

Cost Allocation Methodology

Parish Council Finances 18/19 and 19/20

The Parish Council Office, St Andrews Community Centre, and Village Maintenance

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Rev 4

1. Introduction

The need to determine cost allocation, over and above that contained in the OMEGA data, has been identified to provide further detailed budgeting and financial information to council.

In part it is driven by the legal guidance given to the council when taking over the bar in that the Council need to *“have just consideration for the public purse and therefore have rigorous financial constraints as to the financial management of the bar”*.

2. The Algorithm

This algorithm has been applied to provide financial information to the Council and public for the years 18/19 and 19/20.

Prior to releasing this data to the public, the data and methodology needs to be approved by the finance committee, as it is retrospective look at past data using a recent algorithm.

The algorithm needs to be reviewed annually, or as major changes to council operations take place. For example, in 2020 the centre closed because of coronavirus and then the fire. The allocation algorithm for 20/21 will need reviewing considering that information. The algorithm for the 21/22 budget will also need reviewing to enable an explanation of the council finances to be provided for that year.

The key allocation decisions are those for the Parish Council office and the Centre.

3. Methodology

The methodology looks has been applied using OMEGA year end data for 18/19 and 19/20.

The relevant data lines are entered into the algorithm which then is used to calculate as required

1. Profit or loss for the cost centre in question
2. Performance against cost centre budget
3. Cost to precept

From the data information can be expressed in text / excel format and graphed.

3.1 Calculations

Step 1

Firstly, the relevant main cost buckets are identified. These are

1. The Parish Council Office
2. Village Maintenance
3. The St Andrews Community Centre

Step 2

The OMEGA Cost / Income Heads for each cost bucket are identified and entered an Excel Spreadsheet with the relevant figures for the years in question.

The Budget head numbers are not shown for clarity, but they are easily identifiable from their description in OMEGA.

The output for the three cost buckets identified is shown below.

		2018/19 Budget	2018/19 Actual	2019/20 Budget	2019/20 Actual
Parish Council Costs	Parish Council Office Costs				
	Admin Community	9687	7367	7,835	7,968
	Admin Staff Costs	39885	45319	48730	47602
	Admin Financial	11100	13171	11,100	13,171
	Community Centre Costs@10%	5627	6312	5627.2	5627.2
	Total PCO Costs	66299	72169	73292.2	74368.2
St Andrews Centre Direct Costs / Income	Centre Costs / Income				
	Bar and Kitchen Income	202150	171702	205500	186672
	Room Hire Income	11700	12424	11700	12424
	Library Income	6245	6349	6362	6513
	Sport Income	1435	1800	1200	1450
	Total Centre Income	221530	192275	224762	207059
	Library	5842	5809	6362	6362
	Bar and Kitchen	108544	100028	103590	108273
	Community Centre	50645	56804	48913	52772
	Centre Staff Costs	65672	66860	76870	83491
	Total Centre Costs	230,703	229,501	235,735	250,898
Village Maintenance Direct Costs	Village Maintenance Costs				
	Village Maintenance Income	11106	10741	11341	11091
	BST Grant			0	500
	Village Maintenance Cost	11076	13536	19788	18413
	Grounds Staff Costs	49303	53545	55970	52172
	Mill Lane	4933	5096	3500	2937
	Bridge Street Toilets	2502	2665	3515	2026
	Burial Ground	54	620	600	1558
	Car Park	362	70	335	180
	Bowls and Tennis	1887	335	1600	20
	Village Maintenance Cost	70117	75867	85308	77306

Following this step, each cost bucket shows its income and expenditure in a clear format, but at this point overall income and expenditure is not calculated as costs need to be allocated to various activities.

To do this a cost allocation algorithm needs to be used and agreed to determine the true cost to the council of each of its activities.

Step 3

The council activities are examined to determine the activities which need allocation.

There are three cost allocation activities as shown below. The allocations are based on council knowledge, experience, and operational requirements. Future allocations can be supported by time writing where appropriate.

a) The Council Office costs

Council Office Cost Distribution %	
Grounds Team / Village Maintenance	27.25
Legal Requirements / Council / Capital	25.00
Library	5.00
Community Centre (room hire sport)	5.00
Bar	32.50
External Sport / play facilities	5.00

The Parish Council Office supports all council activities and hence its costs need to be distributed as appropriate. Where costs are not apportioned, they appear under the Legal Requirements / Council / Capital line.

b) The Community Centre

Community Centre Cost Allocation %	
Offices / Toilets	10%
Bar / Toilets	35%
Room Hire / Toilets	30%
Library	20%
Changing Rooms / Toilets	5%

The community centre allocation section shows the activities carried out in the centre and to which activity overall centre costs % are allocated. The allocation is based on knowledge and experience as well as opening hours / square footage and complexity of the activity.

c) Centre Staff

Centre Staff Centre Cost Allocation %	
Offices	0
Bar	70%
Room Hire	15%
Library	15%
Changing Rooms	0

Centre Staff Costs are held under one line in OMEGA and therefore need distributing across the centre. The largest allocation is to the bar based on opening times and location of staff (in the bar). But it has been recognised that staff support the library / room hire and Sport.

Step 4

The data from step 1 is now re-examined and allocated costs for the Centre and Village Maintenance are produced. As shown below.

