MTFP Questions for County Council 16th February 2011

Q1. Ref: Para 5.5 Page A1-3. Has the Corporate Risk Register been updated since the full Government settlement was known on 13 December 2010? If so, what key risks have been deleted, amended or newly added?

The Corporate Risk Register is constantly being reviewed. The Audit Committee on 24 February 2011 will receive a report that provides an update of the Register. Links to this report are provided below.

http://www1.somerset.gov.uk/council/board9/2011%20February%2024%20Item%201

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Q2. The Prime Minister made a pledge that the low & moderately paid would be protected during the pay freeze and cuts through a fixed annual pay rise of £250. That was defined as those staff earning fte up to £21K. Has the Council budgeted for the £250 for 2011/12 for qualifying staff? Will this payment be made? Is this Council aware that civil servants for central Government will get this promised payment?

Individual service budgets do not include provision for this sum. Therefore any agreed payment would need to be either funded from contingency sums or through additional budget savings. Any decision to make this payment forms part of the National Joint Council Negotiations on Pay for 2011/12 and it is for it to decide on the pay settlement. The intention of Central Government to pay at least the £250 (to those earning less than a full time equivalent of £21,000pa) is set out in the Civil Service pay guidance 2011/12 published by HM Treasury earlier this month.

http://www.hm-treasury.gov.uk/d/civil_service_pay160211.pdf

Q3. The settlement is for 2 years and all grants are only known for 2 years. The Adult Social Care grant from the NHS of £6.7m in each year (total £13.4m) contains £8m (£4m in 2011/12 & £4m in 2012/13) which can be used as revenue grant in Community for Adult Social Care. Is this £8m of Adult Social Care grant shown on Page B1-19 in the table covering Actual Change in Grant. If not, why not? Is it reflected in Para 2.3 Note 1 Page B1-3? Is it reflected in Para 5.3 Page B1-15? Is it reflected in Para 5.29 Page B1-20?

Firstly the initial statement is not completely correct. The NHS grant in 2012/13 is £6.4m rather than £6.7m. The table on page B1-19 (paragraph 5.28) does not include any 2012/13 data as it covers the grant movement between 2010/11 and 2011/12. The purpose of the table is to demonstrate the movement between the projected grant reduction and the outcome post-LGFS. In addition the £4m is also not included as it did not exist in 2010/11 and was also a grant made to the NHS, not local government. The provision of funding to Somerset County Council from this grant is by negotiation with the NHS at a local level.

Within Note 1 (paragraph 2.3) on page B1-3, £4m of income has been included in both 2011/12 and 2012/13 and is therefore reflected within the balanced budget for 2011/12 and the indicative savings target for 2012/13.

Paragraph 5.3 refers to the loss of grant to SCC and so the £22m figure takes no account of the NHS funding, as explained in the first paragraph above.

The table in paragraph 5.29 refers only to SCC grant allocations. As explained above the Adult Social Care funding is an income stream negotiated locally with the NHS.

Q4. When the Leader stated in Sep'2010 (well ahead of knowing the actual settlement) that 1,500 jobs would be lost (700 in 2011/12, 400 in each of 2012/13 & 2013/14 – 800 total), was that a simple estimate for "25% loss of grant equals 25% of jobs to go" or was it a target for job reductions (as per SCC Employment Strategy)? What is the impact of the settlement on that early estimate of job losses?

This was a very early statement based on early indications.
We are currently estimating that in 2011/12:-

123 posts frozen
182 posts redundant under the corporate trawl for voluntary redundancies
393 posts lost through a process of vacancy management, restructuring, and voluntary and compulsory redundancies.
A total of 701 posts.

The Council is currently estimating how many posts will need to be lost in 2012/13 and 2013/14.

Q5. In the autumn, HR were working on an average redundancy compensation figure of £25K per redundant employee. That was later amended to £20K per redundant employee, as the original profile was slewed by higher paid staff in the significant LEA redundancies. Para 11.3 on Page A1-9 shows redundancy costs of £6.8m. This implies that 350 redundancies are expected (against the Sep'2010 estimate of 700) to balance the 2011/12 budget. Is that correct? Please state the number of redundancies used for this 2011/12 budget calculation.

Out of the 393 posts to be lost, the current number of estimated redundancies are 226 but this excludes redundancies in other areas like Libraries where decisions on funding have yet to be concluded and thus the figure is likely to be higher.

