

**Joint Committee**  
**27<sup>th</sup> June 2013**

## **WORCESTERSHIRE REGULATORY SERVICES BUDGET MONITORING 2012/13**

### **Recommendation**

It is recommended that the Joint Committee:

- 1.1 note the financial position for the period April 2012 – March 2013
- 1.2 approve the refund of the 2012/13 underspend of £349k to the participating Councils, to be allocated on the % basis as detailed in the Business Case 2010/11. The total of £349k will be repaid in 2013/14 and equates to:

<b>Council</b>	<b>% Share</b>	<b>Refund of savings £'000</b>
Bromsgrove	11.05%	39
Malvern Hills	9.58%	33
Redditch	11.31%	39
City of Worcester	11.11%	39
Wychavon	16.55%	58
Wyre Forest	10.82%	38
Worcestershire	29.58%	103
		<b>349</b>

- 1.3 Approve the Annual Return to include the Accounting Statements for the Joint Committee for the period 1<sup>st</sup> April 2012 – 31<sup>st</sup> March 2013.

- 1.4 Note the Internal Audit Manager assurance statement for the financial year 2012/13 at Appendix 4.

### **Contribution to Priorities**

The robust financial management arrangements ensure the priorities of the service can be delivered effectively.

### **Introduction/Summary**

This report presents the financial position for Worcestershire Regulatory Services for the period April 2012 – March 2013 together with the information required to enable members to

agree the formal annual return to be submitted to the External Auditors. The financial statements included in the Appendices include:

- Annual Revenue 2012/13 final position
- Annual Return 2012/13
- Annual and Projected Financial position of the ICT Information Management System.

The report also requests Members consider the savings that have accrued during the year and the proposal to return the savings realised from 2012/13.

## Background

The approved budget for 2012/13 was £5.626m. This was increased to £5.661m to reflect the additional training reserve allocation of £35k as agreed in June 2012 and reflected a £347k reduction on the 2011/12 budget.

During the financial year a monthly financial report has been presented to the Management Board with a quarterly report considered by the Joint Committee.

The costs associated with the service include annual revenue and those relating to the ICT Management Information system . A detailed Revenue Monitoring Statement for the period April – March 2012/13 is attached at Appendix 1 and Appendix 5 details the expenditure on the management information system.

At the end of each financial year the accounts are closed and the Annual Return is prepared to enable the accounts to be audited. This document is a prescribed form which has to be completed and approved by the Joint Committee.

The accounts for 2012/13 will be audited by Grant Thornton (External Auditors) in August 2013.

## Report

### Revenue Monitoring

The revenue monitoring statement for 2012/13 is included at Appendix 1.

The final position of savings in relation to revenue costs is £349k. This underspend is mainly due to :

- Vacancies as a result of the recruitment to new posts (£245k). There was 1 post at a senior level not filled during the year.
  - Reduced spend on premises and transport costs due to the savings realised from the move to Wyatt House together with officers working more efficiently in the use of their vehicles (£83k)
  - Net additional income generated from charges for additional works and grant received (£20k)
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Due to the level of the underspend together with the financial cuts that the participating Councils are faced with in the future, officers propose that the Joint Committee approve the refund of the 2012/13 savings of £349k back to the participating Councils in 2013/14.

It is proposed that the £349k is refunded in 2013/14 to the Councils based on the agreed % share as detailed in the Legal Agreement..

The total refund to each participating Council would be:

Council	% Share	Refund of savings £'000
Bromsgrove	11.05%	39
Malvern Hills	9.58%	33
Redditch	11.31%	39
City of Worcester	11.11%	39
Wychavon	16.55%	58
Wyre Forest	10.82%	38
Worcestershire	29.58%	103
		<b>349</b>

As members are aware the costs associated with severance that may result from future restructures were identified in the Business Case and factored into the funds to be released from participating Councils to ensure the service could be restructured to deliver future savings. There has been a requirement to fund £96k in 2012/13 for costs associated with redundancies within the service.

Appendix 1 also details the grants received by Regulatory Services for specific projects which would not have formed part of the original budget and therefore are shown separately.

#### Annual Return 2012/13

As in 2011/12, Worcestershire Regulatory Services Joint Committee has been classified as a small relevant body by the Audit Commission as the income is less than £6.5m. As a result of this classification the requirement of the formal accounting statements for 2012/13 is limited to the return as detailed in Appendix 2. For a small organisation, as defined, the Annual Return replaces the need to produce a lengthy Statement of Accounts which members will be aware are provided for the District and County Councils.

To enable Members and auditors to compare the revenue monitoring statement 2012/13 with the Annual Return a schedule has been included at Appendix 3 to detail, where

appropriate, how the Annual Return is completed.

The main variations between the return for 2011/12 and 2012/13 are:

- Reductions in balances brought forward due to refunds being made to participating Councils
- Reductions in all payments (Line 6) due to savings made across the service
- Increase in assets (Line 9) due to ongoing expenditure on the information management system
- Borrowings ( Line 10), this reflects the costs associated with the finance leases payable on the vans

The Governance Statement and Annual Internal Audit report form part of the Annual Return and a separate assurance statement from the Internal Audit Manager is included at Appendix 4. The assurance statement relates to the systems in place at Bromsgrove District Council as the host Council for Worcestershire Regulatory Services.

#### ICT System costs 2012/13

Following the appointment of IDOX for the new system a review of the costs included within the original business case was undertaken to ensure that the relevant expenditure is allocated to the project.

Appendix 5 details the anticipated expenditure for the one off costs associated with the implementation of the project. As previously reported there is a saving of £282k from the costs originally included in the business case.

Implementation costs during 2012/13 amounted to £270k this was mainly due to the hardware and data cleansing associated costs. It is anticipated that the majority of expenditure on the project will be in 2013/14. The schedule at Appendix 5 details the actual 2012/13 spend and that estimated during the project period.

The £270k for 2012/13 have been met by the grant received from the Regional Improvement and Efficiency Agency (£128k) with a share of contributions from the participating Councils (£142k) as shown.

In addition to the one off costs there will be annual revenue costs resulting from the software, license charges and service maintenance with the new system. These costs are currently estimated at £79k pa and it is anticipated that funding for these costs will only be required from participating councils for two years.

## Cost Apportionment

Over the last few months officers, including S151 officers from each Authority have been reviewing the cost allocation basis with the aim to revise the charging mechanism to reflect a more activity based costing position.

It was hoped that this would be brought to this meeting however the data required to evidence the activity based costing has taken a period of time to collate, to ensure it accurately reflects the service provision. In addition a zero based review of all costs has been undertaken to ensure that costs incurred by the service also reflect service delivery. It is therefore proposed that the two elements, cost apportionment and revised budget be presented to the next meeting of this Committee.

### **Financial Implications**

None other than those stated in the report

### **Sustainability**

None as a direct result of this report

### **Contact Points**

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### **Background Papers**

Detailed financial business case

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