

Budget and Performance Panel

Recharging – Inhouse Costs between Services

26th February 2008

Report of Head of City Contract (Direct) Services and Head of Information and Customer Services

PURPOSE OF REPORT

To provide information to Panel Members requested at their meeting on 23rd October 2007.

This report is public

RECOMMENDATIONS

(1) That the report be noted.

1.0 Introduction

1.1 At its meeting held on 23rd October 2008 the Budget and Performance Panel resolved:-

- (1) That a report be requested regarding City Contract (Direct) Services and Information Services justifying their levels of recharge to other Council Services and any proposals for reducing those charges.

2.0 Details relating to City Contract (Direct) Services (CC(D)S) Recharging Rates

2.1 How Hourly Rates are Calculated

The amount charged to another Service for the provision of a service is often based on an hourly rate. To help explain how this hourly rate is calculated, an example is shown below of a service provided by CC(D)S.

In this example the net budget is split in percentage terms as follows:-

Cost centre	Description		% of budget
Employee costs	Cost of frontline staff includes- direct labour costs (wages, NI, superann, overtime etc) and indirect labour costs (holidays, statutory leave, sickness, training, meetings etc)		56%
Premises costs	Depot expenses - the amount the service contributes towards the running costs of the depot		3%
Transport costs	Cost of operating vehicles, tractors, ride on mowers etc		15%
Supplies and services	Cost of uniforms, protective equipment, tools, materials, contracted services, waste disposal, etc		13%
Support services	Cost of management, admin, central charges etc		12%
Capital charges	Charges for capital		1%

To calculate the hourly rate it is simply a case of adding up the amount of direct hours we expect the service to deliver in a year and dividing them into the net budget.

2.2 As an example

If the net revenue budget for the service is estimated to be £1.6 million. The budget will be split as follows:-

Employee costs-	£896,000
Premises costs-	£48,000
Transport costs-	£240,000
Supplies and services-	£208,000
Support services-	£192,000
Capital charges-	£16,000

2.3 If we calculate that in the same year we will be delivering 69,565 direct hours of the service then the hourly rate will be set at £23.00.

When we do work for other services we will recharge based on this hourly rate. If we charged less than the hourly rate then we wouldn't cover the cost of the service and

the account would go into deficit (overspend) which creates budgetary implications for other service areas.

The current hourly rate charged by CC(D)S services compare favourably with other Councils and other similarly sized providers.

3.0 Cost of Printing Services from Information and Customer Services

3.1 Information Services are aware that the cost of using the central colour copying facility has proved to be more expensive than obtaining the same service from some external providers. This has been due to the fact that we were at the 'tail-end' of a three year fixed price rental period for our colour equipment. In the past 18 months, technology advancements have seen colour copiers drop in price and hence, other providers have taken advantage of new pricing structures thus allowing them to offer a lower price.

3.2 We have now reached the end of the rental agreement and have undertaken a review of not only the colour copying provision, but the entire central printing function. It has been agreed that as several of the Councils Services now choose to perform their own copying and no longer use the central facilities it would be more efficient and economical for the remaining Services to do the same. This will result in the central print function ceasing and will enable us to provide colour-capable copying facilities throughout key locations within the Council, these new machines will enable colour copies to be produced for approximately 7p per copy and should offer a more convenient service to users of the facility.

Location of colour copying facilities following closure of the central print function:

Morecambe Town Hall – Leisure Services

Morecambe Town Hall – Environmental Health

The Platform

Lancaster Town Hall – Finance Office (Top Floor)

Lancaster Town Hall – Finance Office (Ground Floor)

Lancaster Town Hall – Directors/Communications

White Lund - CC(D)S

Cable Street – Council Housing

Palatine Hall

4.0 Conclusion

It is recommended that Members note the information received from City Contract (Direct) Services and Information and Customer Services.

SECTION 151 OFFICER'S COMMENTS

Subject to workload and staffing resources being available, it is intended to review the recharging methodology in the next 12 months, hopefully as part of the closing the 2007/08 accounts.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments.

BACKGROUND PAPERS

Budget and Performance Panel Minutes from 23rd October 2008

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