

**ROTHERHAM BOROUGH COUNCIL – REPORT TO SELF REGULATION  
SELECT COMMISSION**

<b>1</b>	<b>Meeting:</b>	<b>Self Regulation Select Commission</b>
<b>2</b>	<b>Date:</b>	<b>22nd November 2012</b>
<b>3</b>	<b>Title:</b>	<b>Support Costs Review</b>
<b>4</b>	<b>Directorate:</b>	<b>Resources</b>

**5 Summary**

Following significant restructuring and downsizing of the Council over recent years and at the request of the Self Regulation Select Commission the basis of charging out the Council's Support Costs to front line services has been reviewed. This report sets out the approach taken, the resultant Directorate support charges and the basis of allocation or apportionment used.

**6 Recommendations**

**Select Commission is asked to note and endorse the:**

**Charge out methodologies for Support Services**

## 7.1 Background

The Council's Central Establishment Charges (CEC's) have not been reviewed for a number of years. Following a request by Scrutiny (now Self Regulation Select Commission) to review these charges, and recognising the significant organisational changes across the Council which impact on these charges, a thorough and detailed review has now been undertaken.

The review was not limited to the review of what has historically been charged out to operational Directorates as CEC's. It was broadened out to include all 'support services', which with the exception of Customer Services, reside in the Council's Resources Directorate.

Support Costs are those incurred through the operation of 'support services' supporting delivery of front line services to the public. Charges for these services are allocated or apportioned to the services they support, on an appropriate basis, so that the true cost of each service is demonstrated (including both direct costs incurred in service delivery and a fair share of the support costs incurred).

Over recent years there has been significant restructuring and downsizing of the Council's 'Support Services' to rightly ensure delivery of the Council's commitment to focus on and protect provision of value for money, front line services to the public. This restructuring and downsizing has taken place through a number of reviews:

- Management Review
- Business Support Review
- Localities and Premises Review
- Financial Services Review
- Performance and Quality Review
- 2010 Rotherham Ltd reintegration
- RBT reintegration

There has also been a significant reduction in the number of buildings from which the Council operates so the historic basis for charging out office accommodation is no longer relevant. All of these factors and the new requirements stipulated in the new Service Reporting Code of Practice 2011/12 (SeRCOP) necessitated this review.

## 7.2 Approach

What is charged out as a 'support cost' will vary between Local Authorities depending on how the services are organised (eg centralised or decentralised service provision) and on how the services are commissioned (eg Provided in-house or through external providers or shared services). For this reason it is important to ensure that there is a clear understanding of the make-up of support costs when comparisons with other Councils or organisations are being made.

Service costs are typically made up of the following components:

Direct Costs	For example: Salaries/Wages incurred which are specific to that service provision
+ Indirect Costs	For example: Training & development costs
+ Departmental Overheads	Directorate/departmental overheads which must be allocated or apportioned to reflect true cost of service provision. These are distinct from support costs (CEC's) - see below

+ Support Costs (CEC's)	'Corporate' overheads which must be allocated or apportioned to services to reflect the true cost of service provision.
= <b>Total Cost of Service</b>	

Where support services are centralised within a Resources Directorate (as is the case in Rotherham) they would be classed as 'Support Costs' in the table above. Where support services are integrated within Directorates or departments (as many of ours used to be) they would appear as Departmental Overheads in the table above.

Council Services typically treated as 'support services' are Asset Management, Health and Safety, Human Resources, Finance, Legal, ICT, Office Accommodation costs, Procurement and some Corporate Services.

Finance Officers have worked closely with Managers who provide and deliver support services to identify the key cost drivers, and the most appropriate methodology for charging out their services to the operational services within Directorates. Appendix 1 to this report shows the proposed charging methodologies and details of the amounts chargeable to operational Directorates. The 2 appendices to this report show:

- The charging methodology (allocation, or apportionment and the basis of apportionment);
- The financial value to be charged to each Directorate as a result of the above, and what that cost represents as a percentage of the Directorates Gross budget;
- Details of services (and values) which are not charged out to front line services in operational Directorates (including Corporate and Democratic Core costs, Corporate Management costs and Non-distributed costs, etc ) – see Appendix 2;
- Costs for support services which are borne by the Housing Revenue Account (HRA).

### 7.3 Impact of the Support Costs Review

Implementing the outcomes of this review will:

- Ensure that we are complying with the Service Reporting Code of Practice 2011/12 (SeRCOP), which replaces the former Best Value Accounting Code of Practice (BVACOP);
- Provide services with increased transparency over the support costs which are included in their overall service and Unit Costs;
- Provide greater scope to focus on ensuring delivery of Value for Money services

## 8. Finance

It is proposed that wherever possible, support costs will be charged out to Directorates on a monthly basis. In circumstances where this is not possible a maximum of quarterly charging will be implemented. This will ensure that Budget Holders have more timely financial information and greater visibility of costs charge to their services.

The table below shows a summary of Directorate support costs and what that cost represents as a percentage of the Directorate's current 2012/13 gross budget. Detailed information is included in Appendix 1. These budgets exclude c£2.5m Resources Directorate savings which elected Members will consider as part of the 2013/14 Budget Setting Process.

