

The Vale of Glamorgan Council

Shared Regulatory Service Joint Committee: 18th December 2018

Report of the Head of Finance/Section 151 Officer

Draft Budget Proposals 2019/20

Purpose of the Report

1. To gain Joint Committee's approval of the Proposed Budget for 2019/20.

Recommendations

It is recommended that:

1. The Joint Committee approve the Proposed Budget for 2019/20.
2. Individual Authorities are requested to approve in writing the Proposed Budget for 2019/20 by 10th March 2019.

Reasons for the Recommendations

1. To seek agreement of the Joint Committee in line with the Joint Working Agreement.
2. To allow the budget to be finalised prior to the start of 2019/20.

Background

2. The Shared Regulatory Services (SRS) Joint Working Agreement (JWA) set out the particulars for operating the collaborative service, and the creation of the SRS Joint Committee which was signed by Bridgend Council, Cardiff Council and the Vale of Glamorgan Council on 10th April 2015, with the service becoming operational on 1st May 2015.
3. The JWA states that the Joint Committee should agree the draft annual budget, which is referred to as the Proposed Budget, by the 31st December prior to the commencement of the Financial Year to which the Proposed Budget relates, and that the Proposed Budget should be submitted to each of the Authorities for approval.
4. Included as part of the JWA was a Business Plan which set out the detailed financial model that sits behind the shared service and gave projections of expenditure for the first 3 years of operation (2015–17). That programme has been completed with all of the proposed savings successfully being delivered. 2019/20 is the second year of the current 3 year Business Plan that supports the period 2018–21.

5. The SRS Business Plans are developed in consultation with stakeholders. They inform and direct the work of the service and contribute towards the corporate priorities of each partner Authority. The service has five main aims, which are:
 - Improving Health and Wellbeing
 - Safeguarding the Vulnerable
 - Protecting the Local Environment
 - Supporting the Local Economy
 - Maximising the use of our resources.
6. The service is split into Core and Authority Specific Services. The Core Service is operated on behalf of all Authorities; the JWA outlines the methodology to determine the percentage contribution to be made by each Authority.
7. Authority Specific Services are paid for by individual Authorities and include Burials (Vale), Pest Control (Vale), Kennelling and Vets Fees (Vale and Bridgend), Licensing (All), HMO Cathays and Plasnewydd (Cardiff), Night Time Noise (Cardiff), Port Health Authority (Cardiff) which is funded by precepts via Cardiff, plus Student Liaison where costs are shared equally between Cardiff Council and 3 Universities (Cardiff). Empty Homes (Bridgend) is a new activity which has been brought into operation in preparation for 2019/20.
8. The Illegal Money Lending Unit is fully grant funded, with this element of the service being held as part of Core with no cost to the service.
9. For the period 2018-20, the Partner Councils have provided an indication of budget savings and proposed a programme that will see a reduction on the core budget of 5% recurring for the 3 years. This equates to an overall reduction of some £830k on the Core services budget. However, this does not include consideration for an inflationary pay rise or any enforced adjustment to the salary on-costs.
10. The magnitude of the agreed £830k budget reduction over the 3 year period has dictated a review of the organisational structure, and consequently consultation with the staff and trade unions. Implementation of the agreed programme of savings has been phased, with £166k of savings successfully achieved in 2018/19, £498k to be delivered during the financial year 2019/20, with the remaining £166k to be found in 2020/21.
11. Throughout the summer, there has been an extensive consultation with staff and trade unions on the proposed budget for 2019/20. Members will have considered the budget proposals in an earlier report. Achieving the savings has required the deletion of 9.3 full-time equivalent (FTE) posts from an establishment of 133 FTEs.
12. To date, this has necessitated one compulsory redundancy, two voluntary redundancy applications and the remaining posts deleted following resignations or through the reallocation of duties. This will have an inevitable impact upon service delivery. The management team will keep performance against agreed measures under review, but there will be a cessation of some activities to enable the focus to remain upon key issues.
13. This report outlines the 2019/20 position, and sets out how the second tranche of budget savings is to be delivered.

