



Colchester 18 November 2015

Report of	Assistant Chief Executive	Author	Sean Plummer ☎ 282347
Title	Recharges		
Wards affected	Not applicable		

The Board is invited to consider and comment on current arrangements for corporate recharges

1. Action required

- 1.1 The Board is asked to note:-
- (i) the development made to the Council's approach to recharges in the 2015/16 budget.
 - (ii) the next steps being taken to review the impact of recharges set out in paragraphs 4.5 to 4.9.

2. Reason for decision

- 2.1 The Board has requested an update on the progress made reviewing recharges.

3. Background Information

Background

- 3.1. Trading Board considered a report on 15 July 2014 which provided a background to the issue of recharges, specifically:-
- That there is a statutory requirement to show the full cost of services. Recharges are therefore required to comply with this.
 - All budgets are set and monitored by the service that controls and is responsible for the cost.
 - Savings are already being built into support service budgets such as the C&FM FSR and ICT contract savings.
 - A basis is agreed as to how recharges will be made. These are designed to be representative and easy to administer.
 - Changes in services may impact on the recharge made. However, it is necessary to be clear whether a change will actually result in a cost or saving to the Council rather than simply relying on the recharge itself.
- 3.2. It was also reported that given the changes to the Council arising from the UCC FSR it was necessary to review the appropriateness of where recharges are made to and the way in which we report non direct costs.
- 3.3. This report provides an update of the work undertaken as part of the 2015/16 budget and the next stage of work.

4. 2015/16 Budget

4.1. The 15/16 budget has been produced incorporating the agreed new approach to our “non-direct” recharges. This has resulted in:-

- More charges going to levels below Head of Service, in many case to individual costs centres
- New, more relevant, methodologies being used for charges

Charges to Heads of Service

4.2. Appendix A shows how recharges made to Heads of Service have reduced year-on-year by around 90% (circa £7million). These recharges are now being pushed down to a lower level. Some examples of how recharges **out** of services have changed are:-

- (i) Finance previously charged £636k to Heads of Service. Now this has reduced to under £4k with charges being made to lowest level cost centres.
- (ii) The Professional Service Unit (PSU) previously charged £1.3m to Heads of Service. Now charges are being spread across users at a “lower” level. e.g. £115k charged to building control, £122k to Leisure world etc.
- (iii) Other areas of significant change are ICT, Communication, HR, CSC and Office Accommodation.

Recharging Methodologies

4.3. As part of agreeing the new approach to recharges it has been necessary to review the methodology used. As has been reported before one of the aims has been to ensure that the method used remains simple to administer yet provides a realistic basis for the charge. Some examples include:

- ICT costs allocated on the basis of the number of email accounts and employees using IT
- HR costs on the number of employees
- Office Accommodation (Rowan House) on the basis of the number of workstations.

Impact of changing approach and methodology.

4.4. The following examples show how recharges **into** services have changed, along with commentary on the new methodology being used.

Colchester Leisure World - Appendix B shows Colchester Leisure World management accounts. It shows that whilst the total non-direct charges are similar, we now have a more detailed clearer breakdown of charges.

Cemetery and Crematorium - Appendix C gives the example of charges made to the Cemetery & Crematorium. Here, it is worth pointing out that with the change in approach, there are changes to the level of charge for some service areas.

Summary & Next Steps

- 4.5. The review for the 15/16 budget has been completed and we will continue to appraise the methodologies and apportionment basis for recharges as part of our annual budget setting process, to improve accuracy and the meaningfulness for services. There are some support areas, such as the Corporate PSU, that did not have a full year's activity at the time of setting the 15/16 budget on which to base their recharges at the lowest level. These are the areas where the largest change is anticipated when we set the 16/17 budget.
- 4.6. The outcome of the review is that there is a greater level of detail of the support and other charges made to service budgets. This provides a more transparent view of charges and enables service areas to better understand what they are "paying for".
- 4.7. Heads of Service have reviewed the recharges they receive, and identified specific areas where the charge is considered to be 'out of kilter' with what the service believes they receive. These specific areas will be tasked with providing a further explanation and justification for the recharges made.
- 4.8. One of the aims of this exercise is to see if there are any common recharge areas across Council services which are identified which might indicate a need to ensure that either the cost of that service is reviewed or that the methodology is looked at.
- 4.9. This is about making sure the internal customer is getting what they think they should be. There needs to be an acceptance that sometimes there will be corporate costs that have to be "shared".

Reporting of recharges

- 4.10. As part of the previous report to Trading Board, it was agreed that steps would be taken in future reports to present recharges in a clearer fashion, to aid understanding of the full cost of services. The sport and leisure business case considered by the Board at the last meeting is an example of how the new approach to recharges has provided a clearer reporting of recharge costs.

5. Strategic Plan references

- 5.1. Whilst there is no direct link to the Strategic Plan, understanding recharges is important in order to make informed decisions relating to budget changes.

5. Financial implications

- 5.1. As set out within this report.

