

Report to: **Audit Committee**
Date: **8th April 2021**
Title: **Shared Services Methodology 2020/21**
Portfolio Area: **Finance – Cllr H Bastone**

Wards Affected: **All**

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

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Recommendation:

- 1. That the Audit Committee notes the methodology of the shared services apportionment of costs between South Hams District Council and West Devon Borough Council for 2020/21, 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 to the Audit Committee which sets out the methodology and mechanisms that are being used to calculate the cost allocations between the two Councils.
- 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 2020 to the end of December 2020 (9 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) **Waste** – the individual staffing allocations of this service have been reviewed to reflect the additional work created by the implementation of the Devon Aligned Service in South Hams (waste service change). There are specific splits for each individual post and the movement in time allocations has increased the salary recharge to South Hams by £23,700 for 2020/21.
- (b) **Extended Leadership Team** - the majority of the Extended Leadership Team allocations have remained the same for 2020/21 (mainly 50%/50% or 60%/40% South Hams/West Devon). However, the time allocation for the Head of Commissioning and Contracts has been revised as a one off for 2020/21 from 60%/40% to 80%/20% South Hams/West Devon, to reflect the additional work created by the implementation of the Devon Aligned Service for waste in South Hams. This has resulted in an increase to the salary recharge to South Hams of £14,200 in 2020/21.

(c) **Internal Audit** – the shared services split for 2020/21 has been revised from 66%:34% to 62%:38% based on a review of productive (chargeable) time. This will reduce the salary recharge to South Hams by £8,600.

(d) **Planning Enforcement** – the shared services split has moved from 79%:21% to 75%:25% based on the number of planning enforcement cases in each Authority, reducing the salary recharge to South Hams by £1,800 in 2020/21.

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 October 2020, 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 confirmed that their work had not identified any issues with the allocation of shared costs for 2019/20.

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 will create additional staffing costs for South Hams of £27,500 in 2020/21 which equates to less than 0.3% of the Council's total salary budget. This mainly reflects the implementation of the Devon Aligned Service (waste service change) in South Hams.
Risk	Y	The allocation of shared costs was identified by Grant Thornton as one of the key financial statement audit risks, their final report concluded that 'no issues were identified.' Grant Thornton will continue to carry out testing on the 2020/21 shared services allocations as part of the 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 2020/21