

STANDING FINANCE COMMITTEE

The Honourable R Edwards, MLA Chairman
The Honourable J Cheek, MLA
The Honourable Dr B Elsby, MLA
The Honourable I Hansen, MLA
The Honourable M Poole, MLA
The Honourable P Rendell MLA
The Honourable G Short, MLA
The Honourable M Summers, MLA

Honourable Members are advised that a meeting of the Standing Finance Committee will take place in the Liberation Room at 3pm on Wednesday 27th April 2016.

AGENDA

- 1 Apologies for absence**
- 2 Declarations of interest**
- 3 Confirmation of the minutes of the meetings held on Wednesday 23rd March 2016.**
- 4 Matters arising from the minutes of the meeting held on Wednesday 23rd March 2016.** Already issued
- 4.1 Locum/Seconded Staff Costs SFC 24th February**
- 5 Virement Report No 9 of 2015/16**
- 6 Old Peoples' Service Development- Project Manager** Paper 17/16
- 7 Old Peoples' Service Development-Retrospective Approvals** Paper 18/16
- 8 2015/16 Quarter 3 Financial Management Report** Paper 19/16
- 9 Chief Executive Recruitment** Paper 20/16
- 10 To determine which items from the Executive Council meeting held on Wednesday 27th April 2016 can be considered in public and to resolve these items.**
- 11 Date of next meeting: 11th May 2016.**

12 Exclusion of Press and Public.

The Chairman to move as follows:

"I move that the press and public be now excluded on the ground that the next items of business to be considered are likely to disclose exempt information under Paragraph 17 budgetary information of Schedule 3 of the Committees (Public Access) Ordinance 2012.

13 Confirmation of the Exempt Minutes of the meeting held on Wednesday 23rd March 2016. Already issued

NOT FOR PUBLICATION by virtue of Paragraph 17 of Schedule 3 of the Committees (Public Access) Ordinance 2012, relating to budgetary information.

14 Matters arising from the Exempt Minutes of the meeting held on Wednesday 23rd March 2016.

15 Exempt matters with financial implications referred from the Executive Council meeting held on Wednesday 27th April 2016.

16 FIMCo Budget 2015-16 request for additional funding. Paper 21/16

The Treasury,
Stanley.
20th April 2016.

Report for SFC

Health and Social Services virements for Locum and Secondment

1. On 22nd Feb H&SS were asked for more information on a substantial virement to cover costs on the above and a response was made that week. This is now a request via Treasurer's for information for SFC by 30th March.
2. The original budget for Locum/Seconded Staff 2015/2016 was £192,180. The virement request was for circa £338,000 and it was suggested that a substantial part of this come from underspent salaries lines. Staff involved were given to understand at that time that this was not technically possible, although in the big picture it should be noted that recruitment difficulties and prolonged periods where posts were vacant was and is the main reason for cost pressures on locums. There has therefore been increasing focus on a "bottom line" net figure that is feasible and sustainable.
3. The use of locums has covered medical officers, nursing, Laboratory Manager, Pharmacy Manager, Physio, and some social work. A small part of this has also been to cover holiday periods where the service or management of it has been "one deep" and ceasing the service or acting up was not an option.
4. There are two main areas that have emerged as particularly concerning within this – medical officers' and nurses' recruitment. Both have become very difficult to recruit staff who will sign up to the usual contracts and therefore covering rotas for safe and essential core services – in the case of nurses, even on a reduced basis – has necessitated the use of locums.
5. These two focus areas have therefore become key items within the workforce strategy/business plan. There is much to do to regain a position where we can attract and retain staff in a changing and more competitive world market. Some significant early steps have already been made, but it will not be until many parts of the puzzle are achieved that we will see the benefits.
6. For the balance of this financial year, when we responded to the information request we estimated that we might be needing to pay £252,000 for agency employees - For 4 ward nurses and 1 SW and a YPU unqualified post (apart from medical officers arranged separately) – i.e. 6 posts for 4 months. On a pro rata basis this would now be £189,000 for months 10 to 12 (ie last quarter excluding medics).
7. Clearly this cost for a quarter slightly exceeds the total planned annual locum budget. We should also recognise that the scale of the issue is further illustrated by the relative costs of a typical locum nurse compared with their counterpart employed on agency terms. In the so far relatively intractable core of nursing vacancies, there is a factor of almost x 4 between the two – i.e. if we were to employ on agency terms a nurse for 12 months (without any negotiated caps or discounts) the cost would equate to over 3.5 FTE nurses on contracts.

