

Joint Committee Meeting 22nd November 2012

Impact On Service Delivery and Quality of 5%, 10% and 15% Reductions In Base Budget

Recommendations

1. That members note the report regarding the likely impact of further budget reductions going forward and that they take these into consideration when discussing the partner financial strategies following the next financial settlement from central government, particularly if a reduction in budget is required.

Contribution to Priorities

N/A

Introduction

Following an approach by some partners for Worcestershire Regulatory Services to consider delivering further savings, a decision was reached by Management Board to commission a report illustrating the impact on front line services, arising from budget reductions of 5%, 10% and 15%. Worcestershire Regulatory Services, under its business case, was tasked to deliver savings of **17.25%** and has, to date, delivered savings of **20.5%**. It was agreed at the Management Board meeting on the 30th August that licensing should not be included in any calculation for savings. After further discussion on 12th September 2012, officers were asked to recommend specific areas that could be included in the strategy for budget reduction.

In undertaking this work it became apparent that rather than focus on cuts there was an opportunity to grow the business in such a way that any income could be used to offset the base budget. A report was submitted to the Joint Committee at its meeting on the 27th September where they resolved to allow WRS to continue to explore business opportunities to grow the business.

It has also become apparent that there is potential to realise further savings through better integration and harmonisation of support services and back office systems that impact on the shared service and a detailed analysis of these would identify the extent of any potential savings.

Report

The budget for WRS has now been fixed at £5,626,000 for 12/13, the intention from the original business case being that this remain static for the next 2 financial years with no allowance for inflation, increments or national pay increases. (Please see **Appendix A.**) For 13/14 the impact of these factors has been calculated at £130,000 or 2.3% of budget assuming a national cap on pay increases set at 1% and inflation is around 3%. Hence, just to achieve stand still, the service has to find this level of further saving, year on year, until a full financial review in 2015.

These pressures will be met by further streamlining of the leadership team cohort and through some efficiencies that may be achieved. It should be noted that, by the end of 2013/14, should the service be allowed to make these further efficiencies, it will already have delivered a saving of 23.5%.

In future years, these pressures will be met by taking up some of the savings outlined in Appendix E.

The report will give financial values for the recommendations and what the impact will be on service delivery and quality, including what differences will partners and the public see. (Please see **Appendix E.**) The report will also consider the option of “growing the business” and what realistic opportunities are available.

It should be noted that as such a large part of the budget is expended on salaries; any significant further savings can only be achieved by a reduction in staff numbers and associated redundancy costs.

It should also be noted that licensing, being a reserved matter with all income reverting to partners, should be treated separately as any proposed reduction in costs would need to be offset by a corresponding reduction in partner income. (Please see **Appendix C.**) This was agreed in principle at the Management Board meeting on 30th August.

The transformation process is already well advanced, with many staff already working flexibly, using touchdown facilities or using home as their start and finish point. Many staff are also using a single data base for reactive work and, although the new IT system will deliver efficiencies, the real gain will be in self service capability and enhancing the customer experience. Redesign of activity is almost complete within areas of Community Protection, Licensing enforcement and the Duty Officer role as first point of contact for the public. The impacts of projected budget cuts highlighted within this report have been calculated based on the new designs that a systems-thinking approach has indicated as being the best way to achieve our various purposes and provide a good customer experience.

Worcestershire Regulatory Services have been tasked with providing illustrations of what reductions of 5%, 10% and 15% in current budget allocations would look like in terms of service

delivery, cost and quality, and in addition some work has been carried out to assess the risks and potential savings associated with such actions. The impact of alternatives such as growing the service are also considered with details of income attracted to date and an indication of expected future income..

5% REDUCTION.

The service has already delivered savings of 20.5% which are in excess of those required in the business case. This has been achieved by an initial streamlining of staff when the service came together, followed by a phased reduction in staff arising from the transformation process which has allowed us to not replace vacancies as they have arisen. Significant reductions in all non salary budgets have also contributed to the total.

