CABINET
2 DECEMBER 2025

MEDIUM TERM FINANCIAL PLAN (MTFP) FOR CONSULTATION

Responsible Cabinet Member - Councillor Stephen Harker Leader and all Cabinet Members

Responsible Director – Strategic Leadership Team

SUMMARY REPORT

Purpose of the Report

1. To propose a Medium Term Financial Plan (MTFP) for 2026/27 to 2029/30 for consultation, including setting a budget and Council Tax increase for 2026/27.

Summary

2. After years of austerity the Council's Medium Term Financial Plan remains in a fragile position. The reduction in public spending between 2010 and 2019 where the Council's budget was reduced by £46m in real terms, the significant increase in demand for services in the aftermath of Covid along with the unstable economic climate where the country saw the cost of living increasing, high inflation and poverty rising, is a challenge for all. The Council is facing a spiralling increase in cost and demand for services in Children's and Adults' Social Care 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.

4. The Government has recognised the inherent unfairness in the current funding model for local government along with the significant pressures faced in public services, and on 20 June 2025 published a comprehensive consultation on the reform of local government funding. The Government have committed to a policy statement at the end of November which will outline final policy positions, however, the draft local government finance settlement will not be published until late December, which is not helpful for planning purposes. Encouragingly, the Government has committed to a three-year finance settlement which will allow for more effective planning in the future.

5. Analysis of the consultation indicates Darlington should benefit from the redistribution of funding given our low Council Tax base and relative needs.

These changes are long overdue, and the Council has been lobbying for these reforms for many years, so the funding reforms are welcome news. Whilst initial assessments are encouraging, the position remains challenging with reserves required over the next two years to meet the sustainability gap and continued demand pressures need to be stemmed.

6. Over two thirds of our expenditure is on Adult and Children's Social Care, looking after our most vulnerable residents and children. Inflation, the national living wage and interest rate levels directly impact on the cost of our adult care contracts; in addition, 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; last year we saw 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.

7. Darlington is not alone in facing these pressures, councils 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. The Government acknowledge the pressures councils are facing, and fair funding reforms are a step to improving the position.

8. In addition to the anticipated increase in government funding and to protect services as far as possible, the Council continues to review its cost base and challenge all service areas to ensure Value for Money. The transformation programmes identified in the 2025/26 MTFP are progressing well and the savings anticipated have been realised. In addition, further transformation programmes have been identified and if agreed will progress on a spend to save basis.

9. As part of the funding reform consultation, the Government confirmed the intention and expectation that councils would increase their Council Tax by 5% per annum, including the Adult Social Care precept. This MTFP therefore proposes a Council Tax increase of 2.99% and an Adult Social Care precept of 2% which will generate £2.126m and £1.422m respectively. Adult Social Care is by far our largest overall budget with a spend of £59.7m and the precept is crucial to meet the overall costs and pressure faced in this service area.

10. 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.

11. This MTFP is shaped to help meet these priorities, despite the financial challenges faced, by directing the resources available to the areas 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.

12. However, this ambition is not an overnight fix, inclusive economic growth takes time, particularly in this economic climate. Over the last decade, the structural landscape of Darlington has changed, new businesses and government departments have relocated to the town bringing high quality jobs, and 365 new Council houses have been built providing good quality affordable housing. Significant investment has gone 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.

13. This report has necessarily been prepared before the Chancellor's budget announcement on the 26 November 2025, and the 2026/27 Local Government Finance Settlement (LGFS), consequently, several assumptions have been made in this draft. The fair funding consultation offers a direction of travel, however, the proposals are open to interpretation with regards to the scale of the reforms to be implemented. There is a commitment to implement the reforms from 1 April 2026, although they are likely to be phased in across three years given the funding envelop is not increasing and some councils by necessity will see a reduction in funding levels.

14. 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 2026/27 and continue to provide our core offer level of services to the residents of Darlington.

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. It is proposed general fund reserves are utilised to meet the 2026/27 and 2027/28 funding gap whilst the full effect of the reforms come into play.

16. This is a prudent position to ensure our statutory services are maintained along with a small proportion of discretionary services, 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 conjuncture 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.

