Worcestershire
Regulatory Services
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Joint Committee: 26 June 2014

Worcestershire Regulatory Services – Business model review

Recommendation	The Joint Committee is recommended to: 1. Endorse the revisions to the WRS business model detailed in this report and; 2. Recommend partner Councils approve the changes to the Worcestershire Shared Services Partnership Agreement set out in appendix 1 to this report at the earliest opportunity.
Contribution to Priorities	The recommended changes to business model directly support delivery of current WRS priorities.
Introduction / Summary	This report sets out proposals for modification to the business model of WRS to reflect changing needs of the partnership. These proposals are intended to provide an interim solution recognising that further changes will be necessary once the outcome is known of the current procurement for a strategic partnership.
Background	WRS was established on 1 June 2010 when the county and six district councils delegated their environmental health, licensing and trading standards functions to the South Worcestershire Shared Services Partnership Joint Committee (hereafter referred to as the Joint Committee). The Joint Committee is established under section 101 of the Local Government Act 1972. The arrangements governing the operation of the Joint committee, how it discharges its functions and the relationship between the Joint Committee and partner councils including how the Joint Committee is funded are set out in a detailed partnership agreement. Part I of the agreement contains general provisions relating to the

Joint Committee and Part II contains provisions relating specifically to WRS.

With the exception of minor revisions to the scope of work contained within the Statement of Partner Requirements, the agreement has not been revised since it was completed in 2010. Significant revisions to the agreement are now needed to ensure it continues to be fit for purpose given the substantial changes that have occurred in the operating environment over the last four years.

Report

The partnership agreement reflects the business model underpinning the detailed business case for WRS developed in 2009/10. This model achieves cost reductions by vigorous pursuit of a common approach to service delivery. Part I, clause 9.2 commits the participating authorities to work together to achieve consistent and standardised service delivery.

This commitment to a common approach is reinforced by other checks and balances built into the agreement, in particular the variation provisions in Part II, clause 9 which permits a participating authority to vary the nature and extent of services that it receives from the partnership but also obliges it to meet all the contingent financial consequences. This clause further permits the Joint Committee to decline to implement any variation sought by a participating authority if it considers it impracticable or to do so would have an adverse impact upon other participating authorities. These provisions follow through into the arrangements for apportionment of costs which were modified by this committee in 2013.

There is no doubt that this business model for WRS has enabled delivery of savings well in excess of the planned 17% over baseline in the detailed business case. It is however increasingly difficult to achieve a common approach to service delivery because of the marked difference in financial pressures confronting partner councils compared to 2010.

Negotiating agreement on the “Core Matrix” service level and new activity based cost sharing mechanism agreed by this committee in September 2013 was both complex and challenging because of these increasing differences in financial pressures faced by partners. Management Board considers that these challenges and pressures mean continued pursuit of a common approach can no longer be sustained and recognises that by 2016/17 there needs to be a greater differentiation in partner contributions to, and associated service levels received from, WRS. A new business model is required which will accommodate these

different requirements as well as deliver current savings and efficiency plans. This view is echoed by Worcestershire Chief Executives who are concerned to avoid repetition of the difficulties in agreeing a WRS budget and service position for the current year.

Management Board proposes achieving differentiated partner service levels and attendant financial contributions by replacing the current common "core matrix" service as the basis for agreed variations with a "core base plus" service. This will involve reducing the current "core matrix" service to a much lower "core base" cost and service level and building back up from this base to meet individual partner requirements. The "core base" will be the fundamental minimum managerial and technical infrastructure on which scaleable service delivery is then built.

The currently identified future gross running cost envelope of £3.250m in 2016/17 agreed by this Committee in February 2014 will be used to establish the new lower cost "core base" level of service. This will inevitably be significantly below the current "core matrix" service level and carry higher risks. Partners wishing to maintain, and fund, a level of service above this "core base" will purchase agreed additional services from WRS. As noted this approach will incorporate existing efficiency plans and is consistent with the revised activity based cost sharing model. These proposals also accord with recommendation 6 of the draft report of the Joint Worcestershire Regulatory Services Scrutiny Task Group.

Incorporation of the changes to business model and business processes described above into the partnership agreement to provide the necessary clarity and accountability will be accomplished through the revisions detailed in appendix 1.

Financial Implications

The recommendations in this report will ensure that the Worcestershire Shared Services Partnership and WRS can respond effectively to the financial pressures facing individual participating authorities.

Legal Implications

The changes proposed to the partnership agreement will require unanimous approval of all participating authorities to enable them to be incorporated. Partners are requested to progress recommendations from the Joint Committee as quickly as possible.

Changes to the agreement, once approved, will be undertaken by Bromsgrove District Council Legal Services.

Risk

Failure to implement the recommendations in this report are very likely to result in difficulty in securing a mutually acceptable financial settlement for WRS for 2015/16 and beyond.

Not only will this make setting of a budget for WRS this November exceptionally challenging but it also risks setting of individual partner budgets in 2015.

Sustainability

Management Board believes the recommendations in this report will ensure the financial sustainability of the Worcestershire Shared Service Partnership and WRS for the immediate future.

Contact Points

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Background Papers

Worcestershire Shared Service Partnership Joint Committee – 26 September 2013 – Item 8 "Core Service Matrix for WRS"

Worcestershire Shared Service Partnership Joint Committee – 26 September 2013 – Item 9 "WRS Financial Planning Assumptions"

Worcestershire Shared Service Partnership Joint Committee – 26 September 2013 – Item 10 "Review of Apportionment of Costs"

Appendix 1 Schedule of proposed revisions to partnership agreement

Part, clause, schedule	Proposed revision
Part I, clause 3.4	Delete clause as partners no longer wish partnership to be expanded
Part I, sub-clause 6.1.3	Delete sub-clause as roles have not rotated and this is not advantageous as linked to hosting costs.
Part I, clause 8	Revise 8.1 requirement for annual business plan to incorporate requirement for production of rolling 3 year financial plan setting gross running cost envelopes linked to future partner contributions.
Part I, clause 9.2	Modify to make clear no obligation on consistency beyond new reduced “core matrix”
Part II, clause 8.1	Reference to replacement schedule 4
Part II, clause 8.2	Delete clause as its provisions are satisfied by the new schedule 4
Part II, clause 9.1	Modify to refer to individual partner service agreement based on new reduced “core matrix” plus additional components.
Part II, schedule 3	Update to reflect current service standards
Part II, schedule 4	Replace with new cost sharing arrangements schedule
Part II, Appendix 1	Replace statement of partner requirements with new reduced core matrix and statement of individual additional partner requirements.