

Public Document Pack



Chairman and Members of the
Audit and Governance Committee

Your contact: Michele Aves
Tel: 01279 502177
Date: 14 November 2022

cc. All other recipients of the Audit
and Governance Committee agenda

Dear Councillor,

AUDIT AND GOVERNANCE COMMITTEE - 15 NOVEMBER 2022

Please find attached the following reports which were marked “to follow” on the agenda for the above meeting:

11. Template to Calculate Full Cost Recovery under the Fees and Charges Policy (Pages 3 - 15)

Please bring these papers with you to the meeting on Tuesday 15 November 2022

Yours faithfully,

Michele Aves
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MEETING : AUDIT AND GOVERNANCE COMMITTEE
VENUE : COUNCIL CHAMBER, WALLFIELDS, HERTFORD
DATE : TUESDAY 15 NOVEMBER 2022

TIME : 7.00 PM

East Herts Council Report

Audit & Governance Committee

Date of meeting: 15 November 2022

Report by: Geoffrey Williamson, Deputy Leader and Executive Member for Financial Sustainability

Report title: Template to Calculate Full Cost Recovery under the Fees and Charges Policy

Ward(s) affected: All

Summary – As part of the Fees and Charges Policy the Executive undertook to have a standard methodology and calculation template for full cost recovery charges produced. Prior to Executive approving the template the Audit & Governance Committee are invited to scrutinise the methodology and template and either endorse it or make recommendations to the Executive for any changes.

RECOMMENDATIONS FOR AUDIT & GOVERNANCE COMMITTEE:

- a) Endorse the template to calculate full cost recovery under the Fees and Charges Policy; or/and
- b) Make any recommendations to Executive to change the methodology and/or template.

1.0 Proposal(s)

- 1.1 The methodology to arrive at full cost recovery is firstly based on an hourly rate for staff time that fully recovers pay costs.
- 1.2 Appendix C shows the calculation of the full cost recovery hourly rate. Salary costs for each grade of staff are

calculated on the top pay point of the grade to which is added London Fringe Weighting. The National Insurance and Superannuation costs are calculated based on a 1 Full Time Equivalent employee. This is the simplest and most cost-effective method of pay calculation and reflects the council's employment profile – the majority of staff are long serving and at the top of their grade.

1.3 Non-pay costs are then calculated for the council but the non-pay costs which are not directly attributable to service delivery are excluded from the calculation. Costs attributable to service delivery are costs such as:

1.3.1 external contracts, e.g. refuse and recycling

1.3.2 other external costs of service delivery, e.g. bed and breakfast accommodation for homeless persons, postage for council tax

1.3.3 specific internal service delivery assets e.g. hostels, municipal fleet vehicles

1.3.4 specific service delivery consumables e.g. water testing kits, vehicle fuel

1.4 The non-pay costs include items such as travel and subsistence, publications, subscriptions, etc. Also included are the costs of the council as a going concern so the costs of the Shared Internal Audit Service are included but not external audit which sits as part of the Corporate & Democratic Core. The cost of running the Wallfields building (£517k for rates, utilities etc.), Charringtons Customer Service Centre (£119k) are included but the Buntingford Service Centre is excluded. Attempting to separate out Wallfields into attributable and not attributable to services has not been attempted as it would require all staff to keep detailed daily activity records for a whole year. The cost of doing that

is considered prohibitive in relation to the costs of Wallfields. Given that Wallfields is, relatively speaking, extremely cheap to run the full cost of the building accounts for £1.09 of the full cost recovery hourly charge rate.

- 1.5 The final cost element, in accordance with the Fees and Charges policy is the Corporate and Democratic Core. This includes the cost of Members, external audit fees, banking and treasury management costs.
- 1.6 The total cost per grade is then divided by the number of hours to produce an hourly rate. In calculating the number of hours to recover cost over a standard chargeable time calculation has been used. This calculation is used in audit, legal and other professional disciplines where charges are based on time.

Chargeable Hours Calculation

Number of working days		256
Less:		
Bank and Public Holidays	8	
Annual Leave	30	
Training	5	
Sickness	5	
Non-chargeable time*	<u>10</u>	58
Chargeable days		198
Hours per day (decimal)		<u>7.4</u>
Chargeable hours		<u>1,465</u>

- 1.7 Non-chargeable time is an allowance for 1-2-1s, PDR and staff meetings.
- 1.8 The staff hourly rates finally have been rounded up to the nearest £1 to make subsequent calculations easier. They are then put into the template to calculate full cost recovery which is shown at Appendix A.

- 1.9 The various cost elements are set out on the template with guidance notes shown on the form. The form requests standard activity based costing information from staff and also where the service is provided by a contractor but we set the charges.
- 1.10 Three sorts of price are calculated. The first is a simple flat rate price. The second calculation allows for a concessionary or discounted rate. This price is set with reference to the overall flat rate and the calculation recovers the discount I the price for other customers in accordance with the Fees & Charges Policy. The final price calculation allows for volume or weight prices as well as the number of those units being used and produces differential pricing based on the difference in size. This will be useful in areas such as trade waste. An example of the results is shown below:

Volume Pricing Options			
Units of supply and numbers	Size	Units	Price £ excl VAT
Container 120 litres	120	3200	£71.61
Container 180 litres	180	6450	£107.42
Container 240 litres	240	2400	£143.23
Container 360 litres	360	150	£214.84
			£0.00
			£0.00
			£0.00
			£0.00
			£0.00
			£0.00

- 1.11 To assist Members Appendix B shows an example of a filled out template – for ease the Residents Parking Zone cost calculation has been used.