Although this is a similar problem as that facing the NHS, we can draw no comfort from this placing us in an unsustainable position.

8. Different dynamics pertain to the difficulties in recruiting and retaining medical officers from the UK.
9. Further figures that compare actual budgeted contract staff costs with locum alternatives illustrate the problem (although these are not typical since nursing is under-represented in this period relative to Social Services).
 - If the current 6 agency staff nurses posts and 1 senior staff nursing post was to be filled on contracts the total cost for one year for the 7 posts would come to approx £195,500;
 - If the 1 qualified social worker post and the 1 YPU (unqualified) workers post was filled on contracts at the Social Services Department the total cost for both posts for 1 year would come to £54,000;
 - Total overall **£249,500 [9 Posts for 1 year]**.
 - on a more stretched basis, agency locum cover for 4 ward nurses and 1 SW and 1 YPU worker **[6 posts] for a period of only 4 months costs likely to be £252,000.**
10. On Nurse shortfalls – it appears that we have become uncompetitive and so attracting contract sign ups from the UK will remain very difficult. DHSS has begun discussions with a large Bristol Hospital Trust about possible partnership arrangements but what exactly we can offer them is not our strong suite in our current position. Possibly an adventure and mix of work experience for a secondment break - but we would have to make it attractive by not asking them to break their continuous service and by matching relevant pay and overtime rates.
11. An additional option is to recruit junior nursing staff from other parts of the world such as the Philippines, Poland or elsewhere. This is also being pursued as capacity allows. The trap to avoid is the same as in the UK - to avoid becoming dependant on locums because we cannot attract and retain contract staff, with the effect that it then costs us very much more than the budget ceilings which we can afford, causing cost pressures that are unsustainable.
12. We will re-assess what can be achieved in the light of the possibility of the recruitment project or post considered by MLAs as part of the budget setting process, so as to make progress to a sustainable position.

Virement Report No 9 of 2015/2016

Warrant Nos: 254 to 317

Report of Virement exercised by the Financial Secretary in accordance with Section 37 of the Finance & Audit Ordinance 1988
(Note: only those virements representing a budget change of £5,000 or above have been reported - SFC decision 25 June 2009)

Vire No	Account Code	Original Estimate £	Previous Additional Provision £	Virement now Exercised £	Revised Vote Total £	Reasons	Account Code	Amount £
<u>0104 CENTRAL SERVICES</u>								
280	1003 Photocopier Contract	209,740	-	10,000	219,740	Self-financing virement Increased in cost to photocopier contract due to additional copiers at MPA	<u>0104 CENTRAL SERVICES</u> 0032 Reimbursement - photocopier contract	10,000
<u>0120 HUMAN RESOURCES</u>								
284	0335 Recruitment Costs	5,000	-	10,000	15,000	Recruitment for Director of HR not anticipated in budget	<u>0120 HUMAN RESOURCES</u> 0310 Salaries & Wages	10,000
285	0340 Occupational Pension Contributions	10,600	-	9,000	19,600	Change in number of staff on local terms and conditions	0310 Salaries & Wages	9,000
<u>0201 MEDICAL</u>								
258	0311 Locum/Seconded Staff	192,180	338,820	40,000	571,000	Due to the on-going needs to recruit locum staff from agencies as posts are not being filled locally.	<u>0203 SOCIAL SERVICES</u> 1342 Young Persons Unit	40,000
293	0311 Locum/Seconded Staff	192,180	378,820	50,000	621,000	Due to the on-going needs to recruit locum staff from agencies as posts are not being filled locally.	<u>0201 MEDICAL</u> 0749 Service Contracts	50,000
303	0334 Passages	95,110	-	10,000	105,110	Additional costs due to current staffing establishment	<u>0201 MEDICAL</u> 0749 Service Contracts	10,000
304	0746 Pharmaceuticals	363,000	-	50,000	413,000	General increases in costs of drugs and volume of medicine prescribed combined with specific patient needs.	<u>0201 MEDICAL</u> 0749 Service Contracts <u>0203 SOCIAL SERVICES</u> 1342 Young Persons Unit	30,000 20,000
<u>0202 DENTAL</u>								
255/7	0754 Dental Stores	36,000	500	8,000	44,500	Required to help maintain current stock levels.	<u>0202 DENTAL</u> 0602 Repairs & Maint 0606 Replace. Small Tools etc 0755 Purchase of Goods for resale	5,000 2,500 500
<u>0203 SOCIAL WELFARE</u>								
259	1343 Fostering Allowances	43,800	10,000	5,000	58,800	Page 1 Work being covered by agency workers.	<u>0203 SOCIAL SERVICES</u>	

