

# Shadow Dorset Council

Date of Meeting	17 December 2018
Lead Member	Gary Suttle, Deputy Leader, Shadow Dorset Council
Officer	Keith Cheesman, Programme Director
<b>Subject of Report</b>	<b>Programme Highlight Report (including Programme Budget)</b>
Executive Summary	This report provides an update on progress since the last Shadow Executive Committee meeting on 12 November 2018, including a further update and recommendation on the Programme Budget.
Impact Assessment:	<p>Equalities Impact Assessment:</p> <p>None in relation to this report.</p>
	<p>Use of Evidence:</p> <p>This report has been written in consultation with Project Managers, Subject Matter Experts and other members of the Programme Team.</p>
	<p>Budget:</p> <p>The last highlight alerted Members to a projected overspend on the current budget. A recommendation is made below to address this.</p>
	<p>Risk Assessment:</p> <p>Having considered the risks associated with this decision using the LGR approved risk management methodology, the level of risk has been identified as Amber.</p>
	<p>Other Implications:</p> <p>None identified.</p>

Recommendation	That the Shadow Executive:  1. Notes the progress made since the last Shadow Executive Committee meeting 2. Approve the request for resources and agree the funding approach as detailed in section 3 below
Reason for Recommendation	Programme resource requirements are understood and met.
Appendices	1. Programme Highlight Report 2. Updated Programme budget
Background Papers	1. Item 6: Programme Highlight Report (Shadow Executive Committee, 12 November 2018)
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Date agreed by Lead Member	
Date agreed by Statutory Officers	

## 1. Summary and Progress

1.1 The full highlight report is attached at Appendix 1. At the time of writing, overall progress remains at Amber.

1.2 Key achievements in the last period include:

- All service continuity implementation plans are now signed off;
- Work on the dependencies is now being pushed forward;
- Detailed work on the plans for Phase 3 continues to meet the requirement for both the transitional structures and transformation at pace. Baselineing the data for convergence has taken longer than expected due to the data held for finance and HR not correlating. There is significant work ongoing to deliver a proposal for transitional structures in January.
- The draft constitution has been issued,
- The senior leadership recruitment process is nearing completion.

1.3 There are challenges around the Data Disaggregation work which seeks to identify, prepare and pass the case data and associated files from Dorset Council to Bournemouth, Christchurch and Poole Council. Work in this area is increasing in intensity to agree plans and approaches with the BCP Programme.

## **2. Risks and Issues**

### **2.1 The key programme issue is around the Dedicated Schools Grant.**

The Dedicated Schools Grant (DSG) has not increased to allow for additional responsibilities for children when the 16-25 yr age group were added. Numbers of Education Health and Care Plan (EHCP, previously SEN) pupils have been steadily rising with no sign of this levelling out, as funding has seen minimal increase. Recharges from the DCC to DSG of about £1m have already been included as a potential issue in the 19/20 budget calculations and contribute towards the overall estimated £15.5m budget gap to be addressed in the 20/2/19 Shadow Council meeting.

There is a possible way to help manage the DSG deficit in 2019-20 by shifting funds between the different blocks the funding is supplied in, but this must be approved by the Schools Forum and the Secretary of State if over 0.5% of the Schools' Block. The Schools Forum have not approved the movement of moneys between the blocks and so this has been referred to the Secretary of State. The value of this is around £2m.

If the Secretary of State does not approve the request to transfer funds between funding blocks, this will result in an increase in the budget deficit.

### **2.2 The key programme risk is regarding the setting of a balanced Dorset Council budget for 2019/20. By this stage in the year, it would be normal to have much of the clarity required and the process of engaging members on the specifics would take place over the weeks to Full Council consideration in February. In light of the complexity of the situation, the work still required to address additional cost pressures identified through the past couple of months and the ongoing dispute over debts and reserves to be transferred to BCP, there remains a risk that at this moment in time there is no clear way to set a balanced budget.**

Finance officers and the programme team continue to work closely to address the challenge in the specific areas such as stranded costs, the transitional structures

In common with so many other councils across the country, cost pressures are increasing across Adults and Children's social care services and while there are measures in place to contain these as far as possible, these are demand led pressures and ultimately are not as controllable or predictable as with other council services.

