

Report to: **Audit Committee**
Date: **22 June 2017**
Title: **Shared Services Methodology 2016/17**
Portfolio Area: **Support Services – Councillor S Wright**

Wards Affected: **ALL**

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

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Recommendations:

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

1. Executive summary

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

On 12 January 2017, the Audit Committee considered the KPMG Annual Audit Letter. An extract of Minute A.26/16 is below:-

The Committee received the Council's Annual Audit Letter that summarised the key findings arising from the work that KPMG had carried out at the Council for the year ended 31 March 2016.

In discussion, reference was made to the cost allocations between the Council and West Devon Borough Council. When questioned, the External Auditor advised that it was recognised that there was a significant audit risk related to cost sharing between the two Councils.

As a consequence, this had been a key area of focus for the External Auditors. As the debate continued, the Committee formally requested receipt of an annual report for its consideration that outlined the methodology and mechanisms that were being used to calculate the cost allocations between the two Councils.

It was then Resolved:

1. That the Committee be in receipt of an annual report that outlined the methodology and mechanisms that were being used to calculate the cost allocations between the Council and West Devon Borough Council.

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.

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

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 for the 2016/17 financial year.

In KPMG's annual report to the Audit Committee in September 2016 they stated that 'No significant issues arose as a result of their work in the allocation of shared costs.'

3. 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	Y	As above.
Risk	Y	The allocation of shared costs was identified by KPMG as a key financial statements audit risk. KPMG's final report concluded that 'No significant issues arose as a result of their work in this area.'
Comprehensive Impact Assessment Implications		
Equality and Diversity	N	N/a
Safeguarding	N	N/a
Community Safety, Crime and Disorder	N	N/a
Health, Safety and Wellbeing	N	N/a
Other implications	N	none

Appendices

Appendix A – List of shared service apportionments for 2016/17