2.0 Background

- 2.1 The Fees & Charges Policy was approved by council in December 2021 and the Executive confirmed a standard methodology and template would be produced.

3.0 Reason(s)

- 3.1 To conform with the requirements of the fees and charges policy and to ensure consistency of approach in calculating charges.

4.0 Options

- 4.1 The Committee can endorse the methodology and template.
- 4.2 The Committee can recommend that the Executive Member amends the methodology and template.

5.0 Risks

- 5.1 The use of a standard methodology and template will reduce the risk of inconsistent charges being calculated.
- 5.2 The use of a standard methodology and template will reduce the risk of charges being challenged as incorrect.

6.0 Implications/Consultation

- 6.1

Community Safety

No

Data Protection

Yes - the use of grade costing instead of individual staff cost rates ensures data protection is easily met as there is no sensitive personal data that needs to be collected and held

Equalities

Yes – the template allows for concessionary prices, which under the Fees and Charge Policy, must be demonstrated to be required from the equalities impact

assessment that the policy requires is undertaken for each full cost recovery charge.

Environmental Sustainability

No

Financial

Yes – the implementation of full cost recovery charges should increase the council's income

Health and Safety

No

Human Resources

No

Human Rights

No

Legal

No

Specific Wards

No

7.0 Background papers, appendices and other relevant material

7.1 Appendix A Charges Calculation Template

7.2 Appendix B Example completed charges template

7.3 Appendix C Staff hourly rate calculation

Contact Member

Councillor Geoffrey Williamson, Deputy Leader & Executive Member for Financial Sustainability

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East Herts Council
Full cost recovery charges calculator

Data should only be input into cells shaded in orange

This template should only be used where the council has the discretion to set the charge. Before you start it is essential that you understand the process that leads to the chargeable product from end to end. It would be useful to attach a process flow diagram to the template once the charge is calculated. If you need assistance to draw up a process flow diagram and/or to understand all aspects of the process then please speak to a Lean 6 Sigma Process Champion.

Charge name

Method

Direct Staff Costs

Grade	Notes	Cost per hour	Number of hours
2		£33.00	
3		£35.00	
4		£37.00	
5		£40.00	
6		£42.00	
7		£45.00	
8		£48.00	
9		£51.00	
10		£56.00	
11		£62.00	
12		£69.00	
13		£83.00	

Cost
£0.00
£0.00
£0.00
£0.00
£0.00
£0.00
£0.00
£0.00
£0.00
£0.00
£0.00
£0.00
£0.00
£0.00
£0.00

Notes

Guidance and help

Convert minutes to decimal value

Enter minutes
 Decimal value

This should be the time spent by officers providing the service directly to the customer. Support staff should be listed in the next section

Indirect Staff Costs

Grade	Notes	Cost per hour	Number of hours
2		£33.00	
3		£35.00	
4		£37.00	
5		£40.00	
6		£42.00	
7		£45.00	
8		£48.00	
9		£51.00	
10		£56.00	
11		£62.00	
12		£69.00	
13		£83.00	

Cost
£0.00
£0.00
£0.00
£0.00
£0.00
£0.00
£0.00
£0.00
£0.00
£0.00
£0.00
£0.00
£0.00
£0.00
£0.00

Notes

This should be the time spent by officers carrying out essential support tasks such as inputting to systems, checking eligibility, raising invoices etc. for the service. If sundry debtor invoices are raised to the customer then you must input here the time taken to raise the invoice plus the standard time for Finance to handle a sundry debtor customer who pays in 30 days in full. An invoice manually input into the finance system will take 5 minutes per invoice to be processed - input 0.08 hours per invoice. Finance time to handle credit control and income receipting plus 15 day reminder will be 10 minutes per invoice - input 0.17 hours. Always input Finance at Grade 5

Contractor Costs

Contractor

Contractor Costs	Cost

Notes

This should be the cost of the contractor providing the service. The contractor costs must be verified to the contract and contract management information. If the council does not have the information then the contractor must be asked to provide the information of their estimate of the cost. Council officers must not estimate the cost themselves or suggest a cost to the contractor

Supplies & Services Costs

Supplies & Services	Cost

Notes

This should be the cost of items consumed or produced specifically to provide the service. You should have invoices to verify the actual cost paid.

Income from related sales

Income	Income

Notes

Please enter income as a negative figure. This should be income which is a part of the overall process e.g. visitors vouchers in Residents Parking Zones.