Vire No	Account Code	Original Estimate £	Previous Additional Provision £	Virement now Exercised £	Revised Vote Total £	Reasons	Account Code	Amount £
							1342 Young Persons Unit	5,000
	<u>0260 FICS</u>							
313	1414 Rents & Rates	-	-	5,350	5,350	Rental costs for temporary staff	<u>0260 FICS</u> 0310 Salaries & Wages	5,350
314	1429 Specialist/Consultancy Services	50,000	10,000	30,000	90,000	Funding for SENCo consultant on secondment due to staff vacancies	0310 Salaries & Wages	30,000
	<u>0321 FISHERIES - ADMIN</u>							
272	1804 Maritime Security Services	102,210	15,000	17,600	134,810	Increase in number of visits with fewer cancellations also an increased number of passenger exchanges which involves vessels remaining in port for longer with longer hours for the security system.	<u>0325 FIPASS</u> 0502 Electricity	17,600
270/1	1917 Vessel Monitoring System	15,000	0	6,480	21,480	Essential upgrade to VMS Software including up to date operating system. The upgrade will also extend the accessibility and functionality of the VMS system.	<u>0322 FISHERIES SURVEILLANCE</u> 0930 Harbour Safety Cover 0941 Launch Hire	5,870 610
	<u>0354 PWD - PLANT & VEHICLE WORKSHOP</u>							
265	1001 Contracted Labour	2,000	12,480	12,800	27,280	Labour charges to pay for agency mechanic until mid-end of April 216..	<u>0354 PWD - PLANT & VEHICLE WORKSHOP</u> 0310 Salaries & Wages	12,800
	<u>0355 PWD - ELECTRIC SUPPLY</u>							
294	0613 Repairs & Maintenance Major Equipment	120,000	(7,000)	19,250	132,250	Additional funds required for imminent filter order	<u>0355 PWD - ELECTRIC SUPPLY</u> 1010 Electrical Metering Equipment	19,250
	<u>0356 PWD - PROPERTY & MUNICIPAL</u>							
269	1020 Garbage Disposal Contract	119,860	0	10,000	129,860	Due to a higher than expected increase in new bins.	<u>0356 PWD - PROPERTY & MUNICIPAL</u> 1036 Maint of Park Areas	10,000
	<u>0357 PWD - WATER SUPPLY</u>							
267	0613 Repairs & Maint Major Equipment	7,000	0	6,500	13,500	To pay for essential plant spares for the chemical dosing pumps which have had significant wear and tear placed on them due to the high throughput of the plant to meet demand.	<u>0357 PWD - WATER SUPPLY</u> 1040 Filtration Plant Chemicals	6,500
	<u>0553 FIRE & RESCUE - AIRPORT</u>							
273	0310 Salaries & Wages	155,030	(3,140)	39,780	191,670	Self-financing virement Additional funding required due to extra hours worked during Hydrocarbon round.	<u>0103 STANLEY AIRPORT</u> 0001 Landing Charges	39,780
	<u>0617 SAERI</u>							
268	0310 Salaries & Wages	71,210	(1,440)	25,000	94,770	Transfer approved by Budget Select Committee on 18/19 March 2015 for the funding of a commercial manager for one	<u>0999 TRANSFER PAYMENTS</u> 4639 Economic Development Strategy	25,000