		2015/16 Budget	2015/16 Actual	2016/17 Budget	2016/17 Actual	2017/18 Budget	2017/18 Actual	2018/19 Budget	2018/19 Actual	2019/20 Budget	2019/20 Actual
Village Maintenance Cost Including PC Allocation	Allocated Village Maintenance Cost										
	Village Maintenance Cost			72516	69553	82634	68195	70117	75867	85308	77306
	Parish Council Admin @ 27.5%			16582	15683	20849	19571	18232	19846	20155	20451
	Total Village Maint Cost			88349	88349	88349	88349	88349	95713	105463	97757
		2015/16 Budget	2015/16 Actual	2016/17 Budget	2016/17 Actual	2017/18 Budget	2017/18 Actual	2018/19 Budget	2018/19 Actual	2019/20 Budget	2019/20 Actual
Bar and kitchen Profit or Loss	Bar / Kitchen Profit or Loss										
	Bar Income		138386	164500	187887	185000	157644	202150	171702	205500	186672
	Bar and Kitchen @ 100%		71935	96316	76877	89910	83300	108544	100028	103590	108273
	Centre Staff Costs @ 70%		36992	38721	43726	45850	40986	45970	46802	53809	62444
	Community Centre Costs @ 35%		11608	23252	21676	22152	19401	15953	17893	15408	16623
	Parish Council Admin @ 32.5%		22694	19597	18534	24640	23130	21547	23455	23820	24170
	Bar and Kitchen Profit or loss (-)		-4844	-13386	27073	2448	-9172	10135	-16476	8873	-24838

The key three cost bucket data (Parish Office / Centre / Village Maintenance) is now available to be analysed further. Note that the Community Centre allocation in the Community Centre is 90% as 10% has already been allocated from that budget to the Parish Office Costs.

Step 5

The final step is allocation of costs for the centre. The Parish Office costs allocation has been determined as have the Village Maintenance costs to a suitable level.

The Centre costs are of key interest to the village and, given that the centre is the main non precept income, further analysis is required to determine if monies from the public purse are being managed in an appropriate manner.

Cost analysis covers the Bar and Kitchen / Library / Toom Hire and Showers / Sport.

This completes the allocation process. Discussion as to the finances of each cost centre can be then held relating to the data at hand as per the examples below.

		2018/19 Budget	2018/19 Actual	2019/20 Budget	2019/20 Actual
Village Maintenance Cost Including PC Allocation	Allocated Village Maintenance Cost				
	Village Maintenance Cost	70117	75867	85308	77306
	Parish Council Admin @ 27.5%	18232	19846	20155	20451
	Total Village Maint Cost	88349	95713	105463	97757
		2018/19 Budget	2018/19 Actual	2019/20 Budget	2019/20 Actual
Bar and kitchen Profit or Loss	Bar / Kitchen Profit or Loss				
	Bar Income	202150	171702	205500	186672
	Bar and Kitchen @ 100%	108544	100028	103590	108273
	Centre Staff Costs @ 70%	45970	46802	53809	62444
	Community Centre Costs @ 35%	15953	17893	15408	16623
	Parish Council Admin @ 32.5%	21547	23455	23820	24170
	Bar and Kitchen Profit or loss (-)	10135	-16476	8873	-24838
		2018/19 Budget	2018/19 Actual	2019/20 Budget	2019/20 Actual
Library Cost to Precept	Library Cost to Precept				
	Library Income	6245	6349	6362	6513
	Library Direct Costs	5842	5809	6362	6362
	Library Community C Costs@20%	9116	10225	8804	9499
	Library Centre Staff Costs@15%	9851	10029	11531	12524
	Library Parish Office Costs@5%	3315	3608	3665	3718
	Library Cost to Precept	-21,879	-23,322	-23,999	-25,590
		2018/19 Budget	2018/19 Actual	2019/20 Budget	2019/20 Actual
Room Hire Cost to Precept	Room Hire Cost to Precept				
	Room Hire Income	10000	12303	11700	12424
	Centre Costs @ 30%	13674	15337	13207	14249
	Centre staff Costs @ 15%	9851	10029	11531	12524
	Parish Office Costs @ 5%	3315	3608	3665	3718
	Room Hire Cost to Precept	-16840	-16671	-16702	-18067
		2018/19 Budget	2018/19 Actual	2019/20 Budget	2019/20 Actual
Shower / Sports Changing Costs to Precept	Shower Toilet Cost to Precept				
	Sports income allocated	1435	1800	1200	1450
	Centre Costs @ 5%	2279	2556	2201	2375
	Parish Office Costs @5%	3315	3608	3665	3718
	Shower Toilet Cost to Precept	-4159	-4365	-4666	-4643

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	Car Park	362	70	335	180
	Bowls and Tennis	1887	335	1600	20
	Village Maintenance Cost	70117	75867	85308	77306
		2018/19 Budget	2018/19 Actual	2019/20 Budget	2019/20 Actual
Cost of Centre including PC Allocation	Allocated Centre Costs				
	Library @ 100%	5842	5809	6362	6362
	Bar and Kitchen @ 100%	108544	100028	103590	108273
	Community Centre @90%	45580	51123	44022	47495
	Centre Staff Costs @ 100%	65672	66860	76870	83491
	Parish Council Admin@47.5%	31492	34280	34814	35325
	Total Centre Cost	257130	258100	265658	280946
		2018/19 Budget	2018/19 Actual	2019/20 Budget	2019/20 Actual
Village Maintenance Cost Including PC Allocation	Allocated Village Maintenance Cost				
	Village Maintenance Cost	70117	75867	85308	77306
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