

Report to: **Audit and Governance Committee**
Date: **14 March 2023**
Title: **Shared Services Methodology 2022/23**
Portfolio Area: **Performance & Resources –
Cllr Chris Edmonds**

Wards Affected: **All**

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

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Recommendation:

- 1. That the Audit and Governance Committee notes the methodology of the shared services apportionment of costs between West Devon Borough Council and South Hams District Council for 2022/23, as attached in Appendix A.**

1. Executive summary

- 1.1** The methodology for the apportionment of costs (predominantly staffing costs) between West Devon Borough Council and South Hams District 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 and Governance Committee which sets out the methodology and mechanisms that are being used to calculate the cost allocations between the two Councils.
- 2.2 West Devon Borough Council and South Hams District 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 West Devon Borough Council and South Hams District Council. The caseload statistics are the actual caseloads for each service mainly for the period April 2022 to the end of December 2022 (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 review of shared services splits will create **a reduction in staffing costs for West Devon of £85,500 in 2022/23** which equates to 1.9% of the Council's total salary budget. This mainly reflects the changes in the apportionment of staff salaries from bringing the waste service back in house in South Hams from 3 October 2022.
- 3.2 There has been a lower allocation of salary costs to West Devon in 2022/23 from the service areas of waste, senior leadership team time, the HR team, the finance team (additional payroll and payment of invoices), the legal team and the design team. Some of this cost is a one-off cost in 2022/23 associated with bringing the waste service back in house in South Hams in October 2022.
- 3.3 There has been a higher recharge to West Devon for the apportionment of staff salaries from planning enforcement and environmental health (Disabled facilities grants) in 2022/23 due to the caseloads that have been dealt with in each Council area. West Devon will therefore incur a higher salary cost apportionment in these two service areas.

3.4 The net impact is a reduction in staffing cost being recharged for 2022/23 to West Devon of £85,500. This is 1.9% of the Council’s total salary budget.

3.5 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 West Devon Borough Council and South Hams District 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 and Governance 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 a reduction in staffing costs for West Devon of £85,500 in 2022/23 which equates to 1.9% of the Council’s total salary budget. This mainly reflects the changes in apportionment from bringing the waste service back in house in South Hams from 3 October 2022.

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 2022/23 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 2022/23