Vire No	Account Code	Original Estimate £	Previous Additional Provision £	Virement now Exercised £	Revised Vote Total £	Reasons	Account Code	Amount £
year.								
<u>0956 CAPITAL - GOVT LAND/BDGS</u>								
275	3151 Secretariat Improvements	0	7,080	20,000	27,080	To allow completion of Treasury/Pension Office move to be carried out.	<u>0356 PWD - PROPERTY & MUNICIPAL</u> 1021 Repair & Maint Govt Buildings	20,000
297	3022 Building Maintenance	150,000	234,410	7,500	391,910	Safety line needs to be fitted to complete the FICS glazing contract and allow safe access for PWD and contract staff	<u>0356 PWD - PROPERTY & MUNICIPAL</u> 1021 Repair & Maint Govt Buildings	7,500
			<u>392,260</u>					<u>392,260</u>

Standing Finance Committee

Title of Report: Project Manager – Old Peoples’ Service Development

Paper Number: 17/16

Date of Meeting: 27th April 2016

Report of: Chief Executive

Purpose

1. To request release of capital funding to appoint a project manager to drive forward the Old Peoples’ Services Development project.

Recommendation

2. Standing Finance Committee are recommended to approve the release of up to £100,000 funding for the appointment of a Project Manager for up to six months to drive forward the Old Peoples’ Services Development project.

Financial Implications

3. Release of funding as provisionally approved in 0956-3084 of £100,000 in place of the £36,050 currently released by SFC 51/15 i.e. a total of £100,000.

Background

4. The 2014/15 Budget Select Committee provisionally approved a budget of £1,000,000 in year one and £2,000,000 in year two for the development of a facility for older people with release of this budget subject to further approval. At present there is £1,000,000 in 2015/16 provisionally approved.
5. SFC 51/15 (November) approved the release of £36,050 from this amount to fund a Service Manager. The Job Description for this role was prepared and evaluated but to date has not been successfully appointed. In the meantime the budget released has been utilised for other purposes (see paper 18/16). On reflection the current Job Description does not fulfil the needs of the organisation at the present time due to its focus on service management and delivery. It also needs to include the appropriate degree of project management skills required to progress the project.
6. After consultation with the Director of Health and Social Services, Director of HR and Director of Central Services it is felt that the best way to progress this project is to appoint an interim project manager to lead an internal project team to deliver the next steps in this project, reporting to a project board consisting of a sub-set of CMT. The proposed cost may look high but the urgency in this project now dictates the need for an individual to drive this project forward quickly and in order to get someone with the necessary skills and experience it is likely this will need to be appointed through an agency.

STANDING FINANCE COMMITTEE

Title of Report: **2015/16 Quarter 3 Financial Management Report**

Paper No: 19/16

Date of Meeting: 27th April 2016

Report of: Chief Accountant

1. **Introduction**

- 1.1. The purpose of this report is to update Members on departmental financial performance during the first nine months of financial year 2015/16 (up to 31 March 2016).
- 1.2. The year-to-date budget allocations have been adjusted to remove any variances that relate solely to the timing of receipts and payments. This is to provide a more accurate reflection of the year-to-date position.

2. **Recommendation**

- 2.1. None. This report is for information only.

3. **Consolidated Fund Summary Position as at 31 March 2016**

	<i>Original Estimate £000 Year</i>	<i>Estimate¹ £000 Q3</i>	<i>Actual £000 Q3</i>	<i>YTD Variance to Estimate £000 Q3</i>	
Departmental Revenue	56,802	48,055	47,693	(362)	Adverse
Departmental Expenditure	(48,346)	(36,129)	(34,646)	1,483	Favourable
Islands Plan Expenditure	(10,510)	(5,942)	(3,728)	2,214	Favourable
Social Investments	(590)	(590)	(590)	-	Neutral
MTFP Surplus/(Deficit)	(2,644)	5,394	8,729	3,335	Favourable
Oil & Gas Revenue	4,877	4,877	10,620	5,743	Favourable
Oil & Gas Expenditure	(2,991)	(1,461)	(1,461)	-	Neutral
LTFP Surplus/(Deficit)	(728)	8,810	17,888	9,078	Favourable
Less Depreciation	(5,811)	-	-	-	Neutral
Net Operating Surplus/(Deficit)	(6,539)	8,810	17,888	9,078	Favourable

¹ Current budget year to date (original budget adjusted for virements, additional allocations approved in 2015/16 and approved budget carry over from 2014/15).