How many redundancies after SCC redeployment best efforts for 2011/12 budget balancing are now estimated will be compulsory?

The current estimate is 139, but this excludes the possibility of compulsory redundancies occurring in other areas like Libraries where decisions on funding have yet to be concluded.

Q6. Have redundancy estimates for 2012/13 & 2013/14 of 800 job losses been re-estimated in the light of the settlement and the apparently lower than expected redundancy figures for 2011/12? What are the current estimates now being used?

The Council is currently estimating how many posts will need to be lost in 2012/13 and 2013/14.

Q6a. Will further capitalisation applications be made for spreading the cost of redundancies for each of 2012/13 & 2013/14?

This will be considered annually based on the financial standing of the authority. Based on the authority's current financial standing it is the Section 151 Officer's view that further applications are likely.

Q6b. Looking at the take-up, the Council has not promulgated voluntary reductions in hours effectively. Will the Council pursue this savings option more vigorously in 2011/12 and 2012/13?

It needs to be remembered that the Council continually promotes voluntary reductions in hours as part of its long established flexible working policies. It also needs to be remembered that those placed at risk in the Council are also reminded of such voluntary reductions options. However, the ability of the Council to accommodate personal requests for voluntary reduced hours is limited by operational imperatives. Even where agreed, voluntary reduced hours will not necessarily result in permanent savings. A corporate search for reduced hours may be made once the at risk notices are spent and as such employees more secure about their own positions.

Q6c. Para 6.3 Page A1-5 refers to stretched savings targets contributing.

(No question)

Q6d. What redundancy numbers for 2012/13 & 2013/14 would, taking all of the above into account, be affordable from earmarked reserves (Para 11.4 Page A1-9). Would that affordability model support the UNISON offer of 2x redundancy capped at a maximum payout £30K?

The Council is currently estimating how many posts will need to be lost in 2012/13 and 2013/14. The Council is unable to afford any redundancies in future years and the costs will be a budget pressure. It has reduced the level of redundancy compensation to ensure that the pressure on future budgets is minimised.

Q6e. UNISON notes in Para 7.2 on Page A1-5 that "*The Council holds two main reserves for budgetary risk management; the General Revenue Reserve to manage risks in the Revenue Budget, and the Capital Fund to manage risks and provide flexibility within the Capital Investment Programme*. ***Both reserves have been created from revenue sources of finance, so could be used for any purpose if required".***

(No question)

Q7. Para 4.27 page B1-12. Will the receipts from the sales of County Farms and other properties be used for:

a) Service Improvement?

b) Reducing/paying down debt?

c) Increasing reserves?

d) Other – please state?

Capital Receipts are <u>only</u> permitted to be used to re-invest in the asset base or to redeem debt. There is no intention at present to prematurely redeem debt, as to do so would incur early redemption premia.

Q8. Icelandic debt recovery is dependent on an LGA-led court action in Iceland seeking preferential debtor status. With that Council gets around 90% recovery &

without it Council gets around 40% recovery. That position is expected to be realised in 2011. Will the recovery of the debt (at either level) be used for:

a) Service Improvement?

b) Reducing/paying down debt?

c) Increasing reserves?

d) Other – please state?

The investment in Icelandic banks represented temporary cash balances from a variety of sources via the Council's Comingled Fund. Any under-recovery will have a direct impact on the Council's Revenue Budget as a result of the need to make write-offs through the Income and Expenditure Account. Therefore any recovery of the investment can be said to have a benefit on maintaining service budgets.

Q9a. In Para 10.4 Page A1-8 shows a potential capital fund risk from new primary schools provision. Has a risk assessment been carried out on these new builds if, after construction, the schools elect for "Free" or "Academy" status? How would assets and liabilities be transferred to the Free or Academy school(s) to ensure that Somerset taxpayers are not left with the debt & interest repayments?

Risk assessments will be carried out as projects are brought forward for development. Asset transfer arrangements are broadly as set out in Q9b below, except that the asset will appear on the balance sheet of the Academy (rather than the Education Trust) and of course the PFI funding arrangements do not apply.

Q9b. Para 4.38 Page B1-14. Has a risk assessment been carried out on the Bridgwater PFI-funded schools if, after construction, the schools elect for "Free" or "Academy" status? How would assets and liabilities be transferred to the Free or Academy school(s) to ensure that Somerset taxpayers are not left with the debt & interest repayments?

