0.297	0.000	0.550	0.000	28.557
Education	0.000	0.225	0.000	0.307	0.079	1.124	0.290	2.025
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	1.771	0.000	0.000	1.771
<b>Total</b>	<b>184.285</b>	<b>49.564</b>	<b>13.066</b>	<b>3.018</b>	<b>12.377</b>	<b>52.774</b>	<b>17.118</b>	<b>332.202</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. Most 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. Given the financial position of the Council only schemes that are a

health and safety risk or that are self-funding have been considered while there is uncertainty over the overall funding envelope.

82. The risk assessed usable capital receipts over the next four years are in the region of £13m although they are not guaranteed so caution needs to be taken when allocating.
83. There are likely to be many competing priorities against the available resources for both regeneration and refurbishment these schemes will emerge over the coming year/s. At this stage Members are requested to make capital provision for one scheme with a total value of £0.250m, which will be subject to a full report to Cabinet in due course, this is:
- (a) **Capitalised repairs - £0.250m** – £0.250m is required for repairs on the Council building stock in 2028/29 to ensure it is fit for purpose. This is a rolling programme, and funding has already been agreed for 2025/26 – 2027/28. Details on specific areas of spend will be brought to Cabinet for consideration.

### Government Funding

84. Set out below are details of the levels of Government funding available for investment by the Council in 2025/26 and an outline of the proposed use of these funds.

	<b>2025/26 £m</b>
<b>Children’s Services</b>	
School Condition Allocation	0.067
<b>Transport</b>	
Local Transport Plan	3.068
<b>Other</b>	
Disabled Facilities Grant	1.160
<b>Total Capital Grant Available</b>	<b>4.295</b>

## **School Condition Allocations**

85. The Local Authority now only receives school condition funding for Maintained Schools. Maintenance funding for Academies is available through other routes. The 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**

86. A new Local Transport Plan for the Tees Valley 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.
87. 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 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. The details of this allocation have been finalised and the Council has been awarded £15.340m over the 5 years to 2026/27. The annual amount of £3.068m is based on the following breakdown which includes £0.893m for the Integrated Block, £1.206m for the Highways Maintenance Block plus £0.969m for the Pothole action programme. In the Budget 2024 a further £500m was pledged nationally for Road Maintenance, the detail of the allocation to Darlington is yet to be announced.

## **Disabled Facility Grants**

88. 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**

89. 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 2025/26. Further detail is given in the Housing Revenue Account financial plan but in summary includes:

- (b) Adaptations and lifts - £0.150m
- (c) Heating Replacement - £1.325m
- (d) Structural Works - £0.400m
- (e) Lifeline Services - £0.310m
- (f) Repairs before Painting - £0.068m
- (g) Roofing and Repointing work - £1.000m
- (h) Garages - £0.050m
- (i) External Works - £0.210m.
- (j) Pavements - £0.028m
- (k) Window & Door Replacement - £1.495m
- (l) Internal planned maintenance (IPM) - £3.600m
- (m) Communal Works - £0.200m
- (n) Energy Efficiency Improvements - £4.020m
- (o) New Build housing - £4.090m
- (p) Fees - £0.312m

### **Consultation**

90. This report will be available for public viewing from the 25 November with official consultation running from 3 December 2024 to 19 January 2025.

### **Conclusion**

91. The Council has faced significant financial challenges over the last decade, with significant reductions in government funding followed by the financial instability during the pandemic, but to date has risen to these challenges well which has previously enabled a balanced MTFP.
92. 2024 has presented further challenge with increased demand for services particularly in social care where complexity and costs are rising significantly and homelessness which has seen an unprecedented demand with nights spend in temporary accommodation rising by 137% year on year.
93. The future of Local Government financing is still uncertain; there have been several Councils issuing a Section 114 notice and even more requesting Exceptional financial support with evidence of more to come if funding isn't fundamentally reviewed and a reset undertaken to match need with resource. The Government have committed to do this during 2025/26 with a multi year settlement promised in 2026/27.
94. The Council can deliver a balanced position until 2026/27 utilising reserves as per our financial strategy, however there is a significant annual budget deficit which is not sustainable. Unless additional government funding is forthcoming the Council will need to make some very hard decisions on the future of our discretionary services which residents value and preventative services which could lead to the escalation of costs in statutory service provision, and decisions on how and what will be delivered in the coming years.
95. Planning beyond the current year is extremely difficult, given the uncertainty around future funding and the review of the new Local Government financial system. Current planning suggests reserves will be depleted in 2026/27 and there will be a budget deficit of £4.6m the year after, however for the reasons above, this will certainly change. At this

stage it is not possible to know whether this will be a positive or negative position.

96. In summary, the Council continues to face significant financial challenges. The savings identified in this MTFP and the estimated additional funding from the Budget announcement have reduced the ongoing annual sustainability gap. Due to the previous actions to protect reserves where possible, the Council can afford a 2025/26 budget and have reserves available to meet the funding requirement while the Government's review of local government finance takes place. If no funding is forthcoming making savings to meet the gap will be extremely challenging, there are no easy options without significantly reducing our discretionary services and preventative services which as previously highlighted assist towards making our Town, clean, safe, vibrant and a place where people want to live and work, and businesses want to relocate to.
97. As the Council's Statutory Chief Financial Officer, the Executive Director of Resources and Governance must advise the Council on the robustness of the budget and adequacy of reserves. In assessing the robustness of the estimates, the Chief Finance Officer has considered the general financial standing of the Council; the underlying budget assumptions in the financial strategy; the adequacy of budget monitoring and financial reporting in place; the assumptions made on budget pressures and savings proposals; the adequacy of the council's internal control systems relying on the assurance statements provided in the Annual Governance Statement for the 2023/24 Statement of Accounts; and the level of reserves to cover any potential financial risks faced by the Council.
98. The budget presented to Members in this report has been based on the most accurate information available at the time of writing and the assumptions made based on the interpretation of the Budget 2024 announcement, on that basis the Director is confident that they are an accurate reflection of the Council's financial position. Notwithstanding this there is a significant degree of uncertainty about the future economic position and Local Government funding so the position presented whilst as accurate as possible will change, however at this juncture I cannot be sure if that will be for the better or worse.
99. General Fund reserves are adequate for the coming financial year; however, the Council is carrying a significant financial risk over the lifetime of the plan with an unsustainable annual deficit which will need to be met from changes in service provision and/or increased income if no further government funding is realised. It is essential we maximise income where possible, ensure we are providing our services in the most efficient manner, and address the growing pressures in social care through transformation, as the Council needs to preserve reserves and allow as much time as possible to reduce the ongoing annual funding gap.

**APPENDICES**

Appendix 1	Detailed Revenue Estimates 2025/26
Appendix 2	Budget Pressures/Savings
Appendix 3	Fees and Charges Proposals 2025/26
Appendix 4	Assumptions used to prepare estimates
Appendix 5	Projected Revenue Outturn 2024/25
Appendix 6	Proposed MTFP 2025/26 to 2028/29
Appendix 7	Capital Medium Term Financial Plan 2025/26 – 2028/29