- 3.1. For the first nine months of the 2015/16 financial year, FIG is showing a MTFP surplus of £8.729M compared to a revised budget surplus of £5.394M i.e. a favourable performance of £3.335M. These figures exclude unrealised gains and losses on investments and all revenues and expenditure related to the oil industry. It should be noted that unrealised investment losses for the first half of the year were (£3.653M).

The LTFP surplus (inclusive of oil receipts and expenditure) as at the end of March was £17.888M against a budget surplus of £8.810M – a favourable performance of £9.078M.

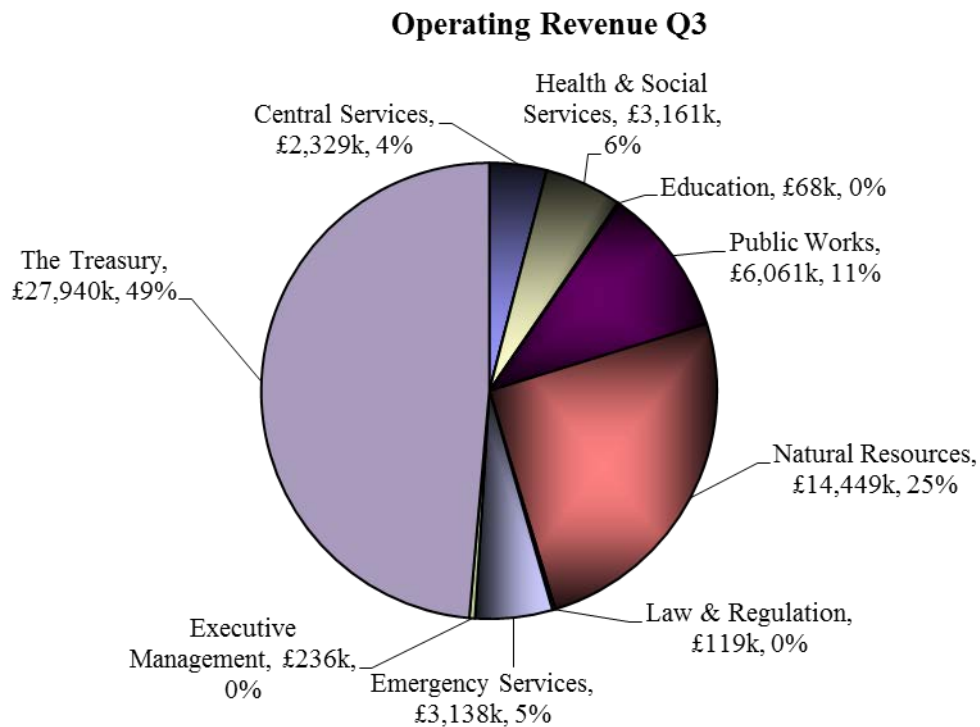
- 3.2. Net Liquid Assets are those funds that are readily available for use. During the first nine months of the financial year, these have increased by £14.235M to £189.697M. It should be noted that movements in fixed assets and stock are only undertaken at year end therefore this is an estimated figure. This figure is inclusive of receipts related to the oil industry.

	Q3	
	£000s	
Net Liquid Assets at beginning of 15/16 year	175,462	
<u>Operating movements</u>		
Increase/(decrease) for operating purposes	17,888	Favourable
<u>Other movements</u>		
Unrealised net losses on investments ²	(3,653)	Adverse
Total increase year to date	14,235	Favourable
Consolidated Fund Net Liquid Assets	189,697	

