

The Background

Christchurch Borough Council (CBC) is a second tier Council in Dorset along with East Dorset, North Dorset, Purbeck, West Dorset and Weymouth. Dorset County Council (DCC) provides common services such as Highway Maintenance to the second tier Councils. In addition, Bournemouth Council and Poole Council are both stand-alone authorities, known as Unitary Authorities; together these nine bodies make up the councils of Dorset

Each Council is funded by four sources of income: Council Tax; Business Rates; Fees and Charges (such as parking charges); plus a Grant from Central Government (that is a portion of the income tax that we pay redistributed back to our Local Authority — it is called Revenue Support Grant). In round terms 10% of our Council Tax is spent by CBC with the remainder going to fund DCC, the police, etc.

The Treasury Acts

In the autumn of 2015 Central Government announced that over the next few years it would reduce the Grant to nothing. Local Authorities would from 2020 have to survive on what they could raise locally. The effect of this will be to put CBC into a funding deficit by 2018-19 and to increase the size of DCC's deficit brought forward from 2015-16.

As an integral part of this change, Central Government have made it clear that they wish in future to deal only with a small number of "large" authorities. Large is undefined but Dorset has four councils in the smallest twenty in England measured by size of electorate: Purbeck; Christchurch; Weymouth; and North Dorset. None of the others is particularly large.

Central Government believe this to be economically unsustainable. In addition, both Poole and Bournemouth are each believed to be too small to survive as Unitary Authorities in the current political and economic climate.

The stage had been set for a wholesale reorganisation of the councils of Dorset.

Dorset Reacts

As a first step it was decided to create a new Dorset Combined Authority that would take under its wing all of Dorset's existing Councils including Bournemouth and Poole. This new Authority is scheduled for implementation in December 2016. The new body will deal initially with Strategic Transport and Economic Development with further functions potentially added in 2017 and subsequently. This is the body that will work with the Local Enterprise Board *and is where the directly elected executive mayor that Dorset now seems destined to acquire will fit into the structure*

Our umbrella group ACRA met and discussed the situation. They noted in the set of principles governing this reorganisation, adopted by the leaders and chief executives of all nine councils, that *"public support/acceptance of whatever decisions are made"* is a key measure of success. (The full set of principles and associated method statements plus minutes of the ACRA meeting can be found at www.wcreidents.co.uk).

An important part of the justification for reorganisation is the "business case" — proving that any new structure will be financially viable. The national Local Government Association was asked to assist in this process and it is being carried out by a body called Local Partnerships. They agreed to do the analytical work free of charge because, we understand, they felt they needed the experience

of managing such a project. We were advised of an estimated delivery date of end March 2016. We have some considerable experience of this type of work and felt that was an unrealistic timetable, and said so. We estimated delivery end June 2016 at the earliest for such a complex project. At the time of writing this note (end June) the report has still not materialised.

In preparation for this financial review we formed an ACRA review team which comprises four retired Christchurch residents who during their working lives worked as: Chief Executive of CBC; Member of National Audit Office specialising in Local Authorities; a City of London based Director of a large financial services company; a management consultant.

More Government Action

Central Government then increased the pressure to reform. First it took new legislative powers under the Cities & Local Government Act 2016 (CLGA 2016) whereby it can impose change should it choose to do so. Whilst it continued to say it had no intention of doing that, such protestations were taken with a pinch of salt—why pass legislation if you don't intend to use it?

Second it announced financial incentives for reforming councils. This prompted Councillor Robert Gould, Leader of DCC, to say: *"The danger is clear; if we do not push ahead we will lose out in terms of government investment which will go to other parts of the country. This is a competitive process with limited funds available which we would like to see invested in Dorset. If change is not achieved by us taking the initiative now, there is a high risk that the next government will impose a solution"*

As we thought about all of this we realised that the whole timetable is being driven by Central Government's desire to have everything done and dusted before the 2020 General Election. By working backwards from that date we arrive at an outline timetable: decide what is to happen by summer 2016; consult with the electorate **and gain their support**; inform Secretary of State of the desire to merge supported by a business case and **evidence of public support** by January 2017; with elections to the newly formed council(s) in May 2019.

In summary, over the last months it has become clear that Central Government is prepared to squeeze the finances of Local Authorities such as Dorset, offering money as an inducement to change whilst retaining the power under the new CLGA 2016 to impose structures if they don't like what local people are proposing.

