

Follow-on questions to SCC answers to UNISON FOIs submitted 14/8/2009

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Do please note the County Council's continued offer to discuss these and related matters in person (rather than continuing to engage in a prolonged FOI exchange).

Question as raised by Unison in their FOI (received 25/9/09) are shown in black text, immediately followed by the answers as available, in blue text.

Q1a & 1b

Information extrapolated from the accounts and provided by Finance Officers indicates that the £29.8m for SAP was financed by £2.381m of existing capital approvals and £27.419m of new borrowing. Is this correct? If not, please provide the correct figures?

No, it is not correct. The £29.8m was split £26.8m loans financing and £3.0m capital receipts financing. The allocation of capital receipts is a relatively arbitrary process and it could have been that the financing assigned was 100% borrowing with the available capital receipts being applied to another project in the programme.

Assuming the new borrowing is correct and this incurs an average interest rate of 4.4911% (page 56 of the accounts) the new borrowing would require £1.231m of revenue funding annually. Is this correct? If not, what is the correct figure?

The interest rate is broadly correct but the annual interest charged to revenue is not. The interest due on the assigned borrowing will be calculated on a reducing balance basis i.e. the interest payable year on year will reduce as the outstanding balance reduces until the principal is fully repaid.

Does the interest rate of 4.4911% include the repayment of the original capital? If not, what arrangements are in place for the capital to be repaid?

No, the 4.4911% does not include the repayment of the original capital. The arrangements in place for the capital to be repaid are in line with the latest guidance from the DFCG. As this was prudential borrowing the principal repayment is charged on a straight line basis over an appropriate period. In this case we deemed this period to be less than the SWo contract and it is being taken over 8 years.

Is there a delivery schedule for the IBM/Southwest One SAP project? If so, please provide a copy.

We enclose the current Project Plan and remain happy to take you through the detail of this complex document. Clearly, this briefing would be better delivered in person, subject to available staff time during a busy period in the SAP project implementation.

What is the payment profile agreed between SCC and IBM/Southwest One? Please provide a copy.

Payment profiles for transformation projects are contained within 'Service Orders', which we believe IBM would view as confidential, but have not had time to check this point with them.

In an effort to provide a proactive answer to your question however, I reproduce the dates and payment amounts for the various elements of the SAP project, to date, to which the original question of your FOI (14/8/09) refers. You will also be aware that these figures have already formed part of the Statement of Accounts which you have inspected. Finally, we would be happy to show you in hard copy via the Client Office, the payment profiles as shown here so that you can verify them against the original document. There is no profile for future payments over and above this.

SAP Back Office Project

1 Dec 2007	£1,786,000
1 May 2008	£4,155,154
1 Aug 2008	£5,075,086
1 Nov 2008	£5,075,086
1 April 2009	£699,678

None these payments were made

SAP Technology Enablement Project

1 May 2008	£3,713,852
1 Aug 2008	£3,172,445
1 Nov 2008	£3,172,445
1 April 2009	£239,938

Customer Access Initiation Projection

1 May 2008	£2,596,288
1 Aug 2008	£2,217,801
1 Nov 2008	£2,217,801
1 April 2009	£167,736

Q3.

Project initiation would require the following logical approach:

Full Costs Analysis (identifying all costs involved including obsolescence);

Full Benefit Analysis (identifying all the benefits – tangible & intangible);

Capital investment required;

Rate of Return required on the investment;

Cash flow management requirements.

Was this the process followed for the Southwest One SAP project? If so, please provide the detailed Project Initiation documents. If not, please provide the Project Initiation documents that were used.

As has been previously stated, the overall Business Case for 'Project ISiS' was the driver for the SAP implementation. You have received this document via our letter to you of 22/10/08. Additionally, in an effort to be proactive, we enclose a copy of the SAP Business Case which we feel responds to your outstanding, and associated queries.

Was the cost of obsolescence of relatively new IT systems (like HR/Payroll) properly considered as part of the value for money assessment?

The overall business case for SAP was determined by the business case for ISiS. There are no costs associated with obsolescence for these systems.

Q4.

Please provide a copy of the investment schedule for the SAP Project.

We are not sure to what exactly your question refers, over and above the information we have provided to Q1a&1b (above)?. Also – please note it is a duplicate of your question as asked in your FOI of 22/8/08 to which a response has already been provided.

Q5c.

We were not able to identify where these figures came from. The Audit Commission annual report for 2008/09 has identified £1.6m of savings attributable to IBM/Southwest One and £1.24m deferred as "unrealised" until 2009/10. Please explain your answer, particularly with reference to the distinction between "identified" and "realised" savings.

Firstly, we reproduce our answer as provided to Q5c in your FOI of 14/8/09 to which the above, subsequent question refers:

'The Procurement Transformation is a fixed cost project. There are a range of mechanisms in place to correct the working figures when they fall short, or exceed, those which were assumed to be correct in good faith in respect of an individual saving. IBM are charged with meeting particular thresholds of savings, for example, they need to reach, and we need to agree, savings to the value of £42m by December of this year. The current total exceeds £35m. Gainshare would apply if agreed savings exceed £75m. This Gainshare formed part of the original SCC calculations regarding affordability of this project, so it is a 'known', rather than 'subsequently agreed' aspect of this project'.

Subsequently, we are unsure of your question, as your quoted figures do not appear in the answer we provided to you on the 14/8/09.