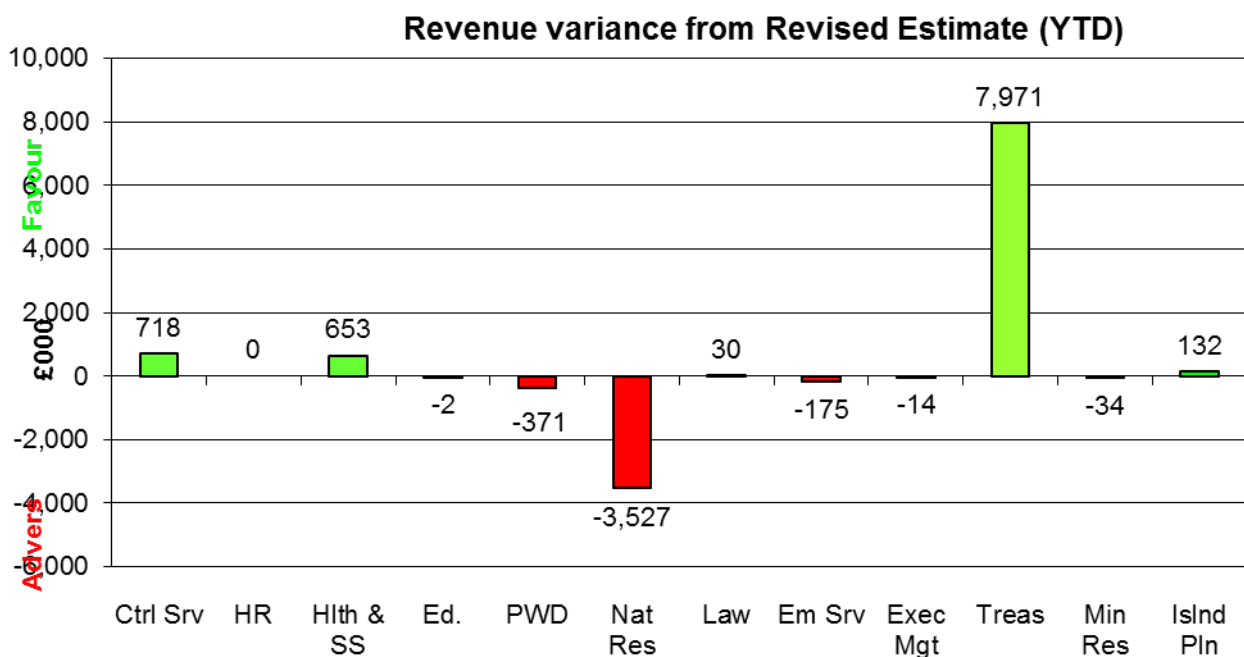
² Based on investment returns as at 1 March 2016. (The timing of investment managers reports results in a delay of one month on investment portfolio figures.)

4. Operating Revenue

4.1. FIG receives revenue from a number of activities and sources which can vary each quarter.



4.2. The above chart provides an indication of the revenue sources in the period, whilst the following chart shows the major variances from budget (including revenues associated with the oil and gas industry) for the year to date.



4.3. Treasury £7.971M favourable

Tax receipts for the first nine months of the year show a positive variance of £6.038M against plan. Around two thirds of this variance (£4.053M) relates to receipts from individuals and corporations working in the hydrocarbons industry. This has predominantly been driven by the extended drilling campaign this year and the related POAT receipts as well as a single unanticipated corporation tax payment. The remainder of this positive variance is mainly due to local POAT receipts thought to be due to the level of activity in secondary industry associated with oil and gas development.

Realised gains from investments for the year to date are £2.100M favourable against budget. However it should be noted unrealised losses for the period, i.e. the reduction in value of investments held by FIG, were £3.653M.

4.4 Natural Resources £3.527M adverse

Illex catches have been significantly lower than in recent years and at the time of writing the Director of Natural Resources estimates that around 70% of license revenues will be refunded this year.

4.4. Central Services £718K favourable

This favourable variance has been driven by three main factors. Firstly a £361K positive variance in court revenues due to two large fines received in the year. Secondly, Stanley Airport revenues are £265K favourable to plan due to the extended drilling campaign and the accompanying helicopter activity at the airport. Thirdly, rental fees of £210K have been received in relation to the Temporary Dock Facility which were not included in the original estimates. These positive variances have been partially offset by revenues being lower than planned in the Leisure Centre mainly due to reduced hours driven by staff vacancies and training requirements.