17. In summary, if the recommendations are agreed, the Council can deliver a 2026/27 budget which will allow net revenue investment in Darlington and its residents of £149m and new capital investment of £84m to add to the current capital programme of £340m.

Recommendations

18. 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 2026/27.

    (b) The Schedule of Charges as set out in **Appendix 3**.

    (c) The efficiency savings and transformation programme proposed.

Reasons

19. 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.

STRATEGIC LEADERSHIP TEAM

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

20. After years of austerity the Council's Medium Term Financial Plan remains in a fragile position. The reduction in public spending between 2010 and 2019 where the Council's budget was reduced by £46m in real terms, the significant increase in demand for services in the aftermath of Covid, along with the unstable economic climate where the country saw the cost of living increasing, high inflation and poverty rising, is a challenge for all. The Council is facing a spiralling increase in cost and demand for services in Children's and Adults' Social Care, which have a direct impact on the Council's contracted expenditure.

21. Over two thirds of our expenditure is on Adult and Children's Social Care, looking after our most vulnerable residents and children. Inflation, the national living wage and interest rate levels directly impact on the costs of our adult care contracts, in addition, 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, last year we saw 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.

22. 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.

23. Darlington is not alone in facing these pressures, councils 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.

24. The Government has recognised the significant pressure in public services and on 20 June 2025 published a comprehensive consultation on the reform of local government funding. The Government have committed to a policy statement at the end of November, which will outline final policy positions, however, the draft local government finance settlement won't be published until late December, which is unhelpful for planning purposes. Encouragingly, the Government has committed to a three-year finance settlement which will allow for more effective planning in the future.

25. Analysis of the consultation indicates Darlington should benefit from the redistribution of funding given Council Tax equalisation and relative needs. These changes are long overdue, and the Council has been lobbying for these reforms for many years. Whilst initial assessments are encouraging, the position remains challenging with reserves required over the next two years to meet the sustainability gap and continued demand pressures to stem.

26. 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 2025/26 going into 2026/27 and the income and resources we will receive in future years.

Financial Analysis

Projected Expenditure

27. 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**.

Summary of Pressures	**2026/27 £m**	**2027/28 £m**	**2028/29 £m**	**2029/30 £m**
Service Demand	4.989	4.810	2.724	1.979
Price Inflation	0.344	0.499	0.581	2.169
Reduced Income	0.420	0.345	0.345	0.345
Pay Award	0.980	1.002	1.024	1.059
Other	1.044	0.823	0.538	0.883
Total	7.777	7.479	5.212	6.435

Pressures

28. There are some significant pressures emerging which fall into one of five categories, being: increased service demand, price inflations, reduced income, pay award and other.

29. **Service Demand** – the largest pressure area regarding increased demand in 2026/27 is Children's Social Care, accounting for £3.928m in 2026/27 and £10.618m across the MTFP. This is a continuation of the pressure we are seeing in the 2025/26 budget, in particular the growth in children with complex cases and the significant rise in the cost of residential placements. The children's sufficiency programme is helping to alleviate these costs, however, there is a fundamental and nationwide issue regarding the availability and cost of children's residential placements.

30. The second largest pressure is in the Adult Social Care budget where there has been an increase in the number of residential and care packages required at a cost of £0.855m in 2026/27 and £3.329m across the MTFP. A spend to save transformation programme is proposed which will review care for working age adults, with the aim of improving outcomes as well as providing savings to the MTFP.

31. **Price Inflation** – the main driver of inflation in the 2026/27 budget is energy costs, whilst gas prices are holding the electricity charges have increased above the 2% provided for.

32. **Reduced Income -** the main area of reduced income is at Hopetown where the anticipated car parking income is £0.220m lower than the original business case. Now the main celebrations are finished, a full review of the Hopetown business case is being undertaken to see how this pressure can be mitigated.

33. There will also be reduced income at the Dolphin Centre whilst the Phase 3 Mechanical and Electrical works are completed during next year.

34. **Pay Award –** the 2025/26 pay award was settled at 3.2%, 0.2% higher than budgeted for creating an in-year pressure. In addition, given the current inflation rate it is felt prudent to budget for a 3% pay award in 2026/27 as opposed to the 2% currently in the estimates.

