Shadow Dorset Council

Date of Meeting	18 June 2018
Officer	Interim Section 151 Officer
Subject of Report	**Protocol on Spending and Commitments**
Executive Summary	The report recommends a working protocol to enable a successful new unitary by ensuring that the financial activities undertaken in the existing councils do not adversely impact upon the new Dorset Council. It has been developed and recommended by the Budget Task and Finish Group. The protocol aims to set out the process for dealing with activities that could have an adverse financial impact upon the new Dorset Council.
Impact Assessment:	Equalities Impact Assessment: None
	Use of Evidence: This needs to be considered alongside the Local Partnership Business Case and the predicted 2019/20 budget.
	Budget: There are no direct financial implications.
	Risk Assessment: Having considered the risks associated with this decision using the LGR approved risk management methodology, the level of risk has been identified as: Current Risk: LOW Residual Risk LOW
	Other Implications: None
Recommendation	1. That a Section 24 notice is not pursued. 2. That the Shadow Executive agree the protocol on spending and commitments.

Reason for Recommendation	The protocol aims to ensure that decisions taken before 1April 2019 do not adversely impact on the budget of the future Dorset Council.
Appendices	None
Background Papers	None
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Background

1.1 The business case produced by Local Partnerships identified that annual savings of £13.6m could be achieved with the implementation costs being slightly less than this. They also highlighted that capital receipts of around £25m across the two new unitary councils could be achieved from the disposal of surplus council offices. The business case made no assumptions concerning reserves.

1.2 With the new unitary councils coming into existence from April 2019 all of the financial resources and commitments from the predecessor councils will transfer to one of them at this date. It is important therefore that decisions and actions taken in the existing councils are made against the background of not adversely impacting upon the finances of the new unitary.

1.3 At the a finance officers' meeting on 8 March 2018 with the Ministry for Housing, Communities and Local Government (MHCLG) the issue of introducing a Section 24 notice to limit existing councils from entering into new expenditure commitments was raised. This generally was not in place for the previous round of reorganisations but did feature in the Cheshire East reorganisation. The introduction of a Section 24 notice could be a helpful tool in protecting the finances of the new unitary, however, it is a rather crude instrument and could capture things it was not intended to e.g. care packages; and not stop things that would have an adverse financial impact e.g. transfer of car parks to Town Councils. It was agreed by the Dorset Area Finance Officers Group that it would be better to develop a working protocol that would be more flexible to our local needs. This report represents the proposed protocol.

1.4 Each Council has a Section 151 Officer who has responsibility for the stewardship of the council's finances. Their duty is obviously to their employing council however they also have a wider fiduciary duty concerning public funds. An interim Section 151 Officer (Jason Vaughan) was appointed by the Shadow Dorset Council on 7 June 2018.

Spending

2.1 A key risk for the financial success of the new unitary is that the existing councils have structural problems with their base budgets and that these are not addressed and then adversely impact upon the new unitary. This could include such things as:-

- Overspending in 2017/18 that is not addressed in the 2018/19 budget

- Use of reserves to fund on-going expenditure
- “savings to be identified” within the 2018/19 budget
- Savings in transformation programmes that have not been delivered
- Staff establishment budgets being based upon high vacancy factors
- Unrealistic estimates within the 2018/19 budget such as pay award, demand led budgets or income assumptions
- Unrealistic estimates or provisions within business rates forecasts
- Unrealistic estimates or provisions within council tax collection fund
- Building one-off sources of funding into the base budget

2.2 The protocol requires the Section 151 Officer of each Council to confirm where their individual authority is in relation to these items, provide an affirmative statement on them and keep this under review. This will ensure that the interim Section 151 Officer has a clear understanding of the overall financial picture and associated risks. The summary of these will be reported to the Budget Task & Finish Group.

2.3 If there are any potential overspends or income shortfalls in the 2018/19 financial year the relevant Section 151 Officer must inform the interim Section 151 Officer as soon as possible and they will report them as appropriate.

Commitments

3.1 At present the existing councils are free to continue to run their affairs and make financial decisions without taking into account the impact upon the new unitary. The protocol requires any items that could have a financial impact upon the new unitary to be initially assessed by the interim Section 151 Officer and, if it has a significant financial impact, seek approval by the Shadow Executive. De minimis levels of £100,000 for each District and Borough and £500,000 for Dorset County Council are proposed in order to avoid the process becoming unmanageable. The spirt of this protocol is that a council should not be ‘breaking down’ items into parts in order that become lower than the de minimis levels.

3.2 The key areas covered by the protocol would include purchase, disposal and transfer of assets, new contracts with significant on-going financial commitments (but not routine items like care packages), new capital schemes with on-going financial commitments and use of reserves above those already approved.