

Report to: **Audit and Governance Committee**
Date: **28 March 2024**
Title: **Shared Services Methodology 2023/24**
Portfolio Area: **Finance – Cllr J Brazil**

Wards Affected: **All**

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

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Recommendation:

- 1. That the Audit and Governance Committee notes the methodology of the shared services apportionment of costs between South Hams District Council and West Devon Borough Council for 2023/24, 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 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 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 2023 to the end of December 2023 (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 **additional staffing costs for South Hams of £41,100 in 2023/24** which equates to less than 0.4% of the Council's total salary budget of £11.4m.
- 3.2 There has been a higher allocation of salary costs to South Hams in 2023/24 from the service areas of customer contact centre and planning enforcement and the Head of Legal Practice.
- 3.3 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 identify the sharing of costs between South Hams District Council and West Devon Borough Council as a key risk area. On an annual basis, our auditors 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. Bishop Fleming will carry

out testing on the 2023/24 shared services allocations as part of the Final Accounts Audit.

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 additional staffing costs for South Hams of £41,100 in 2023/24 which equates to less than 0.4% of the Council's total salary budget.
Risk	Y	The allocation of shared costs is identified by our external auditors as one of the key financial statement audit risks. On an annual basis, our auditors 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. Bishop Fleming will carry out testing on the 2023/24 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'. For 2024/25 the Council has approved a Council Plan.
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 2023/24