35. **Other** – this includes several pressures across all service areas, however, the largest is financing costs with a pressure of £0.801m in 2026/27. This is due to interest rates remaining at higher levels than previously forecast, which impacts on the cost of borrowing for new capital schemes such as the Dolphin Centre refurbishment. In addition, the closure of one of the Council's property funds has reduced dividend income, however, the funds returned have been used to repay maturing loans, therefore saving on interest whilst options are considered for future investment opportunities.

Savings

Summary of Savings	**2026/27 £m**	**2027/28 £m**	**2028/29 £m**	**2029/30 £m**
Back-Office Efficiencies	(0.422)	(0.301)	(0.274)	(0.298)
Energy Savings	(0.085)	(0.085)	(0.085)	(0.085)
Increased Income	(0.190)	(0.197)	(0.339)	0.328
Other	(2.040)	(2.124)	(2.133)	(2.135)
Pressure Offset	(0.200)	(0.200)	(0.160)	(0.160)
Transformation Review	(0.000)	(0.750)	(0.750)	(0.750)
Total	(2.937)	(3.657)	(3.741)	(3.100)

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 £2.937m has been identified in 2026/27 totalling, £13.435m across the MTFP.

37. **Back Office** - by reducing costs in back office, general housekeeping and process review, £0.422m has been identified in 2026/27, and £1.295m over the life of the MTFP. These savings come from staffing vacancies through redesign of service provision, removal of historic underspends and reduction in general running costs.

38. **Energy** – whilst electricity prices are rising there is a slight reduction in gas through pricing and usage.

39. **Increased Income** - income returns from our Joint Venture companies have been slightly increased and reprofiled due to the demand for the homes and sales earlier than anticipated.

40. **Other** – following a triannual review of the Durham Pension fund, the actuaries have reduced the contributions the Council needs to make for pension provisions providing a general fund saving of £1.9m per annum. In addition, there has been a reduction in contributions required for concessionary fares of £0.140m per annum.

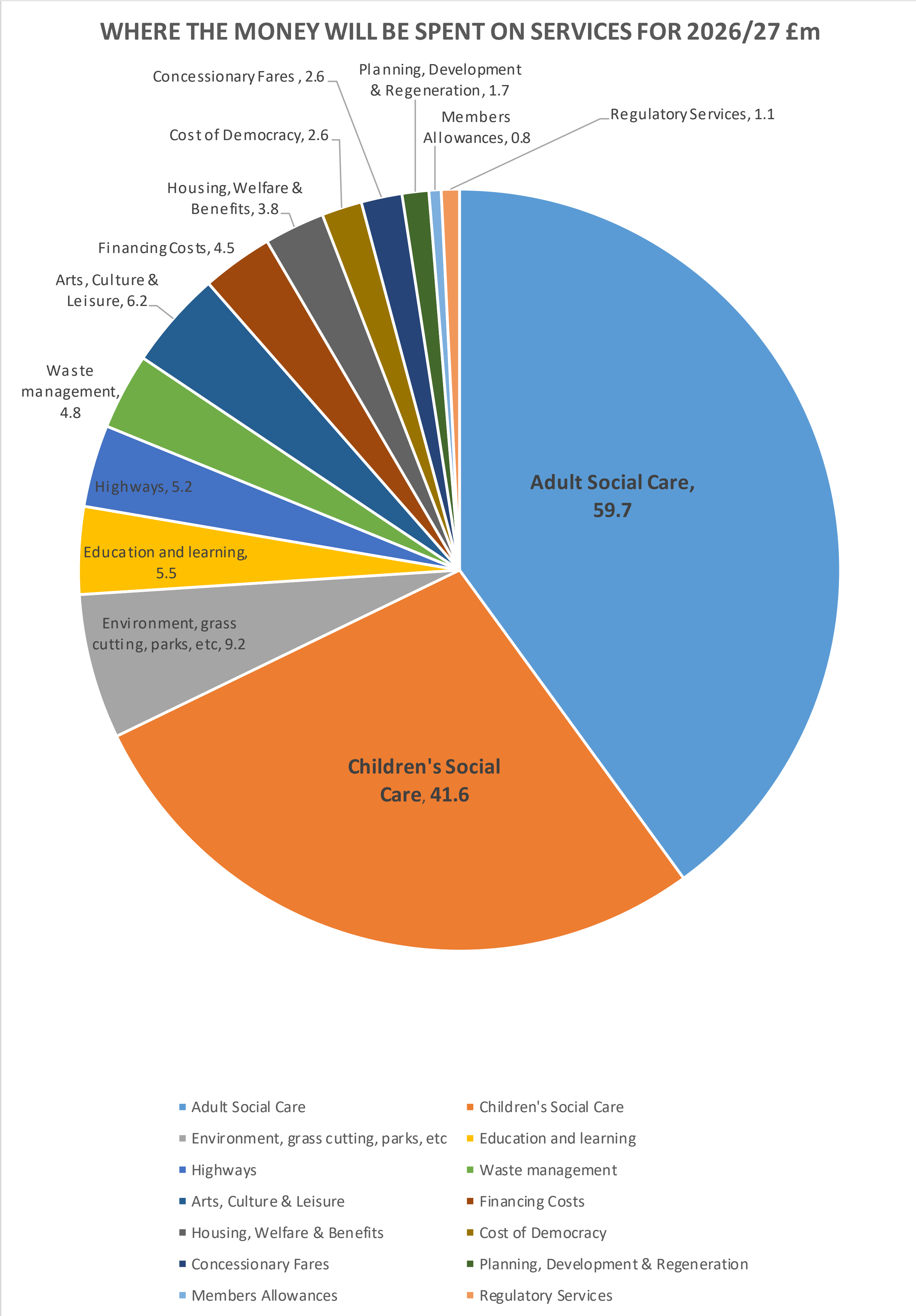
41. **Transformation** – in addition to the programmes initiated last year, all of which are progressing well, there is a spend to save transformation proposal in Adult Social Care which is discussed in detail earlier on the Cabinet agenda.

