

Budget Audit Committee – 30 January 2025– Public Questions

Annexe A – Public Questions	
Name of person submitting	Question
Andrew Lee	<p>Question 1 The external auditors have noted significant weakness in arrangements identified relating to contract management and procurement and have raised one key recommendation. Their key findings included the absence of a tender process, weaknesses in contract monitoring, and purchase orders not being raised. Through the chair I would like to ask the auditors (if they are not present I'll ask the committee) how many contracts did you identify that failed to use the tender process and what was the value of those contracts so identified, were they restricted to just Children's Services or are other areas of the council effected too?</p> <p>Question 2 Failing to use the proper tendering process for services is clearly a problem. The council proclaims itself to be open and transparent. Yet it is impossible for the press and public to understand the extent of the failures of the council to use appropriate procurement process, because the breaches and waivers report (which the auditors note are not even sent to the Audit Committee often enough) are kept as confidential. Even if you assert that the individual names of contracts should be kept out of public, (and if the contract has been procured by bypassing the council's processes, I would assert it is in the public interest that we are told the names) why can the total value and total number of contracts procured by breaching or waiving the councils processes not be disclosed. This is a matter of paramount public interest</p>
Full written response to be distributed within 5 working days	<p>Question 1 The key recommendation that Grant Thornton raised related to overall contract management and procurement governance and reflected delays in progress made (due to service restructure) since a similar key recommendation in 2022/23. We have confirmation that Grant Thornton's judgement was not based on review of individual contracts or a particular service, rather on discussions with officers, the Update on Reviews of Contract Management presented to Audit Committee in May 2024, the internal audit Children Looked After placement audit, and review of process relating to procurement waivers and the procurement strategy. Progress against this recommendation is reported to Committee at every meeting.</p> <p>Question 2 The Audit Committee received an annual summary report for 2023/24 at the committee held on 12 November 2024. Following discussion at the last Audit Committee, it was agreed the base information would be confidential as it</p>

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	<p>included Officers' names and the perceived justification for the non-adherence to the normally required process. The publishable information would then be available on an annual basis. This would be in addition to the Authority's published contract register and publication of spend reporting.</p> <p>Audit Committee now receives a quarterly report summarising incidents, which is the paper on the agenda today. Following a review of this paper, we have adapted and republished the paper, with the public report including details of the volume and value of waivers and breaches. The confidential appendix remains with the further detail.</p> <p>I would like to add that my title as Lead Member which was Resources and Performance is now Resources, Procurement and Performance and so you can guess, I'm sure, where some of my focus lies now, and quite correctly.</p>
<p>David Orr</p> <p>To be read out</p>	<p>Statement</p> <p>Last July, this country elected a Labour Government with a massive majority. Large Councils hoped that the national crisis in social care funding would be addressed ahead of speedy reform. Care reform with actual implementation has been delayed until 2029 or beyond. Why is this Council pursuing the same unsustainable strategy to avoid bankruptcy they had under the last Tory Government? The national care crisis funding gap from now until 2029 is the clear responsibility of the new Labour Government. They should be providing bridging care funding for large Councils until actual reform in 2029. Council taxpayers and small town and parish councils cannot bridge a social care funding gap in Somerset of £200m for the next 4 years or longer.</p> <p>This Council may seek to raise council tax by 15% without a referendum. That would be a collaboration with an increasingly unpopular new government who are avoiding solving the national care crisis before 2029. The large bills in a cost-of-living crisis, for fewer and worse services, would surely result in a negative voter response in the 2027 local council elections. You should, with Somerset MPs, be loudly lobbying this Labour Government for sustainable funding for dignified care services in Somerset. How can the Labour party, which in 1945, founded the NHS, created state pensions and built 1 million homes (with 80% for council rent), ignore a national care funding crisis that will bankrupt most large councils within a few years?</p> <p>The last Tory Government granted Somerset a £37m "capitalisation directive" without any extra funding. Unusually, this allows the Council to bypass normal accounting rules to use money from asset sales or borrowing to cover day-to-day expenses. Do Somerset taxpayers realise this Council is selling commercial investment assets in a poor market, crystallising losses. The one-off money raised is temporarily funding the social care gap in Somerset and the coming largescale redundancies. It is not going to pay off borrowing or reduce interest bills.</p>