4.6 Health & Social Services £653k favourable

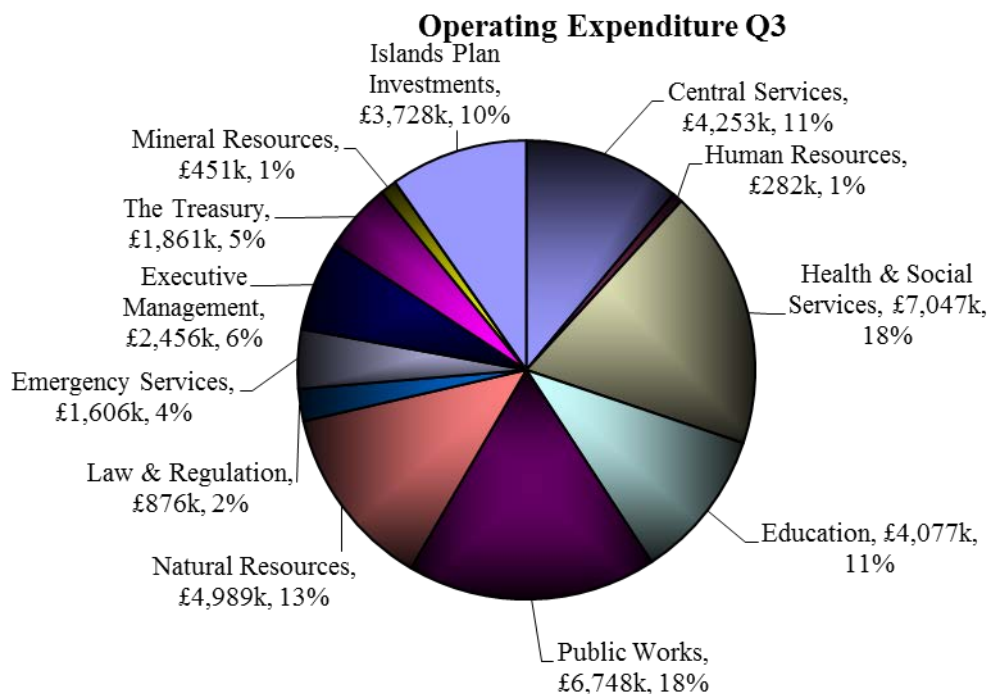
This favourable variance is attributable to higher than anticipated Medical Services Tax receipts mainly due to the extended drilling campaign this year and the associated payments from those operating in the hydrocarbons industry.

4.7 Public Works - £371k adverse

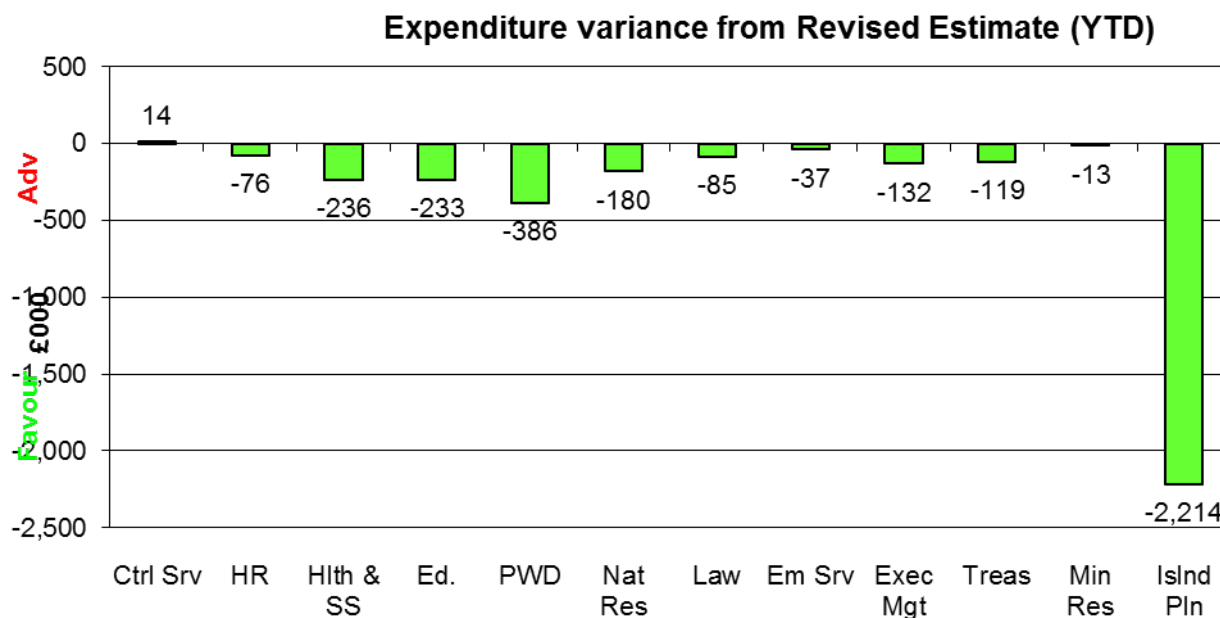
This adverse variance is largely been driven by lower than anticipated aggregate sales which are £322K behind plan for the year so far. The Materials Manager advises that not only have order levels been low but a shortage of haulage lorries has also impacted the ability to service larger orders which has had a negative impact on revenues. This has largely been offset by reduced expenditure in the department.