Total Expenditure

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

Service	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m
Chief Executives Office	0.342	0.349	0.356	0.364
People Services	100.743	102.676	104.215	106.665
Economy & Public Protection	2.208	2.145	2.052	2.124
Environment, Highways and Community Services	27.792	28.319	28.888	29.818
Resources & Governance	16.824	17.339	17.823	18.184
Financing costs	4.507	4.057	4.157	4.473
Investment Returns - Joint Venture	(2.188)	(1.942)	(1.855)	(1.188)
Council Wide Savings	(1.169)	(1.153)	(1.137)	(1.120)
Council Wide Contingencies	0.278	0.202	0.202	0.202
Total Expenditure	**149.337**	**151.992**	**154.701**	**159.522**

43. This proposed net investment in services of £149m in 2026/27 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.


WHERE THE MONEY WILL BE SPENT ON SERVICES FOR 2026/27 £m
Concessionary Fares , 2.6
Planning, Development & Regeneration, 1.7
Members Allowances, 0.8
Regulatory Services, 1.1
Cost of Democracy, 2.6
Housing, Welfare & Benefits, 3.8
Financing Costs, 4.5
Arts, Culture & Leisure, 6.2
Waste management, 4.8
Highways, 5.2
Education and learning, 5.5
Environment, grass cutting, parks, etc, 9.2
Adult Social Care, 59.7
Children's Social Care, 41.6
Adult Social Care
Children's Social Care
Environment, grass cutting, parks, etc
Education and learning
Highways
Waste management
Arts, Culture & Leisure
Financing Costs
Housing, Welfare & Benefits
Cost of Democracy
Concessionary Fares
Planning, Development & Regeneration
Members Allowances
Regulatory Services

Projected Income

Fair Funding Review 2.0 (FFR 2.0) and the Local Government Finance Settlement

44. The Government has recognised the inherent unfairness in the current funding model for local government and on 20 June 2025 published a comprehensive consultation on the reform of local government funding. The consultation was referred to by the Government as Fair Funding Review 2.0 which distinguishes it from the previous Government's review in December 2018 which did not result in any meaningful change to local authority funding allocations. The changes represent the first major overhaul to the funding formula since 2013/2014, and one Darlington has been calling upon for years.

