

Support Service Allocation and Recharging

Why support services?

- We need to know the true cost of providing services
- The concept of "Total Cost" means that direct and indirect costs must be taken into account
- The CIPFA Code of Practice requires allocation of support services to service departments (extracts attached)
- The Council has a policy on support service recharges (last reviewed in 2008 – copy attached)

What Brings Support Services Into Disrepute?

- Lack of control over charges

The best time to challenge is when percentage reallocations are being set - usually around October - hopefully earlier this year. Note that this will be before we know exactly what charges will result in cash terms as the budget will not have been set at this point, but there will be sufficient information to support the challenge.

- The recharging regime

Normally up to the head of the charging service in conjunction with Finance how this is done but it needs to be seen to be equitable. The Council's support service recharge policy gives examples of recharging regimes.

- The actual percentage allocations - this is sometimes not a precise science

Requires discussion between heads to agree on services being provided and the resources required to provide them.

- Charges are just too high - perception that there might be cheaper alternatives

Needs understanding about why the service is being done in-house and if/why there is a price premium compared to alternatives. This could form part of the discussions between department/section heads.

- It is aimed at getting the true cost of end services - not the true cost of support services.

This mechanism will distort the gross costs (before net recharging) of the support service areas themselves - see example later.

- Often perceived as a difficult mechanism to understand

Whilst the mechanics can get tricky the basic principles are fairly straightforward...

How Are Support Services Calculated?

Example...

What Happens To Support Services If Their Customer Base Shrinks?

In first instance follow the money - from which sections were the significant internal costs coming?

Approach the charging department(s) and check practicality of corresponding reductions to the costs of that support department. If reductions are not possible at first, then CIPFA guidance is that all departments bear the increased charges until costs in the support service can be reduced.

Look behind the charging to check whether support services further back in the chain could be expected to contract. If so, approach those charging departments too. It is quite likely that even where recharges do not represent more than 50% of one person's role (and so not have TUPE implications) there could well be more than 50% FTE total allocated to the area. So even if TUPE does not apply, it may be reasonable to suggest a contraction in the support service area.