

East Herts Council Report

Executive

Date of meeting: 6th December 2022

Report by: Councillor 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 were invited to scrutinise the methodology and template and they endorsed and made no recommendations to the Executive for any changes.

RECOMMENDATIONS FOR EXECUTIVE:

- a) Approve the template and methodology to calculate full cost recovery under the Fees and Charges Policy; and
- b) When charges are calculated using the template, then a copy of the calculation should be made available as part of the budget papers for the 2023/24 financial year.

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	9	
Annual Leave	30	
Training	5	
Sickness	5	
Non-chargeable time*	<u>10</u>	59
Chargeable days		197
Hours per day (decimal)		<u>7.4</u>
Chargeable hours		<u>1,458</u>

* Non-chargeable time is an allowance for 1-2-1s, PDR and staff meetings etc.

- 1.7 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.
- 1.8 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.

- 1.9 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 in the price for other customers in accordance with the Fees & Charges Policy. Concessionary rates may only be considered when the Equalities Impact Assessment for the charge indicates that a group with protected characteristics will be disadvantaged by the introduction of flat rate charge. The only other occasion where a lower charge can be considered is in the case of resident's parking where a Member policy decision has been made to offer the first permit at a lower price which is funded by the price of the second permits which are available to residents. 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 but can also be used should pricing be based on environmental impact, e.g. number of cars emitting CO₂ in different emission bands could be used to base a resident's permit price based on the CO₂ emissions of the vehicle. An example of the results being used for different sized refuse bins 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

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

1.11 This report was considered by Audit and Governance Committee at its meeting on 15th November 2022. The Committee endorsed the template and methodology and there were no other comments.

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

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