In June 2016 we learned that Central Government has now said that either a directly elected executive mayor or a unitary structure are effectively mandatory and have indicated a preference in Dorset for two Unitary Authorities subsidiary to the new Combined Authority. We think that means Christchurch-Bournemouth-Poole as one Authority and the remainder of Dorset as the second with East Dorset possibly being split into two portions — urban (Ferndown, West Moors) coming in with Christchurch and rural (Wimborne etc.) remaining with North Dorset, West Dorset, etc.

The Treasury goes a step further

Central Government hasn't contented itself with just those stipulations however. It has further decreed that any new arrangements must be fiscally neutral (no requests for Government funds) to start with and that they anticipate **a real cash return to HMG in future**. That is to say our Council Tax and Business Rates will in future be partly used to fund Central Government activity!

As far as reducing costs are concerned, there is scope for shared services. In addition to waste and benefit payments that already exist we identify: Countryside and Parks; Tourism; Coastal Protection and Maintenance; Highways; the management of Social Services; the management of Planning; IT; Legal Services; Human Resources management; finance and accounting. (In Manchester the NHS was brought into this equation with Manchester Council agreeing to take over the management of the local NHS and to integrate it with Social Services. Central Government handed over the reins and then cut the budget by about £2 billion)

In June 2016 ACRA members cooperated to produce a paper on the non-financial aspects of the reorganisation that was sent to every CBC Councillor. You can read the paper for yourself at www.wcreidents.co.uk

The public consultation is scheduled to take place August-September 2016 but will be limited to consultation on unitary options *with other options not being considered*. This reflects the tougher stance adopted by Central Government as described above.

The big financial questions

There are a number of very important financial issues that we believe must be resolved before residents can accept the proposed changes and new Unitary Authorities can be formed from the existing Councils. We anticipate that the financial review when it eventually appears will address these. They can be summarised as follows:

1. The differing levels of Council Tax that exist between Christchurch, Poole and Bournemouth for the same band property (Poole Band D £1,518 pa; Christchurch Band D £1,714 pa)
2. The administrative arrangements for handling the debts of Poole and Bournemouth (Poole £86.5 million; Bournemouth £98.5 million) that avoid Christchurch residents servicing those debts
3. The stated pension fund deficits of both Poole and Bournemouth and how those are going to be funded in future
4. The balance sheet asset values of certain properties held by Dorset Authorities when compared with their potentially lower true market value

A basic maxim of public finance is '*no taxation without representation*'. In other words there should always be a direct link between the representatives we elect, the Council Tax we pay, and how that tax is spent.

The Government's objective appears to be self-sufficiency for local services funded from the Council Tax, both domestic and business, which means that local taxation will bear the whole burden of massively expensive public services such as child care and care for the elderly, *the changing standards of which are determined by central government*.

Such a huge disconnect between tax payer and effective tax spender with local Councillors playing piggy-in-the-middle will not in our view be a healthy development, particularly when it is based on Council Tax and Business Rates, *which are both highly regressive forms of taxation* - they are not linked directly to income and thereby ability to pay.

Furthermore, both are based on **April 1991** property values which are 25 years out of date. Today, a top band (Band H) property owner pays a fraction over three times as much Council Tax as a bottom band (Band A) owner but owns a property that is at least eight times more valuable.

Local Authority Reorganisation: ACRA Summary — June 2016 Page 4

This means that in general *people on lower incomes are subsidising higher earners by funding a disproportionately large share of local government expenditure.*

What next

Residents Associations have an important role to play during and immediately after the public consultation.

During the public consultation we have the capacity to organise: a bias free fact sheet for distribution by e-mail and by printed sheet to our members; clinics where residents can talk to their local Councillors and indeed to us; public meetings

We can talk to the local media and express our views on what is being proposed

We can write to local Councillors, to the MP Christopher Chope and to Central Government

More twists than Chubby Checker

Just as we thought we had the measure of all this, the referendum vote has caused Prime Minister Cameron to resign and to precipitate a leadership contest that will not be resolved until the autumn. It appears likely that in addition to Cameron the Chancellor Osborne will also be replaced and **the** Local Government Minister Clarke, a keen advocate of remaining in the EU, could also well disappear. We might even have a General Election.

As the driving force for reorganisation is Osborne and the Treasury we could yet see another change of direction or, perhaps more likely, **a** change in the timetable. We shall have to wait and see.

Jim Biggin

29th June 2016

www.wcresidents.co.uk