6. Other Standard References

- 6.1 Having considered consultation, publicity, equality, diversity and human rights, community safety, risk management and health and safety implications, there are none that are significant to the matters in this report.

Recharge into Head of Service	14/15	15/16
Equality & Safeguarding	22,500	26,100
Unison Representative	8,800	8,900
Health & Safety	-	1,000
Policy & Projects	54,000	-
Corporate I C T	585,500	4,500
E M T	188,500	142,800
Strategic Change Team	160,200	188,300
Communications	464,500	52,900
Colchester2020 Travel Plan	-	12,000
Commercial Team	50,000	-
Commercial Buyer	150,000	100,000
Computer Holding Account	1,121,400	19,500
Financial Management	635,600	3,500
Internal Audit	161,400	-
Insurance - Employees	2,200	3,600
Insurance - General	3,100	4,200
Income Team	91,500	5,000
Scanning Team	68,800	-
Corporate PSU	1,332,600	-
Legal Services	155,400	-
Human Resources	614,300	3,000
Central Stationery	13,800	13,100
Multi-Function Devices	70,800	1,600
Telephones Holding Account	129,600	7,200
Customer Service Centre	521,100	144,900
Office Accommodation	1,164,200	37,200
Members & Staff Car Parks	10,500	29,100
Messenger & Post Room	200	-
	7,780,500	808,400

Recharge	14/15	15/16	15/16 Allocation Methodology
Health & Safety	-	7,000	Based on employee numbers
Corporate I C T	-	28,200	Based on numbers of staff and e-mail accounts
Communications	-	157,400	Percentage of time and budget allocated
Computer Holding Account	-	116,000	Based on number of employees using IT
Financial Management	-	35,100	Based on gross expenditure
Internal Audit	-	10,400	Based on rolling audit programme days
Insurance - Employees	10,500	11,700	Based on salary costs
Insurance - Premises	28,300	24,600	Based on property valuations
Insurance - General	70,400	68,900	Based on a variety of methodologies, including assessment of liability/risk
Legal Services	1,400	2,700	Fixed fee based on time recording data
Human Resources	-	45,700	Based on employee numbers
Multi-Function Devices	-	7,600	Based on historic usage
Telephones Holding Account	-	2,400	Based on employee phone numbers
Messenger & Post Room	200	-	N/A
C&FM Total	110,800	517,700	
Repairs and Maintenance	265,500	275,300	Based on previous years activity
Repairs & Maintenance - PPM	11,400	10,900	Based on contracts for works
Corporate Facilities	9,300	10,900	%age based on staff time
Commercial Total	286,200	297,100	
Income Team	20,000	17,200	Based on service usage of income/banking, Accounts Receivable and Enforcements.
Customer Services Technical Team	3,000	3,000	Fixed fee based on estimated level of support for each function
Customer Service Centre	-	4,500	Based on service usage of phone enquiries, Payments and Face to Face.
Customer Total	23,000	24,700	
Head of Operational Services	480,700	85,700	Based on Head of Service assessment of time
CBC Off-Street Car Parks	21,900	22,400	
Operational Total	502,600	108,100	
Systems Team	-	8,800	Based on IT systems supported
Scanning Team	-	2,600	Charged to participating services based on estimated usage
Corporate PSU	-	122,100	%age charged to GMT for activity and employee numbers
Professional Total	-	133,500	
Sub-Total	922,600	1,081,100	
Capital Charge – Amortisation/Depreciation	390,500	441,400	Actual charge based on assets/equipment etc
Total	1,313,100	1,522,500	

Appendix C

Recharge	14/15	15/16	15/16 Allocation Methodology
Health & Safety	-	600	Based on employee numbers
Corporate I C T	-	3,600	Based on numbers of staff and e-mail accounts
Computer Holding Account	-	14,900	Based on number of employees using IT
Financial Management	-	9,200	Based on gross expenditure
Insurance - Employees	800	1,100	Based on salary costs
Insurance - Premises	2,000	1,600	Based on property valuations
Insurance - General	5,300	5,500	Based on a variety of methodologies, including assessment of liability/risk
Human Resources	-	3,000	Based on employee numbers
Telephones Holding Account	-	1,200	Based on employee phone numbers
Messenger & Post Room	1,200	500	Based on number of drops on internal messenger service route, franking charges on service usage
C&FM Total	9,300	41,200	
Repairs and Maintenance	10,200	5,800	Based on previous years activity
Repairs & Maintenance - PPM	3,500	2,200	Based on contracts for works
Commercial Team	49,700	68,100	Based on %age of management time
Cleaning	900	900	Based on hours spent per building
Commercial Total	64,300	77,000	
Income Team	1,400	3,000	Based on service usage of income/banking, Accounts Receivable and Enforcements.
Customer Total	1,400	3,000	
Sub-Total	75,000	121,200	
Cap Charges-Gen Depreciation	79,800	82,700	Actual charge based on assets/equipment etc
Total	154,800	203,900	