

<b>Title</b>	Support Services 2009/10
<b>For further information about this report please contact</b>	Marcus Miskinis Tel: 01926 456804 <a href="mailto:marcus.miskinis@warwickdc.gov.uk">marcus.miskinis@warwickdc.gov.uk</a>
<b>Wards of the District directly affected</b>	None
<b>Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006</b>	No
<b>Date and meeting when issue was last considered and relevant minute number</b>	N/A
<b>Background Papers</b>	Executive 23 June 2010: Final Accounts 2009/10
<b>Contrary to the policy framework:</b>	No
<b>Contrary to the budgetary framework:</b>	No
<b>Key Decision?</b>	No
<b>Included within the Forward Plan? (If yes include reference number)</b>	No

<b>Officer/Councillor Approval</b>		
With regard to officer approval all reports <i>must</i> be approved by the report author's relevant Deputy Chief Executive, Head of Service (s), Finance Officer, Monitoring Officer and the relevant Portfolio Holder(s).		
<b>Officer Approval</b>	Date	Name
Chief Executive/Deputy Chief Executive	14 July 2010	Andy Jones
Head of Service(s)	n/a	Finance Report
CMT		
Section 151 Officer	14 July 2010	Mike Snow
Monitoring officer	14 July 2010	Robert Inman
Finance	n/a	Finance report
Strategic Asset Manager	n/a	
Procurement Manager	n/a	
Portfolio Holder(s)	14 July 2010	Cllr Mobbs
<b>Consultation &amp; Community Engagement</b>		
None		
<b>Final Decision?</b>	Yes	
<b>Suggested next steps (if not final decision please set out below)</b>		

## **1 SUMMARY**

- 1.1 The report provides details of the support services within the General Fund and shows how they impact on services.

## **2 RECOMMENDATIONS**

- 2.1 The report be noted.

## **3 REASONS FOR THE RECOMMENDATIONS**

- 3.1 The report has been produced for background information further to the requests of the members of the scrutiny committee.

## **4 BUDGETARY AND POLICY FRAMEWORKS**

- 4.1 The Final Accounts for 2009/10 represented a historic account of the financial performance for that year and, therefore, identified how well, or otherwise, the Budget and Policy frameworks had been complied with.

## **5 ALTERNATIVE OPTIONS CONSIDERED**

- 5.1 The report is a statement of fact.

## **6 BACKGROUND**

- 6.1 At the meeting held on 22 June 2010 the Scrutiny Committee considered the report to the Executive on the Final Accounts 2009/10. In particular, concern was expressed about the large variations identified against Support Services and what this really meant.
- 6.2 It was agreed that further information would be produced to explain how Support Services worked and their impact on other services.

## **7 THE LOCAL GOVERNMENT CONTEXT**

- 7.1 Under the requirements of the Accounts and Audit Regulations 2003 the Council is required to produce its accounts using "proper accounting practices".
- 7.2 Up to, and including 2009/10, it has been considered that two main accounting manuals produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) constitute such practice. These are The Best Value Accounting Code of Practice (the Code) and the Statement of Recommended Practice (SORP).
- 7.3 When the accounts are audited by The Audit Commission great emphasis is placed on adherence to the Code and the SORP and any divergence from them is unlikely to be accepted by the auditor, except in very special circumstances.

7.4 The Code requires that all services must show their true consumption of Support Services. As part of this requirement all Support Services must be fully recharged out to services at the year end so that they do not have any balance left. This means that those accounts need to be cleared, irrespective of any charges that might previously have been agreed.