45. The Government have committed to a policy statement at the end of November which will outline final policy positions, however, the draft Local Government Finance Settlement will not be published until late December, which is once again unhelpful for planning purposes. The consultation papers do however confirm that local authorities will receive a 3-year settlement covering the period 2026-27 to 2028-29, which is the first time this will have occurred for ten years and is welcome from a financial planning perspective.

46. The consultation contains a large amount of detail around the new relative needs and weighting of different components of the proposed new formula but does not include the detail that underpins the calculations of relative needs, rather it provides an outline of the datasets and formulae being applied. The consultation is however reasonably transparent on the proposed methodology to be used to distribute funding in 2026-27 and over the next 3 years, with the proposal being under-written by a commitment to try and simplify the formulae through a combination of consolidating a range of specific grants into the general grant formula and by simplifying and reducing the number of Relative Needs Formulae used to distribute funding.

47. Significantly, the proposals include a commitment to 100% Council Tax resource equalisation, the first time this will have been reset since 2013/14.

48. The consultation does not include any provisional allocations at local authority level at this stage. However, officers have worked through the principles and details that have been set out in the FFR 2.0 Consultation documents to estimate the allocation Darlington could receive. This work has been informed by colleagues at Pixel, the Society of Municipal Treasurers and through discussions with colleagues across the region.

49. The funding reforms as set out are likely to have significant implications for local government, with some winners and losers at a regional and national level and in different types of authorities across the sector. There is an emphasis on linking funding to deprivation and to account for Council Tax bases given the huge variation across the country.

50. Analysis of the consultation indicates Darlington should benefit from the redistribution of funding, however, whilst initial assessments are encouraging, the position remains challenging with reserves required over the next two years to meet the sustainability gap and continued demand pressures to stem.

51. The broad principles of the FFR 2.0 proposals are

   (a) **Needs Assessments**: The Government will use Relative Needs Formulae (RNF) to assess differences in demand between councils for different functional service areas. Some of these service areas are existing and there are some new proposed ones. As with previous reviews of funding allocations, an Area Cost Adjustment (ACA) is then be applied to each RNF to account for the different costs of delivering services in different places. The RNFs and ACAs are then combined to give each council an overall "relative needs share", by weighting each RNF according to the size of (national) expenditure on that functional service area.

   (b) **Resources Adjustment**: In order to account for differing Council Tax raising abilities by councils, the Government is proposing to multiply each council's tax base (the number and band of properties) by a notional level of Council Tax. The notional Council Tax available to be raised is added to the current quantum of grant funding available to local government and the level of retained business rates available nationally, to give the total notional amount of funding available to local government. This funding resource is then allocated according to each council's needs share. Each council's notional tax contribution is deducted from their resources, to give each council a Settlement Funding Assessment (SFA), which indicates how much a council needs relative to one another.

52. A local authority's Settlement Funding Assessment is driven by a combination of the strength of their taxbase and their measure of relative need.

Transitional Support

53. As there will be winners and losers in the redistribution of funding, the government have proposed that the transition to the new formula will take place over 3 years. The consultation papers refer to this time-period being "*gradually over 3 years*" and in one third increments across that period.

54. The Government is proposing to fund the cost of the transition by top slicing the national funding and through scaling-back gains expected by other authorities. This means it may take up to three years for the Council to see the benefits of this funding transition perpetuating the current inequities for a further two years. The Council has argued in its consultation response that it is unfair to scale back the gains of councils in the first two years (2026/27 and 2027/28) to pay for the phasing for those councils losing out, and these transition costs should be funded separately.

55. Our funding assumptions have assumed the phasing will happen over three years so any changes following consultation would be of benefit.

Core Grant funding to Local Government

56. **Revenue Support Grant (RSG)** - after years of significant reductions, the RSG will become the second largest revenue stream for the Council after Council Tax. This grant has increased to reflect resource adjustments through the fair funding reforms consultation and also will subsume a number of grants currently received, including the Recovery Grant, Social Care Grant and the Market Sustainability and Improvement Fund.