The figures appear in the audit committee report as stated... what are the figures in the event of failure to achieve a 5% saving... the number in the table is... and... 2008/09... 2009/10... 2010/11... 2011/12... 2012/13... 2013/14... 2014/15... 2015/16... 2016/17... 2017/18... 2018/19... 2019/20... 2020/21... 2021/22... 2022/23... 2023/24... 2024/25... 2025/26... 2026/27... 2027/28... 2028/29... 2029/30... 2030/31... 2031/32... 2032/33... 2033/34... 2034/35... 2035/36... 2036/37... 2037/38... 2038/39... 2039/40... 2040/41... 2041/42... 2042/43... 2043/44... 2044/45... 2045/46... 2046/47... 2047/48... 2048/49... 2049/50... 2050/51... 2051/52... 2052/53... 2053/54... 2054/55... 2055/56... 2056/57... 2057/58... 2058/59... 2059/60... 2060/61... 2061/62... 2062/63... 2063/64... 2064/65... 2065/66... 2066/67... 2067/68... 2068/69... 2069/70... 2070/71... 2071/72... 2072/73... 2073/74... 2074/75... 2075/76... 2076/77... 2077/78... 2078/79... 2079/80... 2080/81... 2081/82... 2082/83... 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Is there an action plan to ensure that "identified" savings are "realised" and properly risk logged? If so, please forward a copy (along with the Risk Log).

Delivering the potential savings as identified through the Procurement Transformation project is the subject of considerable ongoing work, all across the organisation. There are Sponsors for this work at Director level, and Implementation Leads appointed for the delivery of the individual initiatives. There is not a single 'Action Plan' which we can forward to easily or quickly explain this process to you but perhaps, again, a face to face discussion would help you understand the complexity and potential of this work. We would be happy to arrange.

Q10a.

This was a typing error on our part. We accept that Somerset Catering showed a loss of £0.396m and Dillington a loss of £86K and Kolve a loss of £77K.

Our omitted questions were:

What actions are proposed to address the deficits?

SCS losses were written off to reserves, those for Dillington and Kolve have been carried over to future years and they will be expected to make up those losses.

Will UNISON be fully consulted on any such proposals?

There are currently no proposals to consult with UNISON (in respect of the decision taken regarding the deficits).

Why is it proposed to spend £2.1m on Dillington House?

We are not aware of any further proposals to spend an additional £2.1m. £2.1m was spent in 2008/09 on the Hyde building which is now built and operational.

Q13.

Please forward the latest version of the SAP Benefits Realisation Plan.

You have been supplied with a copy of SAP Business Case (see above) in addition to the Benefits Realisation Plan which we have already supplied to you on the 22/10/08.

Please forward the latest version of the SAP Project Risk Log.

In respect of the latter, risk is managed through a variety of mechanisms and through many forums. Yes, there is a central Risk log, forming part of this process but it's an internal document for the SWo partners (excluding IBM), and so we would need to clear its release with Taunton Deane and the Avon & Somerset Police but would prefer, for we hope for obvious reasons, not to release it outside of this group right now. Following consultation internally, we would be happy to show you this register in person, via the Client Office and also discuss other risk management work for this project. This again, would have to be dependant on time available for such staff at a really busy time in the SAP project, but the offer stands.

The SAP Business Case includes a Risk Log, but not a standalone file.

Q14.

As 5% of the contract charge is withheld and paid monthly in arrears; why was only 0.675% of the Capital payment for SAP withheld?

These costs relate to two different elements of the contract – transformational and operational. The 5% monthly adjustment relates to the operational element, there is no such arrangement for the transformational (capital) elements. The variance you are referring to is the element of SAP costs borne by Somerset County Council in terms of SCC staff resources.

Q16.

The Audit Commission annual report for 2008/09 has identified £1.6m of savings in 2008/09 and a delay in “realising” savings of £1.24m which is delayed to 2009/10 and attributed to Southwest One.

The Council's predicted savings for 2008/09 were £10.25m and achieved savings were £5.87m (57%). How will the issue of savings slippage be addressed to limit the impact on frontline services?

All MTFP savings proposals take in to account and consider the impact on frontline services, the overall aim being to protect frontline services from any slippage in savings.

The targeted savings for the Southwest One project was £200m over 10 years. The “realised” savings for 2008/09 and the projected savings for 2010/11 are £4.981m and for 2011/12 are £3.58m. Loan servicing costs are circa £1.231m.

What implications will failure to meet the target of £200m of savings have for the delivery of frontline services?

The implications are the same as if we did not have the contract and have already been described to you (as this is a duplicate of your question 5 in the UNISON FOI of 22/8/09) in the response you were provided with at that time.

Is there an action plan to ensure that these target savings are “realised”?

Target savings for procurement are controlled and monitored using the Category Management plans, Implementation Plans and through the Implementation, Programme Management Group. These elements aim to ensure target savings are correct and up to date and realised as per the relevant plans.

If so, will UNISON be consulted on this?

There are currently no plans to include UNISON in the category management planning processes per se. Progress reports are provided to Cabinet and Scrutiny Committee as required and are available on the website if you wish to see them. Clearly, if savings options impact upon matters which UNISON require consultation in respect of, this will happen in the normal manner.

There will be a regular review of the project and any issues that arise will be discussed with UNISON and there will be an opportunity to discuss the situation with UNISON.