## **8 SUPPORT SERVICES AT WARWICK DISTRICT COUNCIL**

8.1 Within the Council's accounts there are three main types of support service allocation:

(a) Central Support Services comprising:

Office Accommodation	Town Hall Facilities
One Stop Shops	Reception Facilities
Document Management Centre	Payment Channels
Customer Contact Centre	ICT Services
Finance Management	Accountancy
Financial Services	Audit and Risk
Property Services	Chief Executive's Office
Deputy Chief Executives and Senior Management Support Team	Human Resources
Improvement and Performance Communication	Member Services
Web Services	Committee Services
	Legal Services

(b) Management Accounts comprising:

Community Safety	Engineers' Management
Cultural Services Technical Support	Sports Facilities Administration
Development Services Management	Environmental Health Core
Neighbourhood Services	Waste Management

(c) Charges from front line services to other work areas e.g. Building Control might do some work for Estate Management.

8.2 All of the above allocations are recorded in the accounts in a similar manner – the charge appears as a support service charge from the relevant provider unit in the consumer unit's account and as a recharge in the provider's account. The first two types of support service identified above are required to be cleared at the year end, the third does not since this will be a front line service account.

8.3 Over the years each support service has developed its own basis of allocating costs. As might be expected, those services that are mainly driven by staff have charges based on officer time using time recording systems. Others with expenditure that is less staff orientated use more appropriate methods (e.g. Office Accommodation uses floor areas occupied). Those services that are a mixture of staff and system costs will have developed more sophisticated charging methods (e.g. Financial Services uses staff allocations for Accountancy, staff numbers for payroll, numbers of invoices for Payments, etc.) Appendix 'C' provides a list of the various bases used.

- 8.4 The Council's Budgetary Control System recognises that service managers do not have direct control in the short/medium term over the support services that they are charged, although they can challenge them if they consider them to excessive. As a result, Service Managers are not held accountable for the Support Service charges made to their accounts. Instead the control is placed on the direct costs of the Support Service provider e.g. Finance will be held accountable for their staffing and other operational costs, not the service receiver.
- 8.5 Within the Council's accounts all Support Service charges are separately identified so that the Service Manager knows who has been charging their services and by what amount.
- 8.6 The whole process of allocating Support Services is a large and complex operation. Support Services charge other Support Services as well as front line services. An iterative process of charging and recharging needs to be undertaken in order that the net cost of all of the Central Support Services and Management Accounts are zero at the end of the process.
- 8.7 There needs to be a balance between the time and cost of the recharge systems in place, against the needs of ensuring the recharges are as accurate as possible.

## **9 FINAL ACCOUNTS 2009/10**

- 9.1 The Final Accounts 2009/10 included Appendices E (General Fund) and H (Housing Revenue Account) which provided summarised service accounts. This meant that Support Services appeared as a single line in those accounts.
- 9.2 As stated in paragraph 8.4 above, Support Service accounts are controlled the same as any other account and, accordingly, formed part of those appendices.
- 9.3 Appendix A to this report is an extract from Appendix E (General Fund Services) of the Final Accounts 2009/10 report so that members can see which accounts are considered to be support service accounts that need to be fully recharged out.
- 9.4 The last two pages of the Appendix summarise the income and expenditure of these accounts as a whole and the main reasons for the variations.
- 9.5 Paragraph 7.4 states that the Support Service accounts need to be fully allocated. In Appendix 'A' it will be seen that some of the Latest Estimates have a balance on them. The process of the major allocation of support services was undertaken for the Estimates report to the December Executive. Between then and the Council Tax setting in February these accounts can go out of balance for a variety of reasons e.g. the Budget Savings exercise, assumptions about pay inflation, etc. It is not feasible to redo the allocations again in the time available. However, it will be noted that the actual balances on these accounts is zero.
- 9.6 Appendix B provides a detailed analysis of where each of the Support Services

have been charged. The figures might not always match to those in Appendix A and this due to small roundings used to produce the reports or reflect that recharges from frontline services are also included e.g. Leisure recharges are predominantly the administration section but will also include some small recharges from services such as the Royal Spa Centre, etc.

## **10 CONCLUSION**

- 10.1 Support Services form a large part of the Council's accounts which are required to be fully recharged out to all services. As a consequence of complying with legislation the Council's Budgetary Control System places accountability with the provider and not with the consumer.