# Budget Panel

## Support Service Recharging

**11 September 2012**

# What are Support Service Recharges?

- Costs incurred in one cost centre are transferred to one or more other cost centres for reporting purposes.

- Typically, appropriate shares of the costs of a support service (e.g. HR, ICT, Finance) are recharged across the Council service areas that they are supporting

# Why Recharge Support Service Costs?

- 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

- Our (CIPFA) Code of Practice requires allocation of support services to service departments

- The Council policy on support service recharges is based on this Code of Practice

- It assists inter-authority cost comparisons

# CIPFA – 7 Principles To Apply

- Complete recharging of overheads
- Correct recipients
- Transparency
- Flexibility
- Reality
- Predictability / stability
- Materiality

# Methods of Allocation

- HR - staff head count

- ICT - number of PCs used

- Office Accommodation - floor area used

- Administration - officer time

- Accounts payable - number of invoices paid

- CSC - number and types of customer contact

# Why Are Recharges So Unpopular?

- Perceived lack of control over charges

- The recharging regime

- Actual % allocations - sometimes not a precise science

- Charges are just too high

- Often perceived as a difficult mechanism to understand

- Circular recharging between support services can get complicated

WATFORD
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# A simplified example…

# The Effect of Out-Sourcing

- The number of cost centres chargeable by support services reduces

- Unless support service costs reduce, the recharges to remaining cost centres must increase

- This is not a "bottom line" increase but would be a reduction to the efficiency of the support services

- Cost centres previously charging the out-sourced cost centres should be reviewed to check the practicality of reducing direct costs in line with the reduction in the service now being provided

- In some instances it may be worth looking into the next level in the chain of support service inter-charging

- An example from WBC…

# Summary

- Recharging is necessary

- Aims to provide a realistic cost of services

- Principles are straightforward but calculations can become more complex

- Does not change the "bottom line"

- Assists benchmark comparisons

- Efficiency can be affected when client base contracts