Risk Assessments have been carried out within the BSF project. The issue of 'Free' schools does not apply as 'Free' schools are newly created and do not involve the transfer of an existing school. A 'Free' school, once set up, effectively is an Academy. Where an existing County school becomes an Academy, the accounting treatment is very complex. However the basic facts are that the local authority retains the freehold title to the premises. The Academy effectively enjoys the risks and rewards of 'ownership' and the 'asset' will appear on the Education Trust's Balance Sheet, however the Academy will occupy the premises on a long lease. The liability for payment of the 'unitary charge' to the PFI provider will remain with the local authority, however PFI credits will still be available to the local authority as will any existing contributions from the school (Academy) budget. Therefore in this respect Council Tax payers are in the same position as before.

Q10a. Page A1-15. Bad debt write off of £602K. Does this include duplicate invoice payments as a result of SAP implementation problems? UNISON understood that SW1 would remain responsible for non-recovery of these duplicate invoice debts?

It remains the intention to hold SWOne responsible for any duplicate payments that are not subsequently recovered. The figure quoted forms part of the adequacy of reserves calculation and is not attached to any specific debts. It should not be implied therefore that this sum is likely to be written off.

Q10b. In the last Scrutiny, it was reported that negotiations for SW1 compensation for SAP difficulties were close to agreement. How much is that compensation and how will it be utilised?

Answer required – Kevin?

Q11. How have EDF Section 106 and any income, council tax or any other benefits from EDF (including assets) into Somerset been accounted for in the MTFP?

EDF reimburse SCC for all costs incurred by SCC in relation the Hinkley Point planning application as regulated by the Planning Performance Agreement. Therefore the impact on the authority's MTFP is a net nil position. Developer contributions towards infrastructure (S.106) are the subject of ongoing negotiations with EDF and as such will be brought into the Capital Investment Programme as agreements crystallise.

Q12. UNISON would think it prudent that SW1 procurement savings (including reductions in pressures) should be accounted for a year in arrears, when actual cashable savings are known. How in the MTFP will the public, Councillors and UNISON see a summary of SW1 procurement savings and reduced pressures to monitor the progress and contribution from SW1 as the key transformation & savings programme in the next 7 years?

Answer required – Kevin / Matt?

Q13. Atkins. Para 4.18 Page B1-10. The capital grant of £42m has enabled the Council to avoid a loss of £3.5m from spend falling below a contract threshold. How has the avoidance of the loss of £3.5m revenue saving been accounted for in the MTFP, given that the November Full Council decision, that would have expected a loss from cuts in highway spending?

The £3.5m referred to above is not a revenue saving and therefore has no impact on the revenue budget. The higher capital spend resulting from the higher level of capital grant means that the unit rates for capital works are lower than they would have been if the capital spend had been set at planned levels prior to the Local Government Finance Settlement. The lower unit rates effectively mean that the 'purchasing power' of the highways capital programme has been enhanced.

Q14. Para 5.9 B1-15. The November 2010 agreed savings were £43m yet now a savings figure of £37m is being used. Where is the discrepancy? Is that reflected in the estimated shortfalls for 2012/13 & 2013/14?

The £43m savings agreed in November 2010 were spread across the 3 years of the MTFP. You do not indicate the source of the £37m savings figure, therefore it is difficult to be certain of the comparison. Nevertheless, during the course of the MTFP process, savings of £37m were the projected need in order to balance the 2011/12 budget (ie a one-year rather than a three-year figure). However the budget approved by Council finally included savings in 2011/12 of £34m.

Q15. The SW1 contract has novated budgets for PC/Notebook assets, replacement and maintenance within the unitary charge/baseline paid to SW1. On Page B1-40 there are significant Desktop refresh costs of £1.1m for 2011/12 & 2012/13, over & above "SW1 Core Contract". At an average cost of £500 per PC or Notebook then this would fund a 2-year refresh for 2,200 people. With a recruitment freeze & redundancies resulting in a falling headcount, then why is this level of Desktop refresh required?

Answer required – Kevin / Matt?

Q16. Employment Strategy Paper B1 Appendix I:

The paper says that the Council will "become a significantly smaller organisation":

For 2011/12, 2012/13 and 2013/14 then what are the targets for the organisation size in headcount as this policy is implemented?

How will the recognised Trades Unions be involved in meaningful consultation around the implementation of this policy?