57. **Better Care Fund (BCF) -** the fund supports local systems to successfully deliver the integration of health and social care in a way that supports person centred care, sustainability and better outcomes for people and carers. The BCF grant is pooled with the NHS BCF grant and is agreed annually by the Health and Wellbeing Board and signed off by the Department of Health and Social Care.

58. **Extended Producer Responsibility Grant (EPR)** – to try and reduce packaging the Government introduced an EPR levy on organisations responsible for producing packaging in the first place. Fees are paid by those organisations with the revenue being passed to local authorities to help mitigate the cost of waste collection and disposal of household waste from kerbside and communal collections, brought to Household Recycling Centres. Darlington has received a draft allocation of £2.7m for 2026/27 and it has been estimated to reduce by 20% per annum as producers make changes to their packaging.

59. **Children and Families Grant** - this grant was paid outside of the Core Spending Power calculations in 2025/26 and consolidated a number of previous Department for Education grants including the Supporting Families, Virtual Headteacher grants. Within the fair funding reforms consultation this grant is expected to be consolidated with other Children's grants to be paid as one grant for children in addition to the RSG. It has been assumed that this funding will remain at the 2025/26 allocation level.

Council Tax Income

60. Council Tax is the largest single funding stream to provide Council services in Darlington and will increase further as a percentage over the coming years representing 56% of projected resources anticipated by 2029/30. 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. £0.711m.

61. As part of the consultation on the reform of local government funding, the Government confirmed the intention and expectation that councils increase their Council Tax by 5% per annum, including the Adult Social Care precept. This MTFP therefore assumes a Council Tax increase of 2.99% across the life of the MTFP and an Adult Social Care precept of 2%. As can be seen in the chart in paragraph 43, Adult Social Care is by far our largest overall budget with a spend of £59.7m. The precept will raise circa. £1.422m which is crucial to meet the overall costs and pressure faced in this service area.

62. Darlington currently 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.

63. Darlington has a low Council Tax Base with 43% of our properties in Band A and 78% 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. However, as mentioned previously, the Government is looking to adjust resource levels to take this into account and this adjustment has been included in our RSG assumptions.

64. Despite some turbulent years in house building due to Covid, Nutrient Neutrality and high interest rates, Darlington's house building remains stable. Planning estimates anticipate growth levels to be an average of 461 Band D equivalent properties over the period of this plan, which is a growth on the tax base of 1.25% 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 2026/27.

National Non-Domestic Rates (NNDR)

65. 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.

66. 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 work has begun on the new Darlington Economic campus 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.

67. 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.

68. As anticipated, along with FFR 2.0 the Government have also announced plans to undertake a full reset of the baselines for the Business Rates Retention Scheme, which will result in a resetting of the target collection baseline for the Council's Business Rates and an associated adjustment of the Council's Top-up Grant. The estimated impact of these changes is reflected in the financial planning assumptions set out in this report, with further clarity required from Government on these impacts over the coming months.

69. The in-year collection rate target for NNDR is 98.0% and as at the end of October 2025 is 66% and on track to achieve the target.

Collection Fund

70. 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 (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.

Other Grants

71. 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	**2026/27 £m**
Housing Benefits	0.410
Public Health Grant	10.343
PFI Grant	3.200
Youth Justice Board	0.292
Local Reform & Community Voices	0.071
Adult & Community Learning	0.992
Garden Village	0.093
Pupil Premium	1.130
Dedicated Schools Grant	37.767
Heritage Lottery Fund	0.127
Unaccompanied Asylum-Seeking Children	1.026
Homeless	0.594
War Pensions	0.060
DFE Phonics	0.004
Children's Prevention Grant	0.617
Bikeability	0.028
	56.754

Fees and charges

72. 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 £0.213m of income to help offset the cost of service provision.

Total Income

73. 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.