### **2.3 The process of creating the risk log for the new council is being led by the Intelligence, Insight and Performance Team at Dorset County Council.**

## **3. Programme Budget**

### **3.1 The original Local Partnerships Financial Case in 2016 identified a series of estimated costs and benefits associated with the delivery of Local Government Reorganisation. Work has been undertaken to refine these figures, particularly the transition, transformation and programme costs using recent data.**

### **3.2 In May 2018, the Dorset Area Joint Committee agreed an additional request for funding for the programme costs, bringing the total released to £3.378m. This**

included c£1.2m of one-off operational costs, with an expectation that the more detailed work on implementation planning would draw out the full costs of other such one-off costs.

- 3.3 An updated Programme budget is attached at Appendix 2. The analysis shows that the majority of implementation costs are in line with the original case but the Programme Management costs are significantly higher than first estimated. This reflects three factors that are not as originally envisaged, mostly connected to the delay in receiving the Secretary of State’s approval:
- 3.3.1 After several years of reducing the overall employee levels in the sovereign organisations, the availability of internal employee resource to fulfil the planning, design, development and management of the various projects and workstreams is very limited and so resource has been bought in. Wherever possible, this was done through fixed term employee contracts, but for expediency and to gain the right skills mix, interims have also been brought in. There is significant value in utilising interim and consultancy resource in terms of the additional experience and expertise but there is a premium paid for these resources
- 3.3.2 The condensed time period has required that work has been overlapped far more than would otherwise be required. The intensity of this requires additional controls and management and additional resources to cover the workload.
- 3.3.3 The work to deliver the convergence savings, initially deferred to reduce the overall programme risk, has necessitated additional resource to deliver the Transitional Structures that will deliver the cost reductions necessary to enable a balanced budget to be set for 2019/20
- 3.4 The most significant revision against the Local Partnerships case is to the estimated redundancy costs which will be updated as part of the Transition Structures Business Case to be presented January. Due to the condensed period over which these changes will be happening, it is likely that significantly fewer employees will have left through normal ‘turnover’ than was previously forecast. The full detail of the latest estimates for these costs will therefore accompany the proposed changes.
- 3.5 The original financial case showed that by investing £13.2m we would achieve on-going savings of £13.7m, demonstrating a payback in less than a year. Once the redundancy costs are factored into the overall spend, the implementation costs will show an increase over those estimates but the savings that will be set out in the budget report in January will also increase.
- 3.6 The summary costs now estimated, together with the original estimates is set out as follows:

	Local Partnerships Report £m	December 2018 Estimates £m	18/19 £m
Programme Management	1.3	3.10	2.48
Redundancy	2.9	*	
Relocation	1.2	0.40	

Retirement	0.6	*	
HR	0.7	0.54	0.54
Property	1.5	0.80	
ICT	1.0	1.50	1.00
Public Consultation	0.2	0.20	
Creating New Council	1.3	1.72	0.62
Induction	0.3	0.30	
Closedown	0.1	0.10	0.10
Service Configuration	0.5	0.29	
Contingency	1.6	0.80	0.50
<b>Total</b>	<b>13.2</b>	<b>9.74</b>	<b>5.24</b>

\* To be provided in January with the Transition Structures Business Case

- 3.6 Therefore, with £3.378m already released, to enable the programme to continue to deliver, funding is required to be agreed for an additional £6.36m, £1.86m of which for spend in 2018/19.

The 2018/19 share of these costs is presented as follows:

2018/19	£m
Dorset County Council	0.930
East Dorset District Council	0.222
North Dorset District Council	0.177
Purbeck District Council	0.116
West Dorset District Council	0.252
Weymouth & Portland Borough Council	0.163
	<b>1.859</b>

- 3.7 Discussions remain ongoing with the Ministry for Housing, Communities and Local Government regarding the use of a Capitalisation Directive as a means of enabling funding the implementation costs to be spread over subsequent years.