

Report to: **COUNCIL**

Date: **30 April 2020**

Title: **Shared Services Methodology 2019/20**

Portfolio Area: **Support Services – Cllr H Bastone**

Urgent Decision: **N** Approval and clearance obtained: **Y**

Author: **Steve Williams** Role: **Finance Specialist**

Contact: **Email: steve.williams@swdevon.gov.uk**
01803 861430

Recommendation:

That the Council notes the methodology of the shared services apportionment of costs between South Hams District Council and West Devon Borough Council for 2019/20, as attached in Appendix A.

1. Executive summary

1.1. The methodology for the apportionment of costs (predominantly staffing costs) between South Hams District Council and West Devon Borough Council is set out in the attached Appendix. The staffing costs of a particular service team are split on a defined basis as set out. The split of costs reflects the level of caseload which is attributable to each Council's individual service.

2. Background

2.1. This report is the annual report that sets out the methodology and mechanisms that are being used to calculate the cost allocations between South Hams District and West Devon Borough Councils. This report was initially intended to be presented to the Audit Committee meeting on 26 March 2020. However, since this meeting was cancelled due to the Covid-19 Outbreak, this item has now been scheduled on to this Council meeting agenda.

2.2. South Hams District Council and West Devon Borough Council have been shared service partners since 2007. The Councils have a shared non-manual workforce.

2.3. Appendix A sets out the methodology and the percentage on which staff costs and other related costs for each service are split between South Hams District Council and West Devon Borough Council. The caseload statistics are the actual caseloads for each service mainly for the period April 2019 to the end of November 2019 (8 months).

2.4. The final actual shared services split formulae have only been adjusted if they exceed a tolerance level of 3% from the original estimate of the shared services split. Anything where the difference between the actual and the estimate is 3% or below has not been changed.

3. Outcomes/outputs

3.1 The most significant areas of change relate to

(a) **Planning Applications** – the shared services split has moved from 70%:30% to 75%:25% based on the number of applications processed, increasing the recharge to South Hams by 5%, and

(b) **Human Resources** which has moved from 79%:21% to 74%:26% based on the number of permanent posts, reducing the recharge to South Hams by 5% following the outsourcing of the Waste Contract.

The above changes are likely to create additional staffing costs for South Hams in the region of £30,000 to £40,000 for 2019/20 which equates to less than 0.5% of the Council's total salary budget. The quarter 3 revenue budget monitoring report for 2019/20 included additional planning income of £100,000 (over and above the budgeted income of £898,000) which offsets the extra staffing costs in processing these planning applications.

3.2 Most service areas remain unchanged or below the tolerance level set at 3%. Details of all the allocations and the methodologies used are set out in Appendix A.

4. Options available and consideration of risk

4.1 Our external auditors, Grant Thornton have identified the sharing of costs between South Hams District Council and West Devon Borough Council as a key risk area. In their annual report to the Audit Committee in July 2019, they stated that they have reviewed the basis of allocations to ensure they are reasonable and appropriate, considered any changes from the prior year basis, tested the calculations of transferred costs, and are satisfied with all the results.

5. Proposed Way Forward

5.1 Shared service allocations and the methodologies used are reviewed on an annual basis. Further reports will be brought to the Audit Committee.

6. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	The Council is legally required to maintain adequate governance and financial arrangements to ensure a fair allocation of shared costs is absorbed by each individual Council.
Financial implications to include reference to value for money	Y	The review of shared services splits could create additional staffing costs for South Hams in the region of £30,000 to £40,000 for 2019/20 which equates to less than 0.5% of the Council's total salary budget. The quarter 3 revenue budget monitoring report included additional planning income of £100,000 (over and above the budgeted income of £898,000) which offsets the extra staffing costs in processing these planning applications.
Risk	Y	The allocation of shared costs was identified by Grant Thornton as one of the key financial statement audit risks, their draft final report concluded that 'no issues were identified.' Grant Thornton will continue to carry out testing on the 2019/20 shared services allocations as part of the Interim Audit and Final Accounts Audit.
Supporting Corporate Strategy		The apportionment of shared service costs supports all six of the Corporate Strategy Themes of Council, Homes, Enterprise, Communities, Environment and Wellbeing.
Climate Change – Carbon / Biodiversity Impact		None directly arising from this report.
Comprehensive Impact Assessment Implications		
Equality and Diversity	N	None directly arising from this report.
Safeguarding	N	None directly arising from this report.
Community Safety, Crime and Disorder	N	None directly arising from this report.
Health, Safety and Wellbeing	N	None directly arising from this report.
Other implications	N	None directly arising from this report.

Appendices

Appendix A – List of shared service apportionments for 2019/20