

Joint Committee
27th November 2014

Overhead Allocation and Partner Funding 2015/16

Recommendation

That Joint Committee:

- **approve the following revised partner shares to address the allocation of overheads to ensure that all partners receive a fair allocation for the services provided.**

Bromsgrove	11.53%
Redditch	13.65%
County	21.31%
Wyre Forest	12.69%
Worcs City	13.37%
Wychavon	17.71%
Malvern	9.74%

- **approve that the revised percentage shares be implemented from 2015/16 for any allocation of costs associated with the service excluding the base budget allocations.**

Summary

To update Joint Committee on the work that has been undertaken relating to the reduction of the fixed costs / overheads to be implemented from 2015/16 and to consider the revised percentages that have been identified as a result of this work.

Background

Members are aware that officers have been looking at the fixed costs associated with the delivery of the service particularly in relation to the impact of the reduction in staffing numbers. The current share of the overheads was not equitable to the staffing numbers that provided support and advice to the County and the focus of the work was to ensure that a more accurate reflection of County Council overheads was established.

Report

As a result of the fixed cost meetings an exercise was undertaken to establish the true costs (fixed/variable) that were now attributable to the County as a result of the reduction in staffing numbers. Appendix 1 shows the allocations of the costs and these are based on a more accurate estimate of the full time equivalents and other metrics.

The total cost to County using this method equates to £904k compared with the current contribution of £1,062k. Therefore a reduction of £158k is required to ensure that all partners are paying an equitable share of the overheads of the service. This figure is based on a number of estimates and assumptions which have been agreed by the management board.

Appendix 2 shows this revised allocation and the impact on the Districts. It is proposed that the savings identified from the change in accommodation location and the IT associated costs be used to fund the £158k of reduced overhead costs to the County. This will ensure that the Districts do not bear any additional overhead costs from the more accurate allocation of such. As a result of the changes to overhead allocation the revised percentages for future costs relating to the service would be:

Bromsgrove	11.53%
Redditch	13.65%
County	21.31%
Wyre Forest	12.69%
Worcs City	13.37%
Wychavon	17.71%
Malvern	9.74%

The budget allocations for the Districts would therefore remain as at 2014/15 levels subject to any further savings that were requested for 2015/16.

The revised percentage allocations would be used for the sharing of one off and other ad-hoc costs. The annual budget allocations would match the cash value of the services requested from partners and therefore not be driven by the percentage share.

Contact point

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Background Papers

Detailed financial business case