

Report to: **Audit Committee**
Date: **10th March 2022**
Title: **Shared Services Methodology 2021/22**
Portfolio Area: **Finance and Assets – 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 2021/22, 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 2021 to the end of December 2021 (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** – due to the implementation of Devon Aligned Service in South Hams a lower allocation was charged to West Devon than normal for the Waste service in 2020/21. Each Waste role has been reviewed individually for 2021/22 and some of the apportionments have changed with a slightly higher allocation to West Devon in 2021/22. This will reduce the salary recharge to South Hams by £2,200.
- (b) **Customer Contact Centre** – the shared services split has moved from 66%:34% to 71%:29% based on the number of calls in each Authority, increasing the salary recharge to South Hams by £24,700 in 2021/22.
- (c) **Environmental Health (Disabled Facilities Grants)** – the shared services split for 2021/22 has been revised from 63%:37% to 59%:41% based on the number of completed applications. This will reduce the salary recharge to South Hams by £5,000.

- (d) **Extended Leadership Team** - the majority of the Extended Leadership Team allocations have remained the same for 2021/22 (mainly 50%/50% or 60%/40% South Hams/West Devon). However, the time allocation for the Head of Legal Practice has been revised as a one off for 2021/22 from 60%/40% to 70%/30% South Hams/West Devon, to reflect the additional work in South Hams. This will increase the salary recharge to South Hams by £7,900. In addition the Business Manager for Case Management moved to the Interim Head of Waste and Environmental Services which has changed her allocation for 2021/22 from 50%/50% to 60%/40% South Hams/West Devon. This has resulted in an increase to the salary recharge to South Hams of £6,300 in 2021/22.

- 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. On an annual basis, Grant Thornton review the shared services allocations to ensure they are reasonable and appropriate, consider any changes from the prior year basis, test the calculations of transferred costs, and confirm that their work has not identified any issues with the allocation of shared costs.

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 £31,700 in 2021/22 which equates to 0.3% of the Council's total salary budget. This mainly reflects the change in apportionment for the Customer Contact Centre.
Risk	Y	The allocation of shared costs is identified by Grant Thornton as one of the key financial statement audit risks. On an annual basis, Grant Thornton review the shared services allocations to ensure they are reasonable and appropriate and confirm that their work has not identified any issues with the allocation of shared costs. Grant Thornton will continue to carry out testing on the 2021/22 shared services allocations as part of the Final Accounts Audit.
Supporting Corporate Strategy		The apportionment of shared service costs supports all of the Delivery Plans within the Council's strategic vision, 'Better Lives for All'.
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 2021/22