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	<p>Somerset Council inherited a commercial investment portfolio of £300m, mostly borrowed over 50 years, generating useful returns of £20m a year. Under the current “bonkers” policy, almost all of these income-generating assets will have been sold off by 2026/27, incurring losses that could exceed £100m, whilst losing the £20m a year of income. All of the debt will remain, with current and future council taxpayers “on the hook” for £500m plus of debt and interest for 40 years to come. How is that prudent or sustainable?</p> <p>The national care crisis doesn’t excuse the abysmal management performance identified in the 8 Summary pages of the annual External Auditors report. This council did not properly plan for the new unitary council in the year before 5 councils became 1. Unbelievably, almost 2 years on, the Auditor remains concerned about the lack of a full business case and operating model. The Council still has six planning systems, five environmental health systems etc and a website that doesn’t maximise citizen self-service. The auditor raises concerns as to how, after 3 years to properly plan, the council can lose hundreds of staff, without the identified technology and process improvements being in place. Public services and council staff will bear the brunt of these senior management failings. In the private sector those senior managers responsible for this sorry state of affairs would be long gone.</p>
<p>Full written response to be distributed within 5 working days</p>	<p>Thank you for your feedback. I acknowledge your concerns regarding the funding challenges for Local Government. We continue to lobby the Government as the current funding system is broken. Like other councils we are keenly waiting to see the details of the final Local Government Settlement in early February ahead of considering the Budget 2025/26 proposals at our Full Council meeting on 26 February.</p> <p>The sale of commercial assets is a component of the Council's financial strategy. The sale of commercial investment assets is a necessary measure to address the Council's current financial challenges through Exceptional Financial Support. The debt associated with these assets will remain, and the Council is aware of the long-term financial implications. If the Council were to retain these assets it would need to borrow funds to pay for the Exceptional Financial Support and, make additional financial provision for the revenue costs of repaying these loans.</p> <p>The Council is committed to addressing the recommendations suggested by the auditor.</p> <p>Like you, I found the report very comprehensive, very clear and a good read; not a welcome read, but a good read because I find it constructive. I just want to add two things if I may: That this Council has submitted an application to MHCLG with a number of options for Exceptional Financial Support. And the letter from the Leader,</p>

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	<p>Councillor Bill Revans, backs up the fact that there are a number of options, not one as referenced by Mr Orr. And there is a reference in Mr Orr's question to 50 year borrowing and that is not something that I personally recognise</p>
<p>Nigel Behan On Teams</p>	<p>Question 1</p> <p>I am speaking about Item 6 in particular Interim External Auditor's Annual Report for 2023/24 , the accompanying papers Interim Auditors Annual Report (January 2025) and the SUPPLEMENT TO THE AGENDA</p> <p>My name is Nigel Behan, (the Branch Chair for Unite the Union) and I am part of the formal Trade Union consultation.</p> <p>The annual audit report from Grant Thornton raises concerns that Trade Unions have been raising for some months but without satisfactory answers to maintain the confidence and trust of our members. Their critical reports states that: <i>"the Council is delivering the workforce reduction programme before the development of the detailed transformation programme business case and before key enabler projects, relating to ICT, data and process improvement, have been implemented"</i>.</p> <p><i>"the implementation of the staff reduction programme presents a significant risk that reductions in staff will impact on the Council's capacity to deliver services before they are effectively transformed"</i></p> <p>I was also a senior Union representative 2011, following the banking crisis, when the County Council "felt required" to make large staff reductions with very little time for planning and implementation. That was done with minimal levels of compulsory redundancies which should always be the joint aims of the Employer and the Trade Union. There was time to prepare for this new unitary council and we are coming up to two years as a new Council. I am at a loss to understand how the auditor is making these observations about a lack of business planning and implementation of systems and unitary service processes. The response from the Council to these serious deficiencies is not something I could put before my members because it fails to convey a sense of serious planning with intent for delivery. Grant Thornton make a key recommendation that <i>"the Council should mitigate the risk of implementing the organisational restructure before the development of the wider transformation business case"</i>. It</p>

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	<p>is vital that our members' confidence and trust are restored and that consultation with the Trade Unions is always "meaningful."</p> <p>I would like to ask this Council to pause briefly and take the time to meet the auditor's concerns and implement their recommendations for a full business case alongside the necessary enabling work.\</p>
<p>Full written response to be distributed within 5 working days</p>	<p>Thank you for your detailed question regarding Item 6 of the Interim External Auditor's Annual Report for 2023/24. We appreciate your engagement, and the concerns raised on behalf of Unite the Union.</p> <p>We acknowledge the critical points highlighted by Grant Thornton, particularly the timing and implementation of the workforce reduction programme. The concerns about the potential impact on the Council's capacity to deliver services are significant and continue to warrant our careful consideration.</p> <p>In response, we remain committed to addressing these concerns comprehensively. We agree with Grant Thornton's recommendation to mitigate the risk of implementing the organisational restructure before developing the wider transformation business case. We are costing an analysis of the capacity required to deliver transformation and improvement over the next financial year. This may provide employment opportunities to defer the need for some immediate compulsory redundancies. We are taking steps to ensure a full Improvement and Transformation organisation-wide business case is developed alongside the necessary enabling work, including ICT, data, and process improvements.</p> <p>This activity will build on the 2024/25 Improvement and Transformation Business Case outlining 'A New Approach to Transformation' and the Workforce Programme Business Case, which was initially discussed at Executive last year on 23.01.2024. We value the input and collaboration of the Trade Unions and are committed to ensuring meaningful consultation and minimising the need for compulsory redundancies. Our goal is to maintain confidence and trust among our staff and stakeholders through transparent and strategic planning, communications and governance.</p> <p>Thank you for bringing these important issues to our attention. We look forward to continuing to work closely with you and the Trade Unions to achieve our shared objectives.</p> <p>Sincerely, Alyn Jones and Dawn Bettridge - Lead Officers</p>