

UNISON RESPONSE TO BUDGET PROPOSALS
MTFP 2011/12 to 2114/15

16 January 2011

UNISON representatives met with the Director of Internal Services and the Head of Human Resources on 11 January 2011 to discuss staffing implications of the budget proposals, due to be presented to the Joint Scrutiny Committee on 18 January 2011. The Council is proposing for the year 2011/12 to find 'efficiency savings' of £1,167,000, increasing to £2,915,000 for the year 2014/15; cumulative total reduction of £2,914,965. Well over half of these will involve staff reductions, which will inevitably mean compulsory redundancies and an undermining of current levels of service delivery. These cuts will come on top of the reduction in terms and conditions imposed on employees with effect from January 2011 and the ending of the car lease scheme.

UNISON has accessed specialist advice, to analyse the budget report and those of previous years and to give an opinion on the management of the Council's finances and the latest proposals for the medium term financial plan.

The source of the opinion is requested from Unison so that members can judge what weight to give to it.

Confusion and Inaccuracies

The scrutiny papers are complex and confusing, with the overuse of jargon, vague descriptions and differing estimates between different papers, all of which make it difficult for even a trained accountant to follow but virtually impossible for a lay person to understand. Council members and the public will have an extremely difficult task in deciphering and understanding the cornucopia of information presented to them and making an informed decision or view on how best to spend taxpayers' money. Budgets are complex with much information and data but at the same time they have much impact on both employees and citizens. It is essential that they are presented in a way that non-accountants can understand and UNISON believes the Council could do better.

Setting the budget is complex with a lot of data to be absorbed. However, members have had opportunity to challenge and ask questions on the members' forum and via scrutiny plus at the meeting of the Executive. .

The papers are vulnerable to the accusation of skill in the art of smoke and mirrors

This accusation is rejected by the Director of Internal Services .

Examples of this are:

- In the consultation document for members on the intranet, figures for reducing HR support were £20,000 for 2012/13 increasing to £80,000 in 2013/14. However in appendix F in the scrutiny papers - page 187, they are £20,000 increasing to £60,000. ***Appendix F refers to a £20k reduction in 2011/12 increasing by £60k to £80k in 2013/14***
- On page 10 of the Service Estimates Report, the estimate for the reduction in the Corporate Training budget is £9,000 but in the Budget Report on page 186 it is

£6,000. ***The service estimate shows a reduction in 2011/12 based on actual spending in 2009/10 and current year; the MTFP shows the further reduction in 2013/14 of £6k***

- The consultation document does not make it clear that the figures listed are additional savings over and above what was already agreed in September 2010. E.g. Revenues and Benefits £36,000 plus £64,000. (£36,000 was the figure consulted on) ***Para 1.2 refers to approval of September savings which have been built into the base budget.***
- On page 13 of the Consolidated Budget Report, the balances for the earmarked reserves are outlined and on page 181 the changes to the interest equalisation reserve are stated. The difference between 159 and 72 on page 13 is -87 not -72 as on page 181. One of the figures may need adjusting. Agreed; the balance will be corrected to £87k; on page 157 the figure reported is the reduction rather than the end balance

Although the above may appear to be minor points, they do not inspire confidence in the Council. An error recently came to light in respect of figures in the MTFP for 2010/11, relating to estimates for leisure services, where there had been double counting. Even one error in calculations begs the question, what further errors are there that have not yet come to light. The Council should expect tighter quality control on its key documents in future.

The errors identified relate to late amendments to supplementary and are generally typographical rather than of calculation.

Known Changes

"1.8 The Council has retendered its refuse and street cleansing service and the new contract to commence April 2011 will reduce costs by £1.469m per year. The cost reduction gives scope to review spending and council tax plans."

Welcome though this reduction is, has the Council been overpaying for its waste contract for years? The March 2009 Annual Audit Letter specifically drew attention to the Council's waste costs, stating:

"The cost of waste collection is among the five most expensive councils at £32.86 per resident, increasing at a greater rate than other districts, despite efforts to reduce costs."