Relevant Issues and Options

Budget Assumptions

14. 170 staff transferred from Bridgend and Cardiff Councils to the Vale of Glamorgan Council on the 1st May 2015 to create this shared service. As a direct result of the TUPE provision administered, consideration for the resulting salary protection has been built into the budget.
15. The 2019/20 Pay Structure was presented to the Cabinet for approval on the 19th November 2018, then presented to Council on the 12th December 2018. This proposal assumes that the draft proposals were accepted.
16. The 2019/20 SRS budget has been prepared using the proposed 2019/20 Pay Structure, which incorporates the Assimilated Pay Structure for staff that have retained salary protection in accordance with the TUPE provision stemming from the 2015 transfer.
17. The net effect of the budget adjustments detailed below in respect of the draft proposed 2019/20 budget is that the budget requirement of £8.190m is an overall £314k lower than the 2018/19 approved budget of £8.504m. This is made up of
 - £498k of savings which have been taken from the recharged Management Overheads, and from within Core. The component parts of the savings are £384k Staffing, £77k from new income streams plus £37k from Non-Staffing budgets.
 - £184k of additional costs resulting from the assumed pay award.
 - No further consideration given for price inflation is included within the budget.
18. The following table illustrates where in the service the savings have been taken from.

Savings Illustration	Staff Reduction £'000	Non Staffing £'000	New Income £'000
Administration	(66)		
Animal Services	(27)		
Environmental Services	(32)	(10)	
Health & Safety	(40)		
Housing Services	(68)		(57)
Food Team	(72)	(14)	
Trading Standards	(79)	(13)	(20)
Total Savings Taken	(384)	(37)	(77)

19. In line with the JWA, the population figures have been updated in this report to match the 2019/20 projected population as quoted in Welsh Government's Green Book.
20. In accordance with the JWA, income budgets remain the responsibility of each Participant Authority and are not included in the analysis laid out in this report.
21. Management Overheads are reallocated based on information provided by the Senior Management Team and are based on the consumption of the service. All other overheads continue to be recharged out based on the value of budget held.

Proposed Financial Contributions

22. The following table summarises the 2019/20 gross expenditure budget as detailed below.

Gross Expenditure Budget	2018-19 Current £'000	2019-20 Proposed £'000	Reduction in Contribution £'000
Bridgend	1,774	1,728	(46)
Cardiff	4,978	4,793	(185)
Vale of Glamorgan	1,752	1,669	(83)
Total Gross Expenditure	8,504	8,190	(314)

Core Budget

23. The 2018-19 Core gross expenditure budget of £6.261m has been used as a base for the proposed 2019/20 budget.

24. As a result of consideration given to the agreed savings and pay adjustments appertaining to Core, the proposed 2019/20 Core gross expenditure budget is £5.861m. The agreed 2019/20 savings have predominantly been found within the Core Budget.

25. The contributions due from each Authority for Core services are analysed in the table below.

Core Services		2018-19 Current £'000	2019-20 Proposed £'000	Change in Contribution £'000
	Updated %			
Bridgend	22.32%	1,401	1,308	(93)
Cardiff	57.68%	3,601	3,381	(220)
Vale of Glamorgan	20.00%	1,259	1,172	(87)
Total Core Services		6,261	5,861	(400)

Authority Specific Services

26. The 2018/19 Authority Specific gross expenditure budget £2.243m has been used as a base for the proposed 2019/20 budget.

27. As of 2019/20, the Bridgend Council Authority Specific Services budget also includes provision for the management of Empty Homes within the Bridgend County Borough Council area.

28. Adjustments made to the proposed Authority Specific budget also incorporate consideration for the assumed pay inflation.

29. The charge to each Authority for these services is illustrated in the table below.

Authority Specific Services	2018-19 Current £'000	2019-20 Proposed £'000	Change in Contribution £'000
Bridgend	373	420	47
Cardiff	1,377	1,412	35
Vale of Glamorgan	493	497	4
Total Authority Specific Services	2,243	2,329	86

30. A more detailed breakdown of Authority Specific budgets is show in Appendix 1 of this report. The analysis illustrates how each service is funded, such as whether they are grant funded or recovered via fees. It can be assumed that additional income will be achieved to cover the increased costs. Some services are however not externally funded so Authorities will need to offset savings made in the core to cover some Authority Specific costs.
31. Following a decision by this Committee to approve the Proposed Budget, the next stage is for each Authority to approve their contribution for 2019/20.
32. The JWA states that each Authority shall notify the Clerk to the Joint Committee no later than the 10th March prior to the commencement of the Financial Year to which the Proposed Budget relates to confirm their approval of the Proposed Budget.
33. In the event that the Proposed Budget is not approved by any Authority, the Joint Committee shall meet as soon as practicable to formulate a revised budget for approval by the Authorities.
34. Should the revised budget not be approved by all of the Authorities by 31st March 2019, the Authority or Authorities who do not approve the revised budget will be treated as if they have given notice of intention to withdraw from the Agreement.
35. The 2019/20 Welsh Government (WG) Budget was set in the autumn of 2018. Local Authorities were advised of their provisional 2019/20 Revenue Support Grant settlement in October 2018, with the final settlement details to be received from WG during December 2018. Therefore, it is considered that Authorities should be in a position to confirm agreement to the 2019/20 Proposed Budget by 10th March 2019.
36. At such time the Proposed Budget is approved by each Authority in writing, it will then become the Approved Budget for the Financial Year to which it relates.