Support Service	Children & Young People Services		Neighbourhoods & Adult Services		Environment & Development Services	
	£'000	%	£'000	%	£'000	%
Internal Audit & Asset Management	1,401	1.6	1,033	0.9	813	1.2
Office Accommodation	1,020	1.2	638	0.5	876	1.3
Commissioning, Procurement, Policy & Performance	1,739	1.9	1,632	1.4	1,191	1.6
HR & Payroll	647	0.7	761	0.6	548	0.8
Financial Services	752	0.9	610	0.5	490	0.7
Legal & Democratic Services	784	0.9	278	0.2	194	0.3
Cultural & Customer Services	85	0.1	26	0.1	16	0.1
<b>TOTAL</b>	<b>6,428</b>	<b>7.3</b>	<b>4,978</b>	<b>4.2</b>	<b>4,128</b>	<b>6.0</b>

## 9 Risks and Uncertainties

The review was necessary to ensure compliance with SeRCOP. Failure to comply may result in adverse Audit opinion.

Failure to implement a revised charge out basis may mean that some services receive a disproportionate share of 'support costs'. Should this be the case, this would affect Unit Costs and Benchmarking comparisons.

## 10. Policy and Performance Agenda Implications

Will result in increased transparency of costs and provide greater scope to focus on ensuring delivery of value for money services.

## 11. Background Papers and Consultation

- Support Costs Review update to Self Regulation Select Commission 19<sup>th</sup> April 2012
- Briefing to Self Regulation Select Commission 8<sup>th</sup> December 2011
- Presentation and Briefing Note to Self Regulation Select Commission 15<sup>th</sup> September 2011
- Managers providing and delivering Support Services

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## Support Costs Analysis - Budget 2012/13

## Appendix 1

Service	Cost Centre	Charging Methodology	CYPS	NAS	EDS
Financial Services	Business Partnering	Staff time	634,477	548,775	352,668
	Accountancy Services	Staff time	52,412	26,905	28,003
	Transactions Team	Number of transactions	65,527	34,204	108,988
<b>Financial Services Total</b>			<b>752,416</b>	<b>609,883</b>	<b>489,660</b>
HR & Payroll	Ind Relations	Based on FTE	36,873	43,332	31,218
	Strategic Unit	Based on FTE	36,399	42,776	30,817
	Special Projects	Based on FTE	2,823	3,297	2,450
	Management Development	Based on FTE	10,131	11,833	8,791
	Business Values	Based on FTE	690	806	598
	Exchange	Based on FTE	874	1,020	758
	HR Consultancy	Based on FTE	166,354	195,496	140,842
	HR Central Team	Based on FTE	52,949	62,224	44,828
HR Service Centre	Based on FTE	340,381	400,009	288,179	
<b>HR &amp; Payroll Total</b>			<b>647,473</b>	<b>760,794</b>	<b>548,480</b>
Legal & Democratic Services	Legal Services B.S.U.	Staff time	135,361	30,960	20,597
	ID Badges	Based on FTE	1,572	1,848	1,331
	Legal Services	Staff time	514,297	117,632	78,258
	Corporate Mail Room	Headcount*	46,460	54,265	40,313
	Data Protection	Headcount	56,913	66,473	49,382
	Statutory Cost	As per Legal Services	28,916	6,613	4,400
<b>Legal &amp; Democratic Services Total</b>			<b>783,519</b>	<b>277,792</b>	<b>194,282</b>
Internal Audit & Asset Management	Cent at Magna	Rev. Outturn 2011/12	64,419	19,821	11,893
	Asset Mgt	Staff time	0	0	10,817
	Health and Safety	Based on FTE	65,147	76,560	55,156
	CYPS Asset Mgt	Staff time	97,160	0	0
	Internal Audit	Planned audit time 2012/13	153,340	70,829	98,576
	ICT Ops. & Dev't	PC information from ICT	379,318	321,552	236,494

