

JOINT COMMITTEE
26TH September 2013

Review of Apportionment of Costs

Introduction

To report to the Joint Committee the outcome of the cost reallocation for 2013/14 as required within the legal agreement Part II S.8.

Reporting period

The reallocation of costs was initially anticipated to be implemented with effect from 1st April 2013. Following a number of discussions at Management Board, it is proposed that the new allocation be effective from 1st April 2014 to ensure transparency of the new basis together with the revised 2014/15 budget.

Recommendations

The Joint Committee is recommended to :

- 1 Approve the new basis of cost allocation as presented in Appendix 1 & 2
- 2 Request a change to the Statement of Partner Requirements in that the functional activity of "health and well being" will no longer be provided by Regulatory Services with effect from 1st April 2014. This will mean that the functions detailed in Appendix 3 will no longer be undertaken by Regulatory Services. These will have to be presented to the participating partners.
- 3 Approve that the net savings of £157k made from the removal of this activity be refunded back equally to the 7 partner Councils (£22k per Council) with effect from 1st April 2014.
- 4 To approve the base level of 2014/15 budget as detailed in Appendix 1 of £4,979,689 to include the reduction in budget of £646k (subject to the approval at 1,2 &3) . This will enable partner Councils to

identify any additional savings that are required over the period 2014/15 – 2016/17.

- 5 Approve the outcome of the cost allocation and (subject to the agreement of 1&2&3) approve the revised cash allocation for 2014/15 to the partner authorities as follows:

Bromsgrove	£492,193
Malvern	£415,639
Redditch	£581,474
Worcester City	£600,755
Wychavon	£754,516
Wyre Forest	£574,347
Worcestershire County	£1,560,766
	£4,979,689

- 6 Approve that this revised basis of allocation be effective from 1st April 2014.
- 7 Approve the percentage share to be used for allocation of savings, severance, transformation and any other ad hoc costs to be shared on the following percentage basis. To be effective from 1st April 2014. This reflects the demand and data allocation:

Bromsgrove	10.01%
Malvern	8.53%
Redditch	11.76%
Worcester City	12.13%
Wychavon	15.13%
Wyre Forest	11.62%
Worcestershire County	30.82%

- 8 Request Bromsgrove District Council legal department, as host, to make the relevant amendments to the legal agreement on behalf on the participating partners.

Key achievements

As the Joint Committee is aware officers have been working on a revised cost allocation methodology for the last 12 months which has included the consideration of a number of different approaches. The aim of the review was to reallocate the costs associated with the delivery of Regulatory Services functions using a demand led rationale of resources deployed to each partner. The current allocation is based on an arbitrary budget share.

The Legal agreement as approved by all participating Councils stated the requirement for this revised approach to

be in place for April 2013. At the Joint Committee meeting in June officers requested a delay in the final presentation of the review to ensure that an appropriate method of allocation could be identified.

In addition the legal agreement stated that each participating Council should continue to benefit from a saving of at least 15% compared to the 2009/10 budgeted direct revenue costs. This has been taken into account as part of the financial model for the reallocations.

Revised Allocation & Zero Based Budget

The matrix attached at Appendix 1 (summary at Appendix 2) has been agreed by the Management Board as the basis for reallocation of costs. The operational managers have measured demand and data across the functional areas for each partner and revised the costs allocated accordingly.

To ensure that no Authority has an increase in contribution due to the revised resource allocation an adjustment has been made across all Districts to offset any additional cost allocation. This adjustment is shown as “damping costs” in Appendix 2.

It was originally anticipated that the revised shares would be used to reallocate the budget for 2013/14. Following the additional exercise in relation to zero based budgeting for 2014/15 it is recommended that the new percentage allocations are effective from 1st April 2014 to ensure transparency and clarity of the associated charging mechanism.

Zero Based Budget

As part of the exercise to measure demand, officers have also undertaken a zero based budgeting review to ensure that the budgets reflect the true cost of the service for 2014/15. The initial saving realised was £489k. This saving is reasonable considering the value of underspends that the service has delivered over the last 3 years. Members should also note that there will be severance costs resulting from the reduction in establishment to realise the projected savings.

As a result of the allocation of costs on a more measured basis Redditch and Worcester City do not receive a proportion of the savings as their cost share would increase in the new model. To ensure that these Councils do not bear an additional charge, the financial model at Appendix 2 includes an appropriate financial adjustment “share of damping”. This results in the contribution from Redditch and

Worcester City remaining the same as in 2013/14.. This approach has been agreed by all Treasurers.

Health and Wellbeing

Included in Appendix 1 is a net cost of £157k identified as "Health and Wellbeing". This cost was allocated across all partners and the service is included in the Statement of Partner requirements as part of the original legal agreement as attached at Appendix 3.

Officers at Management Board have discussed the issue of the service provided within Health and Well Being at length and it is evident that much of this work is already undertaken across the County by both District and County funded officers (Health Improvement Coordinators). It is therefore proposed that this service is no longer provided by Regulatory Services as it is apparent that there is sufficient support in place in other services. It is also proposed that the associated net costs of £157k are removed from the budget with effect from 1st April 2014 and each partner Council receive an equal share of the saving (£22k). The total saving for 2014/15 is therefore £646k.

Risks

Joint Committee will have to agree the revised mechanism and the allocation of savings. Officers will need to be clear with all members, particularly those who are not making savings from the zero based budget exercise as to the rationale for this.

Greater clarity will be required in relation to the Health and Wellbeing costs to ensure that Members are aware of any changes in the Districts that may result in reducing these functions.

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