However, the Council rejected a request for a review of costs. (Minute 47 Environment Scrutiny Committee 16 June 2009)

Why would the Council not benchmark when retendering as one councillor requested?

A competitive tender produces best available market prices and with provision for alternative collection systems the process was thorough – it is not clear how benchmarking could have added to the process. All benchmarking exercise are at best a broad indicator as circumstances are rarely exactly alike in two Councils. Applying the resources required for a benchmarking exercise to the tender process was regarded as offering better value

Is the new cost truly competitive, just the norm - or perhaps even still high? Benchmarking would help the Council judge just how effective its tendering process was in getting the

best price and service combination. For example, what will the cost of waste collection be per resident in 2012/13 compared to other councils?

The tender process was truly competitive. What else is it suggested the Council could have done to increase competition?

Reserves

“2.1 The budget for 2010/11 was set in February 2010 with an expectation that 31 March 2010 would see a balance on the general reserve of £2,090k. The final accounts recorded a balance of £2,770k i.e. some £680k higher than expected largely as a result of improved waste recycling income.”

“2.2 The unallocated general fund balance was £3,854k inclusive of the £454k building control surplus.”

The table in 2.2 shows that earmarked reserves rose from £2,768k to £3,698k

The Council had total reserves as on 31/3/10 of £2,770k + £3,854k + £3,698k over £10 M. This is in the top quartile for district councils Even the Coalition expect local authorities to use reserves in the short terms when it is safe to do so. The grant cuts have been front loaded so it makes sense to look at modestly supporting the spending base for the next two years

The level of reserves is good news in the context of the volatility of financing – grants and investment income. Is it Unison’s view that reserves should not be held at top quartile performance?

By 31/3/11 a further £584k will be added to the General reserve (See 2.34) although £1,174k of the earmarked reserves will be spent

In recent years, more and more funds have been diverted from the General Reserve into Earmarked reserves.

Earmarked reserves were reviewed by the Audit Committee and full Council at March 2010 and no changes were proposed.

Earmarked reserves can be spent by the Executive without seeking authority from Council and UNISON believe it is in the interests of its members that there is transparency in spending decisions.

This is an agreed policy of the Council and there is no lack of transparency as spending of earmarked reserves is reported in the health check process

Projected outturn 2010/11

*“2.3 The latest health check report at the time of drafting this report is the November report. This shows favourable variances of £2,088k **£2038** offset by adverse variances of £2,066k **£1956**– a net positive variance of £82k.”*

The November health check went through a number of iterations. The final net variance was picked up in this report but the last changes to the positive and adverse variance totals were not picked up.

Surely this should be £22K?

The Director of Internal Services has provided corrected figures but this emphasises the point made above on quality control. see above

Hardly a Council in control of its finances; wild swings both positive and negative and if the £82K figure is in error it would be another concern about the accuracy of reporting and accounting.

“2.4 Action in response to budget monitoring in the year to date has seen a projected overspending reduce from £881k in June”

Exactly how has this been done? Is it because recycling savings were not in the base budget? Precisely what was the “action in response to budget monitoring”?

All budget holders have been under strict instructions to keep spending to a minimum and avoid anything which could be deferred or cut out. Recruitment is subject to CMT approval.

“2.5 The later detailed review of the probable outturn undertaken as part of the preparation of the 2011/12 estimates has indicated a further improvement and reports a potential under spending of £266k by the end of the year. The detail in support of the probable outturn is set out elsewhere on the agenda and this shows spending on services of £17.733m against a budget of £18.889m – an under spending of £1156k.”

Why are there two different "latest estimates" (probable and health check) of outturn circulating at the same time? This simply adds to the confusion and the sense of smoke and mirrors. Whilst it is understood this is seen as 'normal' in producing financial information, it is a source of confusion for lay people which may also include Members of the Council.

As usual there are two concurrent processes (health check and estimate preparation) concluding at slightly different dates and producing slightly different results.

Is it possible that the £1.2M of savings from 2009/10 that were not built into the 2010/11 budget have simply been recognised again? I.e. the base 2010/11 budget was grossly overstated.

