

JOINT COMMITTEE

27th September 2012

WORCESTERSHIRE REGULATORY SERVICES GROWTH POTENTIAL

Recommendation

That WRS continue to explore opportunities to grow the business by taking on other partners or being contracted to deliver similar services for others.

Contribution to Priorities

.N/A

Introduction/Summary Background

Worcestershire Regulatory Services are well aware of the implications of the next Government settlement (2014/15 onwards,) and the significant impact this is likely to have on local authority finance. Whilst the creation of WRS has helped the seven authorities to reduce costs whilst maintaining resilience, we understand that the following 4 year period is likely to be characterised by further significant reductions in local authority funding and that this will result in the need for further cuts to all local authority services including WRS.

There is however an opportunity to grow the business in such a way that growth can deliver benefits for the original partners and council tax payers of Worcestershire.

Background

In 2009 the 7 Worcestershire local authorities agreed to commission a high level business case to explore the feasibility of creating a Worcestershire wide shared service involving Trading Standards, Environmental Health and Licensing.

This business case supported the development of a fully integrated Regulatory Services operating within a unified management structure. This would allow an integrated team to be created which has the resilience, shared expertise and economies of scale to provide a broad and effective service base for the communities of Worcestershire, while maintaining local responsiveness, choice and identity.

From the outset the Chief Executives Panel (CEP) made it clear that any shared service must consider three key

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principles;

- Delivery of service improvements and improved performance for all stakeholders,
- Reduced pressure on the budget both overall and for each participating local authority,
- Increased resilience to meet the demands placed on the service.

However, given the economic climate at the time and the projected efficiency savings local government would have to make over both the short term and medium term, the financial element of the business case had to take precedence.

It was therefore accepted that the way in which regulatory services would be delivered in the future would be fundamentally different.

Substantial capital investment of around £1.24m was needed to achieve the business model. A return on investment was to be achieved in the 3rd year of operation.

On the 1st June 2010 all partners approved the detailed business plan to deliver a 17.25% reduction on 2009/10 direct service costs and signed a legal agreement to set up the Worcestershire Regulatory Shared Service.

It was also agreed that it should be possible for partners to achieve further savings in overhead costs in the medium to long term of up to 20% of current internal recharges (approximately £355k).

In light of the uncertainty of the financial settlement that will be available to Local Government from 2013/14, WRS have developed two strategies:

1. Exploring opportunities to grow the business
2. Developing a medium term financial strategy for the service by delivering small (approx 3% to cover inflation etc on top of the 20% plus already delivered) additional efficiencies for and during 2013/14, and preparing an options report for Joint Committee on the likely impacts of further cuts (5%, 10%, 15%) to budget in 2014/15 onwards.

Whilst it is anticipated that the options report will be submitted to the Joint Committee as part of the budget setting discussions on the 22 November, WRS has already made significant progress towards growing the business.

In particular they have:

- For the last 2 years been contracted by the Worcestershire
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PCT to deliver various projects against the Health and Wellbeing agenda, receiving over £150,000 in funding for this work.

- Been contracted by Gloucestershire County Council to deliver some Animal Health work, generating an income of £10,000 per annum.
- Been contracted by Herefordshire Council to undertake Integrated Prevention and Pollution Control (IPPC) and Air Quality work generating an income of £10,000 per annum.

These are only small contributions but hopefully demonstrate to these other local authorities the potential value WRS could add going forward in these challenging economic times.

In addition WRS have had discussions with the following Local Authorities to gauge interest in either joining the partnership or outsourcing their services to WRS.

- Staffordshire County Council – interested in outsourcing.
- Stratford-on-Avon District Council – interested in outsourcing.
- Herefordshire Council – WRS has been invited to express an interest in a basket of similar services which may lead to a formal tendering process. In this particular case it may be that rather than becoming a partner Herefordshire may simply want to outsource its services, therefore there may be a need to consider different delivery and governance options.
- Discussions with Telford and Wrekin – interested in outsourcing.
- Discussions with Gloucestershire County Council

WRS is also looking into the feasibility of working with a wider range of partners to establish a regional Animal Health team in order to realise savings, generate income and ensure resilience in the event of disease outbreak e.g. foot and mouth. This proposal is receiving good support in principal from many of the County Councils in the region.

Whilst these discussions are at an early stage it is clear that there are real opportunities for WRS to grow the business in a way that will generate an income for partners and help offset the WRS budget. There are a number of areas where we have expertise that could be shared with the wider region (potentially at a price,) and others may be able to assist us, sustaining resilience in the coming years across a wider geographical area.

It has however become clear that in order to maximise these opportunities a review of the current governance arrangement

should be undertaken so as to ensure that the partnership is able to capitalise on any opportunities and be flexible in its governance arrangements so as to support a different business model.

Financial Implications

There is a potential revenue stream that could be realised from working with other partners which could benefit the original participating authorities by increasing the levels of savings delivered. There is also a need to recognise that savings may need to be realised from the service in future years from efficiencies regardless of any additional business growth.

A separate report will be presented to the Joint Committee following the discussions with other organisations to detail the financial proposals and benefit of any future growth opportunities.

Sustainability

By taking on more partners the service would be more sustainable through increased economy of scale and improved resilience.

Legal Implications

There is a range of local government legislation governing provision of services between public authorities and others. When a detailed business case is decided, the most appropriate legal framework will need to be considered at that time.

Members are advised that in the context of entering into arrangements with other organisations it may be necessary to review the Regulatory Services Governance arrangements.

Contact Points

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Background Papers

WRS Partnership Agreement