The current situation is that 74% of the budget is allocated to salaries and there is very little or no scope to reduce the non salary part of the budget due to the nature of those commitments e.g. accommodation, utilities, etc.) With a 5% reduction in budget, the following areas of the service would either be severely curtailed or stopped. (These conclusions have been arrived at in consultation with operational managers) (Please see **Appendix E** for further details.)

Even in areas that are still fully addressed, it may be necessary to increase thresholds before the service will make a formal intervention, for example, requiring customers to attempt to resolve issues by themselves, obviously with guidance, before the service itself intervenes. This will be particularly relevant for low level nuisance activities like domestic bonfires.

10% Reduction

A 10% reduction would lead to significant drop in the number of staff and would result in a disproportionate reduction in activity in some areas. This would mean that the service would become a predominantly reactive service with significant reductions in pro-active work much of which is covered under statutory codes of practice.

15% Reduction

At this level, the number of staff lost (**Appendix C**) would result in a wholly reactive service with very high thresholds for those wishing an intervention, which would have the capacity to make pro-active interventions only at the highest risk premises.

Partner Financial Returns.

The partners expected returns for delivering the above reductions are highlighted in **Appendix D**, both including and excluding licensing, for completeness. The projected returns for individual partners are all relatively small when weighed against the disruption and reduction in service that the budget reductions would cause.

It must also be taken into consideration that these headline savings may not be achievable by the partners due to work



streams being redirected from Worcestershire Regulatory Services to the partners.

For example: If WRS reduces its input into planning consultations partners will have to obtain and probably pay for this expertise elsewhere.

If thresholds are set on dealing with complaints then, complainants may well complain to partners or independent bodies such as the local Government Ombudsman resulting in increased costs to partners

Transformation

Worcestershire Regulatory services has delivered on its original business case by producing savings of 20.5% (in excess of the 17.5% required,) whilst continuing, in the main, to deliver much valued services across Worcestershire.

Transformation has moved forward at pace allowing a reduction in staff numbers from **154FTE to 115FTE** currently, accompanied by a complete redesign of many aspects of service delivery. Further small changes are likely to occur in the next 12 months as the latest small efficiencies are realised, however, the service is now staffed at a level which makes it challenging to deliver partner requirements. It was noted during the development of the business case that the proposed 120FTE was a relatively low number of staff within the organisation when compared with the newly created unitary authorities, based on their populations and the numbers of businesses they would be regulating. Several years on, and following the new unitaries implementing their own reduction plans, we are still a very lean organisation when compared with them, based on these factors (population and numbers of businesses,) which are key determinants in the likely levels of demand for intervention.

The introduction of the new IT system will produce further limited efficiencies (many staff are already using a single data base) but will open up future opportunities for self service. This may result in some further efficiencies but these are currently not quantifiable.

It is apparent that with the inflationary pressures on the existing budget even a 5% reduction in budget would have significant impact on service delivery, leading to a noticeable drop in service with a number of associated risks to partners. At 10% and 15% the service becomes more and more reactive, with very significant drops in many areas of proactive work such as food premises inspections and health and safety inspection, with associated risks to public health and wellbeing and a reduction in business support at a time when local businesses need all of the help they can get to climb out of the recession. Almost all non-statutory work including responses to planning application consultations would potential cease at these levels.

Licensing

Licensing must by law be self financing and partners are not able to make a profit without running the risk of formal challenge through the Court system. To make a reduction in the licensing service would be counter-productive as a corresponding reduction in licensing fees would be required; reducing partners income by a similar amount.

A large reduction in staffing has already taken place within licensing and costs have been reduced and, although managers will continue take every opportunity to reduce costs without compromising service, now is not the time to consider reducing licensing resources further.

It should also be noted that a range of licensing enforcement work takes place outside of the Licensing team within WRS, utilising multi-skilled officers who deal with a range of other associated issues at the relevant business premises.

It was agreed in principle at the management board meeting on 30th August that in calculating any future proposed savings in base budget that the cost of the licensing service be excluded for the above reasons.