As the projected outturn indicates there are positive variances reported in 2010/11 now built into the future MTFP.

“2.6 However, for the purposes of planning, a further judgemental “correction” is proposed to the probable outturn figure. The adjustment is a further £200k favourable shift from these figures to outturn....”

But the probable outturn is still probably not right, so let's pick another number. Under spends have been consistently under-estimated.

The use of a judgemental factor has been welcomed by members in looking at spending projections for the capital programme as a pragmatic way of making a better aggregate forecast than simply totalling individual budget forecasts. Extending this to the revenue budget learns from this experience.

What confidence can taxpayers have in any of the figures? Members may recall the dramatic swing (£2M+) between the predicted year end overspend and the actual under spend at the outcome last year. The compulsory redundancies and service reduction were in no small part predicated on the false predicted deficit for 2009/2010.

The two redundancies were as much about efficiency saving as driven by budget necessity.

“2.7 In assessing year end balances provision is made to earmark up to £400k of this under spend dependent on final outturn for deferred pension contribution costs and transitional staffing costs including costs arising from implementing budget savings.”

Even though the Council has been working on C3W for many years here is another restructuring and more cost. Why does the Council need another contingency when there is a service improvement reserve that was set aside three years ago for exactly this purpose? This reserve still has a balance of £645k. The Council has £10M more in reserves. This is more feather bedding of the budget.

No, the Council needs to provide for non recoverable costs of disturbance for staff relocating and decisions before the year end on staffing changes and as is normal there will be request to consider carry forward of funds where there are ongoing commitments . The service improvement reserve is recyclable up front funding of savings initiatives.

Taxpayers seem to be permanently paying for pension top-ups and early retirement for senior management. The only option for more junior staff appears to be compulsory redundancy and in one case although there was no pension top up the strain costs were very close to £100,000.

No, the Council's policy is not to top up any pensions.

Pension strain costs from earlier retirement are in some cases an alternative to redundancy – is Unison calling for redundancy to be a preferred option to early retirement when staffing reductions are needed?

Reduction in grant

“2.19..a reduction of grant of £1.2m equal to 16.6% in 2011/12.”

The Council has already shown in 2.5 that it predicts spending on services of £17.733m against a budget of £18.889m – an under spending of £1156k. This under spend should be easy to absorb into cost centre budgets with no front line service cuts or further staffing reductions. The grant reduction could be taken without missing a beat.

But what about investment income being £850k below budget and despite a pay freeze the Council has the same inflationary pressures to absorb as businesses are facing and is not increasing its “price” through council tax.

The Council under spent by a sum equivalent to the grant reduction in 2009/10 and is expected to do so again in 2010/11.

East Herts residents have been overtaxed in recent years and the budget has been bloated with over-estimates to justify cuts elsewhere. The real spending base has been well below that used for precepting and in spite of questionable spending decisions like

that to employ a fourth director the Council is far from being strapped for cash. East Herts should be a low Council Tax district as it is very careful in the services it provides and the staff numbers it employs.

The attached comparison of district council taxes for 2010/11 ranks East Herts in the second lowest quartile ; this does not suggest East Herts residents are over taxed.

The emergency budget already identified a further £1.1M of savings for 2011/12. On top of that, the waste contract saving is £1,469k and HCC are now responsible for concessionary fares of £857k.

The base budget before any other changes for inflation etc should be approx £17,733k - £1,100k - £1,469k - £857k = £14,307k

The net cost of service for 2011/12 is grossly overstated in the MTFP at £16,143k.

This analysis is overly simplistic. It ignores for example that waste recycling income from the County will fall substantially because of the revision to the formula allocating funding to Districts – a loss of the windfall of the last two years. Some of the £1.1m is based on under spending now factored into the current year's outturn. The waste contract saving of £1.469m is an original budget to original budget saving and there are savings in the current year on waste

Savings

Members should not forget the £1.1M of savings in the emergency budget. While the current paper contains mainly savings from back office functions (except cuts to PCSOs!) the front line cuts were already agreed last September and appear to be conveniently forgotten.