The Leader has already said that the expectation is that the size of the Council will reduce by 1500 posts over next 3 years. The Council will continue to engage Trades Unions in consultation about the future size and shape of the organisation through the agreed channels.

How will service users be engaged in service redesign or commissioning or externalisation to ensure that their needs are met?

In the usual way undertaken for any service review

Please state for the 3-year MTFP period, which services are targeted for externalisation to support "a greater emphasis on commissioning"? How many staff are currently employed in those targeted services?

These are still being considered

How will "rural proofing" be built into those proposals alongside the obligatory Equality Impact Assessments?

The impact of any proposals will include such considerations

How will "vastly simplify ways of working" be base lined for the "as is" and then measured going forward for monitoring of actual achievement? Who will carry out the business & process analysis to simplify ways of working? What budget is available to fund that work?

The Employment Strategy is not a working plan. It only sets out the high level priorities for the Council. It sets out as priorities providing key staff and managers with the technical skills for dealing with different ways of delivering services. The Council expects to follow a 'systems-thinking' approach which will support innovation in the design of services and to be more creative in establishing more flexible and adaptable working methods. There will be a promotion of greater flexibility of deployment in our workforce, adapting job roles to better suit a changing organisation and to provide more opportunity.

If pay and the terms & conditions for staff delivering services are made significantly less favourable, then how on eventual economic recovery, will morale and motivation be maintained or improved? How will discretionary effort be maintained or improved? How will retention & recruitment be affected in future?

In a period of change, the Employment Strategy gives priority to modernising terms and conditions of employment so they are fit for purpose and centred on the needs of the business, promoting greater flexibility of deployment in our workforce, and adapting job roles to better suit a changing organisation and to provide more opportunity. At this point in time, pay and terms and conditions of employment are not "significantly less favourable".

What evidence exists that staff do not currently have "attitudes of respect & fairness in serving communities"?

This, like everything else in the Employment Strategy, is a confirmation of the standards the Council sets as priorities in terms of employment. It sees as one of its priorities that staff "foster" these attitudes. It should not be inferred that staff do not currently foster these attitudes.

When will the staff survey be conducted?

The current plan is to conduct the staff survey in April 2011

Q17. The overall income for SCC has risen from £862m last year to £895m this year – Can a corrected "stacked bar chart" showing SCC Income be published on the SCC intranet for clarity & understanding as requested by UNISON?

Please note this question has been asked and answered previously. In the interests of completeness the original answer is provided again below.

Firstly, the statement made prior to this question is incorrect. The £862m specified relates to the 2010/11 financial year not 'last year 'as stated. The £895m (which is an early estimate) therefore relates to 2011/12, ie not 'this year'. The estimated 2011/12 chart was corrected and UNISON advised there was a transposition of numbers. The £862m falls to £850m.

Clearly the budget for 2011/12 will not be set until County Council on 16 February 2011. Following that meeting, the 'Facts & Figures 2011/12 – Balancing the Budget' card (on which the "stacked bar chart" forms the front page) will be compiled. However, the chart already appears on the Internet and has done for a number of years. The 2010/11 chart is published on page 6 of the Council's budget book. A link to this is attached below.

http://www.somerset.gov.uk/irj/go/km/docs/CouncilDocuments/SCC/Documents/Reso

Q18. When Property management transferred into SW1 was an up to date asset plan part of the contract with IBM? Was the condition of each property part of the asset plan, so that the contract could be monitored for declines in condition of properties and to record betterment? What are the implications for leased properties?

Please note this question has been asked and answered previously. In the interests of completeness the original answer is provided again below.

The database used to record the condition of properties is updated almost daily with information as to the changing conditions, use of those properties, and improvements or impairment to the properties. It is not possible to assess the relative state of the property portfolio in 2007 when compared with 2011. The budgets for Property Maintenance were not passed to Southwest One and are managed by the Corporate Landlord. It is not clear what is meant by the reference to leased properties, however maintenance liabilities will depend on the terms of individual leases.

Q19. How much of the enabling IT infrastructure (networks, document management, central information stores, security etc) required to support SMART Office will be "extras" under the SW1 contract?

Please note this question has been asked and answered previously. In the interests of completeness the original answer is provided again below.

The majority of the new equipment, mainly laptops, new software (document management) that we may invest in will be purchased in addition to the existing unitary charge.