Full cost of providing the service	£0.00
Net cost of providing the service	£0.00

Units of measure	UOM

Notes

If you stated Activity Based Costing the unit of measure must be 1

East Herts Council
Full cost recovery charges calculation template

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Charge name Residents Parking Permits

Method State either total cost divided by by total volume

Direct Staff Costs

Grade	Notes	Cost per hour	Number of hours	Cost	Notes
2	Customer Services	£33.00	1,046.00	£0.00	Customer Services deal with all phone enquiries and deal with all walk in customers.
3		£35.00		£36,610.00	
4		£37.00		£0.00	
5		£40.00		£0.00	
6		£42.00		£0.00	
7		£45.00		£0.00	
8		£48.00		£0.00	
9		£51.00		£0.00	
10		£56.00		£0.00	
11		£62.00		£0.00	
12		£69.00		£0.00	
13		£83.00		£0.00	

Indirect Staff Costs

Grade	Notes	Cost per hour	Number of hours	Cost	Notes
2	Support Officer	£33.00	1,784.00	£0.00	Business Support staff undertake ownership checks, input onto the system, despatch any paper vouchers, return original documents etc.
3		£35.00		£66,008.00	
4		£37.00		£0.00	
5		£40.00		£0.00	
6		£42.00		£0.00	
7		£45.00		£0.00	
8		£48.00		£0.00	
9		£51.00		£0.00	
10		£56.00		£0.00	
11		£62.00		£0.00	
12		£69.00		£0.00	
13		£83.00		£0.00	

Contractor Costs

Contractor APCOA Parking Contract

Contractor Costs	Cost	Notes
15% of patrol time spent on RPZs	£94,200.00	Total patrol cost is £628,000 so 15% = £94,200 15% figure verified to contract and warden patrol data and ticket issuing

Supplies & Services Costs

Supplies & Services	Cost	Notes
Voucher procurement and printing	£10,000.00	
RPZ Signing and lining	£8,000.00	

Income from related sales		
Income	Income	
Sale of visitor vouchers	-£105,432.00	
Full cost of providing the service		£214,818.00
Net cost of providing the service		£109,386.00
Units of measure		UOM
Residents Permits (First Permit)		1,019
Residents Permits (Second Permit)		256

Notes

Notes

N.B. Prices calculated are **excluding** VAT. Please check the Fees and Charges Book indicates price is "+ VAT". If price shown is inclusive of VAT ask your Finance Business Partner to amend the book to put price as "+ VAT" or to calculate the VAT inclusive price

Pricing Options	Price £ excl VAT	
Flat Rate Charge	£86.00	
Variable Rate Charge (enter first charge manually)	Price £ excl VAT	
Residents Permits (First Permit)	£72.00	
Residents Permits (Second Permit)	£141.00	

Notes
Maintains policy of differential pricing for second permit

Volume Pricing Options	Size	Units	Price £ excl VAT	Notes
Units of supply and numbers			£0.00	
			£0.00	
			£0.00	
			£0.00	
			£0.00	
			£0.00	
			£0.00	
			£0.00	
			£0.00	
			£0.00	

East Herts Council
Staff Cost Charges per hour calculator

Annual Standard Staff Costs											FOR INFO ONLY	
Grade	TOS Salary	Weighting	Sub-Total	NI	Pen	Sub Total	Non-Pay costs	Corp & Dem Core	Total Cost	Hourly Rate	Hourly Rate less CDC	Hourly Rate Pay Only
2	£22,777	£637	£23,414	£1,229	£4,449	£29,092	£12,225	£5,616	£46,933	£33.00	£29.00	£20.00
3	£24,948	£637	£25,585	£1,528	£4,861	£31,974	£12,225	£5,616	£49,815	£35.00	£31.00	£22.00
4	£26,845	£637	£27,482	£1,790	£5,222	£34,494	£12,225	£5,616	£52,335	£36.00	£32.00	£24.00
5	£30,151	£637	£30,788	£2,247	£5,850	£38,885	£12,225	£5,616	£56,726	£39.00	£35.00	£27.00
6	£32,909	£637	£33,546	£2,627	£6,374	£42,547	£12,225	£5,616	£60,388	£42.00	£38.00	£30.00
7	£36,298	£637	£36,935	£3,095	£7,018	£47,048	£12,225	£5,616	£64,889	£45.00	£41.00	£33.00
8	£39,493	£637	£40,130	£3,536	£7,625	£51,291	£12,225	£5,616	£69,132	£48.00	£44.00	£36.00
9	£42,503	£637	£43,140	£3,951	£8,197	£55,288	£12,225	£5,616	£73,129	£50.00	£47.00	£38.00
10	£48,587	£637	£49,224	£4,791	£9,353	£63,368	£12,225	£5,616	£81,209	£56.00	£52.00	£44.00
11	£54,437	£637	£55,074	£5,598	£10,464	£71,136	£12,225	£5,616	£88,977	£61.00	£57.00	£49.00
12	£62,719	£637	£63,356	£6,741	£12,038	£82,135	£12,225	£5,616	£99,976	£69.00	£65.00	£57.00
13	£78,564	£637	£79,201	£8,928	£15,048	£103,177	£12,225	£5,616	£121,018	£83.00	£79.00	£71.00