Resources - Projected and Assumed	**2026/27 £m**	**2027/28 £m**	**2028/29 £m**	**2029/30 £m**
Council Tax	74.633	79.308	84.334	89.671
Business Rates	25.886	26.202	26.544	26.884
Revenue Support Grant	35.376	36.302	37.431	37.157
Better Care Fund	5.537	5.537	5.537	5.537
Extended Producer Responsibility Grant	2.704	2.163	1.730	1.384
Children and Families Grant	0.922	0.922	0.922	0.922
Total Resources	**145.058**	**150.434**	**156.498**	**161.555**

Projected MTFP

74. Set out in the table below are the projections based on the income and expenditure analysis discussed in the previous sections, as can been seen there is a funding gap for the next two years whilst the funding reforms are fully established. We are anticipating having £6.517m reserves which can be utilised to support the plan over that period, however, it is clear the financial position is fragile and reliant on the funding reform predictions along with Council Tax increases to ensure sustainability.

75. It is encouraging that predictions for future years put the finances back on an even keel, however, caution should be taken at this conjuncture given the continued demand pressures placed on the Council.

	2026/27 £m	**2027/28 £m**	**2028/29 £m**	**2029/30 £m**
Projected Total Expenditure	149.337	151.992	154.701	159.522
Projected Total Resources	(145.058)	(150.434)	(156.498)	(161.555)
Projected budget deficit	4.279	1.558	(1.797)	(2.033)

Revenue Balances

76. The projected revenue outturn for 2025/26 is detailed at **Appendix 5**, and after taking into account the Risk Reserve of £6.0m, it is anticipated we will have £6.517m of usable reserves which will be required to cover the sustainability gap in 2026/27 and 2027/28. As previously mentioned, this is a fragile position and not a sustainable if funding reform estimates do not come to fruition. Savings and efficiencies have been found for 2026/27 which will continue into future years, through transformation, back office efficiencies, economic and income growth and a review of fees and charges.

Revenue Balances	**2026/27 £m**	**2027/28 £m**	**2028/29 £m**	**2029/30 £m**
Opening balance	6.517	2.238	0.680	2.477
Contribution to/(from) balances	(4.279)	(1.558)	1.797	2.033
Closing balance	**2.238**	**0.680**	**2.477**	**4.510**

Capital Expenditure

77. 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.

78. 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.

79. 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 house the College, two University buildings, the National Biologics Centre and two Business Incubator buildings with further developments on the horizon. 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 is 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

80. The current capital programme stands at £340m 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 2025/26 was presented to Cabinet on 4 November 2025 and noted there was a projected £0.607m underspend on the approved capital programme.

Table 1

	Construction							
	Live Schemes 75k & Over	Annualised Schemes	Completed Schemes awaiting review	Live Schemes under 75k	Non construction	Capital investment fund	Housing New Build - not yet allocated	Total
Area	£m	£m	£m	£m	£m	£m	£m	£m
Housing	43.551	26.945	0.000	0.033	2.097	0.000	15.925	88.551
Economic Growth	33.057	0.099	0.440	0.348	8.284	77.834	3.476	123.538
Highways/Transport	50.023	15.687	2.756	1.304	2.418	17.977	1.512	91.677
Leisure & Culture	22.026	0.125	2.545	0.310	0.000	3.974	0.000	28.980
Education	3.768	0.509	1.061	0.177	0.079	0.000	0.000	5.594
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	1.581	0.000	0.000	1.581
Total	**152.425**	**43.365**	**6.802**	**2.172**	**14.530**	**99.785**	**20.913**	**339.992**

81. 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.

82. 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.

83. 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.

84. The risk assessed usable capital receipts over the next four years are in the region of £11m although they are not guaranteed so caution needs to be taken when allocating.

85. 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 three schemes with a total value of £2.050m, which will be subject to full reports to Cabinet in due course, these are:

(a) **Capitalised Repairs - £0.250m** – capitalised repairs of £0.250m have been included in the MTFP until for repairs on the Council building stock until 2028/29 to ensure it is fit for purpose, however it is clear with inflation and the age of some of our building that this is not sufficient. An additional £0.250m has been included for the next three years and the full £0.500m continue into 2029/30. This is a rolling programme and details on specific areas of spend will be brought to Cabinet for consideration.