Growing the business

An alternative to a reduction in existing budget which will impact service delivery and at certain levels impact on public health and safety, is to engage with new partners to reduce the overall cost of regulatory services to existing partners. Very early stage talks have started with other potential district partners in Warwickshire, Herefordshire Unitary and Staffordshire County. It is too early yet to know how successful these talks will be or what sort of business model will result, however, WRS needs to keep capacity at current levels if this is to be a viable alternative going forward. It will be difficult to sell a service to new partners that are no longer delivering all of the elements they may require within their business model.

For example, Herefordshire have already agreed to pay WRS to carry out Air Quality and IPPC functions over the next twelve months. Obviously a reduction in these areas within WRS would limit the scope for further activity.

Also, partners might like to consider what other elements of current partner service delivery might benefit from being delivered via WRS. The private sector housing work traditionally undertaken by Environmental Health staff would have synergies with other EH elements. We have previously discussed the possibility of including some or all elements of envirocrime that are often delivered alongside EH Pollution control functions by many local authorities, but this could be revisited. There is also the question as to whether the County Council would consider putting any of its other regulatory related elements into the service - such as the Public Analyst laboratory, the anti-pollution monitoring undertaken at closed landfill sites, or even the



Registration and similar services that were historically linked to Environmental Health and Trading Standards by the Local Government Association through LACORS. These are all potential options that partners might consider.

Current income and contracts

These include:

Public Health (health promotion work)
2011/12 & 2012/13: **£100,000** received from PCT for various projects

Hereford Council contract work for air quality ongoing contract approx **£10,000** agreed September 2012

Gloucestershire County Council: Ongoing inputting of animal health data for recording livestock movements **£10000**

Talks are currently underway with several prospective partners/clients including Herefordshire Council. We have secured the services of a consultant from BRDO at no cost to the service to support the development of a business plan for growth the organisation.

Whilst it is difficult to predict potential income levels, there is an invitation to express an interest in relation to Regulatory Services delivery for Herefordshire. The total current value of this service is between **£2M** and **£2.6M**. If WRS were to get a modest proportion of this contracted out work, it would be a significant contribution to potentially reducing partner costs within WRS.

WRS will be developing a business case on these potential business opportunities and produce a report for the Joint Committee for consideration at a later date.

Support Services/Back Office Systems

In addition there is a potential to realise further efficiency savings through the integration and harmonisation of support costs and back office systems.

For example there are still several document management systems, databases, GIS systems and payment systems around the County which creates duplication and makes integration of a single WRS IT system complicated and costly. By better utilisation of the WRS IT system some of this duplication can be reduced and long term efficiencies realised. In particular a single payment engine and cash receipting system would not only improve the service to the customer but generate efficiency savings. With the implementation of a single IT system for WRS it is opportune to look for further opportunities to rationalise the many different systems around the County and drive through some more cashable savings!

Equally there is much duplication in support services such as Legal, HR, Finance and IT support which if rationalised would drive out further efficiency savings that could be used to offset

Sustainability

the budget pressures for all partners.

It is therefore our contention that partners should revisit the potential efficiency savings through better integration and harmonisation of support services and back office systems which is highlighted within the original business case.

Financial Implications

Double figure cuts in the budget would put pressure on the sustainability of the service in future years.
Detailed in the report

Legal Implications

There are no immediate legal implications as a result of this report, as it comprises information and projections of service delivery levels in the future. The future viability of the service due to budget pressures may impact on the partnership agreement that currently exists. Equally, any change to the existing arrangement for legal /HR support to the service will require changes to the existing agreement.
More remotely, there could be a legal challenge for failure to deliver services should financial cut-backs result in non-delivery of any aspect of the statutory function.
Any extension of the activities of the service will have to be within a legal framework, which will need to be considered when those further activities are identified, to ensure legal compliance.

Contact point

Steve Jorden
Tel: 01527-881466
email: s.jorden@worcsregservices.gov.uk
Report prepared by Mark Kay & Simon Wilkes

Background Papers

WRS Growth Potential Report, 27th Sept JC Meeting