	Business ICT	PC information from ICT	370,550	314,120	231,027
	ICT Governance & Change	PC information from ICT	271,015	229,743	168,971
<b>Int. Audit &amp; Asset Man't Total</b>			<b>1,400,949</b>	<b>1,032,624</b>	<b>812,933</b>
Office Accommodation	Bailey House	Use of building	0	0	130,631
	Swinton District Office	Use of building	47,459	0	0
	Wath District Office	Use of building	0	54,966	0
	45 Moorgate Street	Use of building	0	0	36,683
	Enterprise House	Use of building	55,000	0	0
	Canklow Depot	Use of building	0	0	13,850
	Maltby JSC	Use of building	29,986	29,104	0
	Aston CSC	Use of building	26,188	26,188	26,188
	Riverside House	Use of building	739,426	527,380	668,339
	Place/Welcome Centre	Use of building	121,528	0	0
<b>Office Accommodation Total</b>			<b>1,019,588</b>	<b>637,638</b>	<b>875,691</b>
Commissioning, Policy & Performance	Communications Team	Staff time - estimate	201,923	210,000	395,769
	Commissioning Team	Staff time	442,498	472,668	90,511
	Perform & Quality Team	Staff time	680,205	523,758	415,573
	Corporate Improvement	Staff time	8,900	6,853	5,437
	Best Practice Procurement	Based on transactions	116,091	119,903	81,092
	Purchase To Pay	Based on transactions	243,796	251,802	170,297
	Procurement Management	Based on transactions	45,844	47,350	32,023
<b>Comm'ng, Policy &amp; Perf Total</b>			<b>1,739,255</b>	<b>1,632,333</b>	<b>1,190,702</b>
Cultural & Customer Services	Management	Per Roth. Connect budgets	14,465	4,451	2,670
	Switchboard	Based on FTE	70,974	21,838	13,103
<b>Cultural &amp; Customer Services Total</b>			<b>85,439</b>	<b>26,289</b>	<b>15,773</b>
<b>Grand Total</b>	<b>Total Support Costs</b>		<b>6,428,640</b>	<b>4,977,354</b>	<b>4,127,521</b>
<b>Percentage of Gross Budget</b>			<b>7.3%</b>	<b>4.2%</b>	<b>6.0%</b>

**Costs NOT CHARGED to Directorates**Corporate Management Costs

<b>Service</b>	<b>£'000</b>
Management & Support	1,372
Completing, Submitting and/or Publishing Corporate Information	1,105
Partnerships	229
External Audit	405
<b>Total</b>	<b>3,111</b>

Corporate and Democratic Core Costs

<b>Service</b>	<b>£'000</b>
Town Hall	205
Members, Scrutiny & Support	2,174
Committee Services	126
Twinning & Visits	22
<b>Total</b>	<b>2,527</b>

Non Distributed Costs

<b>Service</b>	<b>£'000</b>
Decommissioned Buildings	406
Past Service Costs (Pensions)	231
<b>Total</b>	<b>637</b>

Central Services to the Public

<b>Service</b>	<b>£'000</b>
Council Tax, Benefits & Customer Service Centre	5,146
Registrars	442
Emergency Planning	209
Elections	660
<b>Total</b>	<b>6,457</b>

Directorate Specific Costs Reported as per SERCOP

<b>Service</b>	<b>£'000</b>
<b><u>CYPS</u></b>	
Premises Fund Contributions	202
Schools PFI	78
<b><u>NAS</u></b>	
Housing Benefit related expenditure	3,463
Financial Assessments	714
Premises Fund Contributions	308
LINks	101
<b><u>EDS</u></b>	
Transport Levy (ITA)	16,869
School Crossing Patrols	197
Premises Fund Contributions	353
Environmental Management (Sustainable Development)	156
Community Buildings	87
Carbon Reduction Scheme	114
Tourism (Cultural Services)	108
Community Cohesion & Diversity Forum	444
Fair Trade	2
Infrastructure & Corporate Initiatives	457
<b>Total</b>	<b>23,653</b>



### HRA Support Costs - 2012/13 Budget

Service	Cost Centre	Charging Methodology	HRA
Financial Services	Bus Partnering	Staff time	157,000
	Transactions Team	Number of transactions	63,936
<b>Financial Services Total</b>			<b>220,936</b>
HR & Payroll	Ind Relations	Based on FTE	6,872
	Strategic Unit	Based on FTE	6,783
	Special Projects	Based on FTE	626
	Management Development	Based on FTE	2,248
	Business Values	Based on FTE	153
	Exchange	Based on FTE	194
	HR Consultancy	Based on FTE	31,002
	HR Central Team	Based on FTE	9,868
	HR Service Centre	Based on FTE	63,435
<b>HR &amp; Payroll Total</b>			<b>121,181</b>
Legal & Democratic Services	Legal Services B.S.U.	Staff time	34,175
	ID Badges	Based on FTE	293
	Legal Services	Staff time	129,844
	Corporate Mail Room	Headcount*	10,307
	Data Protection	Headcount	12,625
	Statutory Cost	As per Legal Services	7,300
<b>Legal &amp; Democratic Services Total</b>			<b>194,544</b>
Internal Audit & Asset Management	Health and Safety	Based on FTE	12,141
	Internal Audit	Planned audit time 2012/13	64,074
<b>Internal Audit &amp; Asset Management Total</b>			<b>76,215</b>

<b>Office Accommodation Total</b>	Riverside House	Use of building	388,852 <b>388,852</b>
Commissioning, Policy & Performance	Best Practice Procurement	Based on transactions	30,201
	Purchase To Pay	Based on transactions	63,423
	Procurement Management	Based on transactions	11,926
<b>Commissioning, Policy &amp; Performance Total</b>			<b>105,550</b>
Cultural & Customer Services	Management	Per Roth. Connect budgets	22,253
	Housing Repairs	Direct to Directorate	746,880
<b>Cultural &amp; Customer Services Total</b>			<b>769,133</b>
<b>Grand Total</b>	<b>Total Support Costs</b>		<b>1,876,411</b>