(b) **Energy Performance Certification compliance - £0.200m -** the Council has an extensive commercial estate which generates income from rents and leasing. Energy performance regulations which are to be introduced in 2028 will mean works are likely to be required in some of our commercial buildings. EPC surveys will need to be undertaken before any work is carried out, so this is a provisional estimate at this stage.

(c) **Advanced Design Fees - £0.150m** - per annum is requested to ensure that resources are available to work up any new schemes brought forward in relation to Economic Growth including site investigations on development sites, industrial and housing land. This funding has been invaluable in the past in enabling the Council to be site ready and without this it is likely schemes would stall and not progress.

Government Funding

86. Set out below are details of the levels of Government funding available for investment by the Council in 2026/27 and an outline of the proposed use of these funds.

	2026/27 £m
Children's Services	
School Condition Allocation	0.154
Transport	
Local Transport Plan	3.068
Other	
Disabled Facilities Grant	1.319
Total Capital Grant Available	**4.541**

School Condition Allocations

87. 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

88. A 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.

89. The Tees Valley Local Transport Plan has several accompanying documents that set the strategy and vision for different modes of transport. Each Local Authority is required to produce a Local Implementation Plan, which will effectively replace the Local Authority Local Transport Plan. In Darlington, the Darlington Transport Plan 2022-2030 was approved by Council in November 2022 and covers local priorities and maintenance requirements. Previously 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, of which Darlington were awarded £0.902m. Currently no additional Road Maintenance funding has been confirmed for 2026/27. From 2027/28 highway maintenance funding will form part of the Transport for City Regions (TCR) funding to TVCA. TVCA have been allocated £978m and in January 2024 TVCA Cabinet approved £83m for Local Highway Authority Consolidated Funding, of which Darlington will receive £15.340 over the five year period.

Disabled Facility Grants

90. 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

91. 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 2026/27. Further detail is given in the Housing Revenue Account financial plan but in summary includes:

(d) Adaptations and lifts - £0.153m
(e) Heating Replacement - £1.352m
(f) Structural Works - £0.250m
(g) Lifeline Services - £0.379m
(h) Repairs before Painting - £0.069m
(i) Roofing and Repointing work - £1.000m
(j) Garages - £0.329m
(k) External Works - £0.214m
(l) Pavements - £0.028m
(m) Window & Door Replacement - £2.025m
(n) Internal planned maintenance (IPM) - £3.672m
(o) Communal Works - £0.204m
(p) Energy Efficiency Improvements - £5.237m
(q) New Build and acquisitions - £1.000m
(r) Fees - £0.386m

Consultation

92. This report will be available for public viewing from the 25 November 2025 with official consultation running from 3 December 2025 to 21 January 2026.

Conclusion

93. The Council has faced significant financial challenges over the last decade, with substantial 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. 2025 has presented further challenges with increased demand for services particularly in social care where complexity and costs are rising significantly.

94. Until the outcome of the Fair Funding Reform 2.0 is known, the future of local government financing remains 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 forthcoming.

95. However, on current assumptions, the Council can deliver a balanced MTFP, by achieving the savings and transformation programmes in train and by utilising reserves in 2026/27 and 2027/28 as per our financial strategy, followed by an in year balanced position in the following years.

96. In summary, the Council continues to face significant budget pressures, however, the savings identified in this MTFP and proposed Council Tax rise have reduced the sustainability gap.

Due to the previous actions to protect reserves where possible, the Council can afford a 2026/27 budget and have reserves available to meet the funding requirement until the Government's FFR 2.0 is initiated. If estimates prove incorrect and 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 2024/25 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 Government's Fair Funding Reform 2.0. 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 conjuncture 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 position is fragile and if funding is not forthcoming changes in service provision and/or increased income will be required. 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.

APPENDICES

Appendix 1	Detailed Revenue Estimates 2026/27
Appendix 2	Budget Pressures/Savings
Appendix 3	Fees and Charges Proposals 2026/27
Appendix 4	Assumptions used to prepare estimates
Appendix 5	Projected Revenue Outturn 2025/26
Appendix 6	Proposed MTFP 2026/27 to 2029/30
Appendix 7	Capital Medium Term Financial Plan 2026/27 – 2029/30