5. Operating Expenditure

5.1. FIG expenditure covers a wide range of services and activities. The chart below shows the allocation of this expenditure to date.



5.2. The chart below shows the variances from budget for the year to date.



5.3 **Islands Plan Investments - £2.214M favourable**

The main component driving this favourable variance is the level of support that has been requested to support shipping links for the Islands has been less than anticipated in the budget. In addition FIDC have only drawn down partially on funding put aside for the deliverance of the Rural Development Strategy. The costs associated with running the MPA Wind farm only started being borne in August rather than the start of the year as budgeted and resultantly there has also been a saving here.

5.4 **Public Works - £386K favourable**

The largest component of this positive variance is a £304K underspend in the Materials budget. This has been caused by the lower than anticipated production levels leading to resultant expenditure savings.

5.5 **Health & Social Services - £236K favourable**

Is positive variance has been driven by two main factors. Firstly a £103K underspend in the Medical Treatment Overseas budget in the first half of the year due to the level of referrals required. In addition there have been a number of underspends in the Social Services budget totalling £191K this year particularly in regards to welfare assistance and child protection. These have been driven both by the needs in the community (welfare grants are £40k favourable to plan) as well as the staff resource which has been able to be directed into this area.

These underspends, together with a small positive variance in the Dental budget, have offset an £83K overspend in the Hospital budget predominantly caused by the level of locum staff used in the year and increased pharmaceutical costs driven by price inflation and patient requirements.

5.6 **Education - £233K favourable**

Around half of this variance is a saving against the student allowances budget due to the number of students attending college and university this year. The next largest saving is in the Training Centre budget driven by low numbers on the FIG employment programme and new starters joining the apprenticeship scheme in-year and the resultant salary savings.

5.7 **Central Services - £14K adverse**

The only directorate currently adverse to budget is Central Services, although this deficit has reduced significantly over the third quarter of the year. This deficit has been driven by increased staffing costs in Aviation due to the overtime requirement associated with the level of helicopter activity at Stanley Airport in the year.

Standing Finance Committee

Title of Report: AISE – Chief Executive Recruitment

Paper Number: 20/16

Date of Meeting: 27 April 2016

Report of: Chief Accountant

1. Purpose

- 1.1 The purpose of this report is to request approval from Honourable Members for additional funds of £24,500 to be allocated to the Executive Management budget due to the expected recruitment costs for the employment of a new Chief Executive.

2. Recommendations

- 2.1 That Honourable Members approve the request to allocate an additional £24,500 to the Executive Management recruitment budget.

3. Financial Implications

	2015/16
Operational Budget	£24,500

4. Reasoning for Additional Expenditure

- 4.1 The 2015/16 budget currently has £40,000 allocated for the recruitment of a new Chief Executive. This figure is based on the approximate costs in the last round of recruitment for this position.
- 4.2 In previous recruitment rounds for this post costs have sometimes significantly exceeded this amount with agency fees alone approaching £40,000 on occasion.
- 4.2 A higher number of applicants than in previous years have been shortlisted for interview and invited to the Falkland Islands. This has led to higher anticipated costs in relation to flights, accommodation, subsistence and other miscellaneous costs than included in the budget. An application to incur supplementary expenditure has therefore been received from Government House who are leading on the recruitment.
- 4.3 The expected agency commission costs, which is based on final salary package and the successful candidacy being sourced via the agency, is also expected to be around £33,000 dependent on the final salary package agreed with the successful candidate.

- 4.4 It is estimated that a total of £64,500 (an additional £24,500) is required for the successful completion of the recruitment process, broke down as follows:

Agency Costs	£33,000
Adverts	£13,500
Flights & Transfers	£12,590
Accommodation	£3,666
Meals & Other Contingencies	<u>£1,744</u>
Total	£60,000