

**Report to:** Budget Panel  
**Date of meeting:** 11 September 2012  
**Report of:** Head of Strategic Finance  
**Title:** Corporate Recharge System

## **1.0 SUMMARY**

1.1 These detailed papers will support a power point presentation that will explain the background and current system for recharging support costs to individual service cost centres.

## **2.0 RECOMMENDATIONS**

2.1 The Budget Panel consider the current processes.

### **Contact Officer:**

For further information on this report please contact:  
Bernard Clarke, Head of Strategic Finance., telephone extension 8189, email [bernard.clarke@watford.gov.uk](mailto:bernard.clarke@watford.gov.uk)

## **3.0 INTRODUCTION**

3.1 The recharging of corporate support costs is an essential process for the following reasons:

- it seeks to establish the true cost of providing a service
- it opens up the cost of support services to challenge by direct service providers
- it is, in any event, a quasi statutory requirement.

3.2 There is a general false assumption that support service costs are purely those recharged from the corporate centre. Misguided criticism then follows that 'the centre' is too large/ bureaucratic and must be slimmed down. Whilst this may be the case, there is also the fact that 'support costs' also include the administrative structures within service departments themselves. This is often overlooked and, as a consequence, due rigour may not be applied to examining whether such costs are truly necessary (I do, of course, speak 'hypothetically' and am not necessarily describing the situation at Watford).

- 3.3 This misconception can best be illustrated (excuse the humour) by the example of a 'squirrel', whereby the body is seen to be the direct service providers whereas the tail is seen to be the corporate centre. In good times the squirrel has a magnificently muscled physique and a gloriously bushy tail. Then 'austerity' strikes. The body gets ever more emaciated but lo and behold, the tail remains as refulgent as ever !! Part of the problem with this analogy, however, is that the tail also includes service department administrative costs as well.
- 3.4 There is a practical example of this situation which is being experienced at Watford at the present time. It relates to the potential outsourcing of waste, street cleansing and parks and open spaces which are major services of the Council. Most of the initial focus has been upon the cost of the direct service providers (all of whom would be covered by current TUPE arrangements). There is however a significant cost of support services which needs to be identified and analysed because, although it may comprise small percentages of individual officers' time, it will be essential that a 'whole body' is reconstituted if the Council is to maximise efficiency savings from any outsourced process.
- 3.5 The presentation this evening will attempt to explain the current support cost recharging system. Whilst it may appear (and can be) complex, it does however provide the necessary detail to enable the issue highlighted in the previous paragraph to be addressed. Hopefully the 'squirrels tail' might also come under appropriate pressure.
- 3.6 The attached papers should therefore be considered to be background information. The power point presentation will hopefully clarify our current processes and enable an open debate to follow.

#### **4.0 FINANCIAL IMPLICATIONS**

- 4.1 None directly.

#### **5.0 LEGAL IMPLICATIONS**

- 5.1 None directly.