

NOTES OF INFORMAL MEETING BETWEEN DCC CLLR ROBERT GOULD AND JIM BIGGIN OF ACRA

1. The meeting was held at DCC on Wednesday 4th November 2014 with the objective of updating the current DCC financial position as at the mid-point of the 2014-15 financial year and communicating that to ACRA members
2. At the start of 2014-15 DCC needed to find savings of £9.8 million. Such savings have been identified and, including a small transfer of £100,000 from contingency reserves, the budget is projected to balance by March 31st 2015. However, at end August 2014 there was overspend of £5.7 million which had reduced to £3 million by end October.
3. The main causes of this overspend are, as ever, the demand led services: Children's Services £3.1 million; Family Support Services £2.4 million; Adult & Community Services £3 million. There is a constant battle year-on-year to offset these overspends by savings made elsewhere (by the recent restructuring and reduction in the numbers of managers for example) and one has to feel that there is something structurally wrong with this setup. DCC agree with that sentiment and are looking for ways of tackling the problem.
4. DCC Cabinet has authorised the future deployment of £5.3 million of the Council's general balances to ease the overall situation. This will reduce DCC's general fund to just over £13 million
5. After allowing for that, projecting the current position into the future based upon the latest understanding of such capricious variables as Central Government actions in an election year indicates that further savings will be required amounting to approximately: £3.5 million (down from £17.3 million originally) in 2015-16; £11.7 million in 2016-17 (down from £16.3 million originally) and a further £11.1 million in 2017-18. This continues to represent an onerous workload and stress level on all levels of management.
6. *Purely for planning purposes* projections for 2015-16 and 2016-17 continue to assume a 2% increase in Council Tax in both years. Projections for 2017-18 are to some extent speculative because the new Government elected in 2015 will have a strong influence on how Local Authorities are funded
7. The savings for future years remain problematic. The DCC Forward Together scheme and the One Council initiative designed to produce a stronger tax-payer oriented service both continue to identify savings but they remain somewhat short of the overall savings required and some previously identified savings are either at risk or will definitely not be achieved. On the plus side, the development of service hubs at Bridport and Wimborne continue to make progress.
8. Talks have been held with both Bournemouth and Poole Authorities and a Leader's Growth Board has been formed to coordinate the activities of the various Local Enterprise Partnerships with a view of better integrating initiatives across the area.
9. After creating a detailed business case, DCC have decided to create a Local Authority Trading Company (LATC) in 2015. This may also include Bournemouth and Poole and it will aim to function in a more flexible and thus cost efficient manner than the Local Authority.
10. A LATC is a company that will provide Adult and Community Services to the people of Dorset in the same way DCC does now, but is a separate organisation that can generate revenue by providing services to those who wish to pay for their own care. Unlike DCC itself the LATC is an organisation which has the ability to trade: it has shareholdings but the council holds 100% of the shares. Set-up and owned by DCC the LATC's shareholder board would be made up of key council staff to monitor and direct, but not manage day-to-day.

11. Council staff costs are set to rise. The budget projections assume an increase of 1% but current wage negotiations are centred on a 2.2% increase. Each 1% increase costs DCC about £1.45 million. The introduction of the Single State Pension in 2016 will increase Employer's NI contributions by around £2.2 million a year. Some work has started to investigate the cost of sickness and absence which is perceived as being higher than it should be. As this measure is often a reflection of staff morale it is a key area of concern (see 5 above).
12. Further financial uncertainty is caused by the switch of schools over to Academy status. To date: 24 schools have switched; 10 more have given notice of intention to switch in this financial year; a further 20 are looking to 2015-16. The actual process of transfer requires considerable DCC resource and the overall effect is to cause fragmentation of support services thereby reducing the effectiveness and productivity of the central overhead spend.
13. The Dilnot reforms to the care and support services that help frail and disabled people to be independent remain an as yet unquantified impact. The costs of such care are either paid for by individuals or on a means-tested basis by Local Authorities in the form of specific services or cash payments that enable people to make their own care and support arrangements.
14. Finally, the impact of the Better Care fund that involves Local Authorities working together with health partners, also remains a largely unknown quantity but there is a perceived risk that agreed plans will not achieve savings to balance government funding reductions creating a budget shortfall of around £2.35 million in 2015-16
15. The Icelandic funds situation is virtually resolved. The Landsbanki claim has been sold to a third party under competitive auction and just over 91% of the original debt recovered. This was more than expected resulting in a transfer to reserves of £100,000. 94% of the Heritable debt has been recovered (£12.5 million of an original £13.3 million). Again this was more than expected and as a result £850,000 has been transferred to reserves. The situation is not concluded, but now awaits the outcome of an Icelandic court case, as a result of which an additional 1% or 2% of the original debt will be returned to DCC.
16. Our next meeting will be held in May 2015 after the general election.

Jim Biggin

November 2014