These earlier savings are not forgotten but those savings reflect decisions already made. The report focuses on decisions yet to be made.

E.g.

Discontinue leaf clearance programme from public highways

Stop highways weed control

Discontinue Can Banks Service

Discontinue Glass Banks Service

Discontinue Plastic Banks Service

Reduce funding to Herts Biological Records Centre

Cancel free parking days at Christmas

Surely even the Council cannot present these as 'efficiency' savings

Impact on Service Delivery

Despite an attempt to persuade the public that front line services will be unaffected by these cost savings, even cuts in support services will have an impact on service delivery. Commonly known as "back office functions", these are seen frequently as easy targets in the struggle to drive down costs, since they attract little opposition from council members and do not appear to affect high profile front line services, which impact on the public, particularly vulnerable groups in the community.

However, support services, by their very nature are essential to ensure that direct service provision runs smoothly and are crucial to the efficient and cost effective running of every single service area within the Council. If support services collapse or are even just depleted due to insufficient resources, this will impact on every council service. This is even more critical now than at any other time since the Council is currently undergoing the C3W programme, the success of which relies so heavily on IT, facilities and property management (further delays here would prove expensive). Council members need to be aware a deterioration of service is inevitable with the scale of the cuts being proposed. Until proper shared services with proven benefits are in place it would be unwise to presume cost savings in either back office or even frontline services.

The aim has not been to avoid any impact at all on service delivery but to mitigate this at a time of reduced resources. The focus is on back office services where the Council is looking to share services with other authorities. There is a general scaling back of management posts from CMT downwards again to mitigate the impact on front line services. The sharing of services will ensure better resilience as savings are made.

Redundancies

UNISON would like to remind members of a resolution passed at a Local Joint Panel meeting of 28 January 2009, which stated:

(C) The Council reiterates its commitment to retain staff talent and relevant skills within East Herts Council and take what steps it can to avoid compulsory redundancies.

Far from taking steps to avoid redundancies, the Council is now covertly embarking on a programme of redundancies, with many likely to be compulsory, although the reports to members have conveniently omitted both this fact like last year and any caution on the effect on savings of severance costs. It would appear they have earmarked £400,000 for next financial year and another £200,000 for 2012/13 for this very purpose. although this is not made clear in the report. This will almost certainly be insufficient, given that just two compulsory redundancies alone, last April and July cost the Council at least £173,000 including pension strain costs. This does not make financial sense, since it will reduce the savings in the short term by at least 50%. As so often seen in the past, senior management restructures, in particular, cost money and can damage the Council's reputation.

If staff reductions are necessary and this is questionable, then why not achieve this through natural wastage, voluntary reductions in hours early retirements or voluntary redundancies? This is recommended by the CIPD and a central requirement of the Council's own HR policy.

There is no programme of redundancies. It remains a preference to achieve organisational change other than by redundancy by for example reduced hours, job sharing, retirements . As noted above even Unison question the cost of early retirement so there will need to be a financial consideration as to preferred options. Until the organisational change procedures have been worked through the reference to "many likely to be compulsory" redundancies has no basis.

Low Staff Morale

Morale at East Herts is at rock bottom at present and staff have lost all confidence in senior management. It is no surprise that management have no plans to conduct a staff survey when the last one was two years ago. Unison believes that most Councillors are concerned about the low level of morale of the staff many of whom are their constituents. There is little to look forward to other than a prolonged pay freeze if they are lucky enough to keep a job and having to deal with new managers and face dissatisfied customers, as staff struggle to run services with inadequate resources. A depleted workforce with some hived off to neighbouring councils in newly formed partnerships, regardless of whether or not the service will be improved or even maintained. The Council by acting too hastily could face a severe recruitment problem in the near future, as disillusioned staff look for alternative jobs. As soon as the job market improves, experienced and knowledgeable staff will abandon ship. The recent resignation of the Head of HR can be interpreted as the first signs of staff voting no with their feet.