Net Expenditure Budget

37. In accordance with the JWA, income budgets remain the responsibility of each Participant Authority and are shown in this report for completeness.
38. An analysis of the budgeted income has been provided by the Partners to enable identification of the net expenditure budget. However, it should be noted that the income budgets may be subject to amendment as a result of the final budgets being set by the Partners after this report has been written. The following table summarises the 2019/20 net position using income budgets provided by the respective Authorities.

Net Expenditure	2018-19 Current £'000	2019-20 Proposed £'000	Change in Contribution £'000
Bridgend	1,328	1,282	(46)
Cardiff	3,410	3,215	(195)
Vale of Glamorgan	1,408	1,328	(80)
Total Net Expenditure	6,146	5,825	(321)

39. In relation to Licensing income, there is an element of uncertainty in prediction as licenses can now be purchased up-front to cover 1, 3 or 5 years. The Licensing income position will be reviewed in order to ensure that full cost recovery is achieved. Fee setting reports will be taken to relevant Licensing Committees.

Resource Implications (Financial and Employment)

40. As detailed in the body of this report.

Sustainability and Climate Change Implications

41. The promotion of sustainability and action to arrest climate change is central to the work of the Council and a key consideration when allocating scarce resources to meet the needs of the present without compromising the ability of future generations to meet their own needs.

Legal Implications (to Include Human Rights Implications)

42. There are no legal implications arising from this report.

Crime and Disorder Implications

43. There are no crime and disorder implications.

Equal Opportunities Implications (to include Welsh Language issues)

44. There are no equal opportunities implications.

Corporate/Service Objectives

45. Effective monitoring assists in the provision of accurate and timely information to officers and Members, and in particular allows the Partners to better manage their resources. The key service and improvement objectives contained in the Business Plan identify and link to the Corporate Plans of each Council.

Policy Framework and Budget

46. This report will require the necessary approval by each Authority in line with its own Constitution.

Consultation (including Ward Member Consultation)

47. Each Authority's Section 151 Officer has been consulted on this report.

Relevant Scrutiny Committee

48. Relevant Scrutiny Committees relating to each Council.

Background Papers

Joint Working Agreement

Contact Officer

Carolyn Michael, Operational Manager- Accountancy

Officers Consulted

Section 151 Officers

Responsible Officer:

Carys Lord, Section 151 Officer

	2018-19 Gross Expenditure Budget £	2019-20 Proposed Gross Expenditure Budget £	Change in Contribution £	Funding Mechanism
<u>Bridgend</u>				
Bridgend Licensing	326,000	336,150	10,150	Fees & Authority
Bridgend Empty Homes	0	37,000	37,000	Authority (New)
Kennelling & Vets fees (Bridgend)	47,000	46,850	(150)	Authority
	373,000	420,000	47,000	
<u>Cardiff</u>				
Cardiff Licensing	666,260	681,930	15,670	Fees & Authority
HMO Cathays	191,460	197,580	6,120	Fees
HMO Plasnewydd	258,360	268,040	9,680	Fees
Student Liason	62,410	63,390	980	Costs shared between 3 Universities & Cardiff
Night Time Noise	59,750	60,740	990	Authority
Cardiff Port Health	138,760	140,320	1,560	Precepts
	1,377,000	1,412,000	35,000	
<u>Vale</u>				
Vale Licensing	363,200	372,440	9,240	Fees & Authority
Burials (Vale)	1,550	1,400	(150)	Authority
Additional Licensing	7,630	0	(7,630)	Scheme finished 2018/19
Pest Control Service (Vale)	100,210	102,830	2,620	Part Fee Funded
Vets & Kennelling Fees (Vale)	20,410	20,330	(80)	Authority
	493,000	497,000	4,000	
Grand Total	2,243,000	2,329,000	86,000	