Discussion with Ian Milner CBC Strategic Director 28th September 2016

Whilst my own analysis had produced very similar results to the Local Partnership report there were still matters that I wanted to discuss with Ian Milner pertaining to the Local Authority reorganisation. *The outcome of our talks is in italics*. Ian has seen these notes and agreed them.

Assumptions underlying the Local Partnership (LP) Report of 24th August 2016

The financial model is essentially a simple one based upon projected net revenue. Assumptions that could be contentious are discussed by LP – for example the 35% reduction in potential savings requested by finance officers to reflect savings that should be made before 2019-20. Other assumptions are effectively standard variables such as Council Tax increases limited to 3.99% for a unitary authority and 1.99% or £5pa for districts and a 2% increase in business rate baseline (see Central Government four year settlement 16-17 to 19-20). There is an expectation that Government Grant will cease, the business rate tariff will continue and new homes bonus will be phased out. The growth in the tax base is pitched at 0.5%

*The assumed increase in revenue expenditure of 4% for DCC, Bournemouth and Poole was selected by finance officers to reflect the continuing growth in the demand led cost of social care that is primarily responsible for the projected funding deficits across the whole of Dorset. The increase for districts is forecast to be 2%. (*JB note: this doesn't strike me as in any way unreasonable as a working assumption. My previous discussions with DCC had thrown up similar figures*).*

The main objective of the model is to contrast and compare different structures within a given set of assumptions and this was viewed as more important than the absolute value of the projected figures produced. (JB note: This is very similar to the approach I took although I think the LP work is more accurate). *As such variables like inflation, which is very low in any case, do not significantly affect the outcomes.*

Projected Funding Deficits in DCC, Bournemouth and Poole

Ian confirmed that the cost of children's and adult social care is the main underlying cause of these deficits

Debt Levels in Bournemouth and Poole

I was concerned by some of the rather strange remarks that have been made on this subject and therefore asked Ian about actual debt levels.

A significant proportion of actual debt in Bournemouth and Poole (as distinct from projected deficit) is attributable to their stock of Council Housing. The housing stock is managed within a ring-fenced account and is funded by council tenants and not council tax. Unlike say Christchurch, Bournemouth and Poole retained their housing stock rather than transferring them to a housing association. A recent change in legislation enabled Bournemouth and Poole to purchase their stock of Council houses from Central Government using borrowed funds and this is what makes up the bulk of their external borrowing.

Such houses are by statute ring-fenced and must be serviced and maintained solely by the rents paid by Council Tenants and not by the Council Tax paid by other residents. (JB note: this represents a significant safeguard for the residents of Christchurch).

Valuation of Assets

Both David Barnett and I were concerned by the fact that due diligence in relation to assets was not mentioned by LP.

Ian confirmed that if Councils merge their assets will be pooled and transferred to the new authority with no financial settlements involved.

Assets are valued in accordance with statutory guidance and will normally be valued at either Fair Value or Current Value. Assets are valued regularly and their treatment is assessed annually by external auditors along with the whole of their accounts amounting to a rolling due diligence. (JB note: this is why LP did not mention it).

Approach to Conversion

Ian confirmed that the initial approach will be based upon making significant savings in the cost of senior personnel, back office services, property and Councillors as quickly as possible ***as without such savings levels of service provision will have to be reduced.*** (JB note: DCC have said this to me in the past. Anybody suggesting an alternative approach must be able to show that similar size savings can be made within the same timescale)

The systems in use in the various authorities will be examined and the most fit for purpose will be chosen. (JB note: provided this is left to officers and is based upon known criteria I think this should work. What we can't afford is "mine is bigger than yours" fights between political representatives)

More radical changes to methods of operation will be made subsequently after more detailed analysis (JB note: again, this reinforces that time is of the essence)

Pension Fund Projected Funding Deficits

There are two key issues regarding the Dorset Local Government Pension Fund and I asked Ian to talk about both of them.

Firstly, each council carries a deficit within their balance sheet which represents the long term funding gap that the actuary has attributed to that council. (JB note: this is quite normal and is particularly to be expected when gilt yields are as low as they are at present). *If there is a reorganisation there will need to be an equitable reapportionment of the nine council's deficit to the two new councils.*

Secondly, there is the strain on the pension fund that will be caused by any staff that are made redundant and are over 55. This has been estimated by Local Partnerships and is included within the £25m of transition costs as part of the one off costs of change.

All councils currently carry an actuarial based budget contribution to the fund for both past and future service liabilities which reflects the current deficit position.

(JB note: this all seemed sound to me and fair to Christchurch residents)

Other Questions

Other questions remain but it is too early in the process to sensibly discuss such things as managerial overload. *What is encouraging is that other Councils who have already experienced these changes are willing to share their experiences with our officers*.

Jim Biggin

September 2016