The issue of morale at a time of challenge is recognised. However, there is nothing in this commentary which represents a coherent alternative response to the financial realities faced by the Council. In the current round of staff briefings a dialogue with staff has been opened on how we as an organisation maintain good working behaviours towards customers and each other while addressing the very real need to reduce costs. The resignation of the Head of People and Head of Organisational Services is not a reflection on morale but confirmation that good people will be successful in the jobs market even in difficult times.

Strategic Direction

Members need also to be aware of the impact these cuts are having on teams as well as individuals. Strategic Direction were given a cumulative savings target to achieve of £128,000, an impossible target given the small size of their team and budget. This figure was in addition to the savings that have to be achieved by yet another senior management review, which would involve the two most senior staff in the service area and a potential merger with Community and Cultural Services.

As recently as 2006 when new staff were being recruited to post, Strategic Direction was described as the 'hub' of the Council. The staff are now being treated like discarded spare tyres as in the latest restructure their 'new' posts have been significantly downgraded, their hours reduced and there are potentially four redundancies looming. The two most senior managers, responsible for these proposals have excluded themselves from this exercise, so far.

If this is an early example of what other service areas have to look forward to as a result of these savings targets, this is of great concern.

There is a consultation process about these specific changes. The reference to senior managers not being part of the overall process of change is inaccurate. The Chief Executive will bring forward a package of proposals at the senior level to meet the budget imperative.

Change Management/Efficiency Savings

UNISON recognises the need to look for efficiency savings on an on-going basis and is not averse to change, provided it is managed well. This means putting forward a comprehensive business case, outlining the reasons and benefits of the proposed changes and engaging and motivating the staff. UNISON also supports partnership working but only where there are service benefits as well as cost savings.

Unison will be fully engaged as the partnership proposals are brought forward and the Council welcomes the positive input suggested here.

Member Allowances

While staff, if lucky enough to have a job at all, are suffering a prolonged pay freeze while their 5% is whittled down to 2%, it is proposed that council members will enjoy a 'pay' increase next year. This, on the basis that they are 'earning' less than £21,000 per year!

Members should be aware of the impact this news will have on staff, who will view this hypocrisy and double standards, as offensive and provocative. East Herts voters will not be impressed either. Members who are not employed are not subject to the public sector pay freeze but it is in the gift of members to forego any opportunity for increases in allowances and climb aboard the same boat occupied by Mr Osborne M.P. If they did this they could save the cost of the IRP.

The Council has committed to an annual review of allowances by the IRP which was in part a response to issues raised by the public on the 2008/09 accounts. The MTFP cannot second guess recommendations from the IRP or subsequent decisions of Council on members' allowances. Purely for the purposes of a planning assumption the same provision as for staff pay has been made for member allowances.

Conclusions

There is no need to impose the scale of cuts being proposed in this budget. The base budget is grossly exaggerated and the reduction in Government grant is easily absorbed by the predicted under spends and the saving from the retendering of the refuse contract. Why is the Council proposing cutting front line services and inflicting more pain on staff, when it is not necessary? Why is the Council restructuring again at more cost to the taxpayer and yet appears to be excluding the high cost of top management

Flagship Conservative Councils have been able to cut the council tax over the last few years. Why has East Herts raised council tax year on year and then under spent?

The Council is cutting services and making staff unemployed because they do not want to use money from their residents, who have been over taxed in past years. The next two years are rainy days and residents and staff need protecting.

The Secretary of State has said that reserves should be called on to offset the first year of these reductions. In the unlikely event of this being necessary, the Council, who has an enviable glut of reserves, is in a better position than most to do this with negligible impact.

UNISON would like to recommend delaying the implementation of the euphemistically called efficiency savings for at least one financial year, by which time the Council will have completed the business case for the proposed changes and will have the projected outturn for 2011/12.

Council may call on its reserves but the grant settlement is known for 2012/13 and as we have seen in this settlement East Herts has seen grant redirected to other areas. It would not be a prudent assumption that resources will rebound in the period of the MTFP to obviate the need for long term spending reductions.

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