

This fact sheet seeks to address the sorts of issues that providers may face in preparing for and undertaking a Service Review.

Please note that it should be read in conjunction with the Service Review Guidance rather than in isolation. The Service Review Guidance can be found on the Scottish Executive website at:

www.scotland.gov.uk/library5/housing/spogf2-08.asp

The purpose of this rough guide is to consider the types of costs associated with providing housing support services and how these might be presented to local authority for Supporting People funding.

This guide also reflects on the distinction between parts of accommodation based services that are eligible for housing benefit and those elements that come within the Supporting People criteria.

All organisations, whether voluntary, public or private, need to cover their costs, and hopefully generate a surplus, or they cannot pay employees, rent office space, offer services, or plan for the future and the continued development and delivery of services.

The quest to do this is commonly referred to as full cost recovery. Full cost recovery means securing funding for or 'recovering' the total cost of a service or project including a relevant proportion of organisational costs. This is proving difficult to achieve in some cases where funding through THB did not meet service costs.

Understanding full costs

The full cost of a service includes both the direct and indirect costs. Direct costs are incurred in delivering a service eg staffing and transport, whilst indirect costs are incurred in order to support the service eg finance or human resources staff. These costs are sometimes referred to as 'overhead' costs. The full cost of a service, therefore, includes direct costs and a proportion of overhead costs.

Local authorities are scrutinising these overhead costs carefully during Service Review given the pressures on them to show 'efficiency savings'. It is important that providers understand their costs and feel confident in presenting them. This will assist in negotiations with local authorities - particularly when funding is restricted and decisions have to be made about how to deal with funding shortfalls. Decisions about service volume levels will be more easily justified if based on knowledge of the costs incurred in delivering the service.

More information about full cost recovery is available from SCVO who run training courses on this subject: www.scvo.org.uk

Rough Guide to Service Review

Main areas:

1. Service costs
2. Calculating a unit cost
3. Accommodation costs recoverable through HB

Calculating and recovering costs

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The Supporting People Enabling Unit is a partnership initiative between Community Care Providers Scotland (CCPS) and the Scottish Federation of Housing Associations (SFHA), funded by the Scottish Executive.

Types of costs associated with housing support

Organisations structure their budgets in different ways but there are some types of costs typically incurred by housing support providers. These are listed below and grouped under Direct and Overhead (or Indirect) Costs. Direct Costs are those associated with delivery of a service and include the staff employed for that particular service and premises used exclusively for that service. Indirect costs relate to administering and supporting the service.

Direct Costs

- Staff:**
- Salaries
 - Agency costs where appropriate
 - Pension contributions
 - National insurance
 - Recruitment (advertising, Disclosure Checks, 'fit person' health checks)
 - Redundancy payments
 - Cover for maternity leave, training, attending meetings (some organisations cost this by adding a % of salary costs e.g. 20%)
 - Transport and mileage
 - Insurance
 - Insurance costs may relate to number of staff
 - Support and supervision
 - Holiday cover
 - Sick leave
 - Training
- Qualification of staff to meet SSSC registration requirements
- Premises:**
- Rent or lease
 - Rates
 - Heat and light
 - Building maintenance
 - Insurance
 - Telephone
 - Equipment and furniture (including depreciation)
 - Information Technology (broadband, software, maintenance and purchase of equipment).
 - Postage and stationery
 - Cleaning
 - Fire/security alarms
- Other:**
- Training, equipping, reimbursing and managing volunteers
- Committee - where individual project has separate committee or advisory group
- Expenses (e.g. travel, crèche, venue hire and catering)
 - Printing costs eg. service handbooks, housing support plans, leaflets explaining housing support and its funding.
 - Service user involvement eg. costs associated with running events, providing support and training, carrying out research.
 - Care Commission fees (2006/07 will be the same as for 2005/06).
 - Oncall costs
 - Lone workers may require security equipment and service back up to ensure their safety is protected. The costs of safety equipment and monitoring services should be included.

Overhead (or Indirect) Costs

- Central administration:**
- Costs of headquarter staff e.g personnel, finance, communication staff and senior management.
 - IT support and software
 - Training/conferences
 - Publications
 - Subscriptions
 - Stationery and printing
 - Service User involvement
- Bank charges
- Postage
- Premises and office costs:**
- Rent and rates
 - Heat and light
 - Building maintenance
 - Telephone
 - Insurance
 - Furniture & equipment (including depreciation)
- Cleaning
- Governance and strategic development:**
- Management costs
 - Audit
 - Legal fees
 - Committee expenses
 - AGM costs
 - Volunteer expenses

The extent to which local authorities will agree to cover these overhead costs varies considerably so the way budgets are presented at Service Review is very important.

Cost Allocation

Allocating overhead costs between services

There are a number of ways to allocate an appropriate portion of overhead costs to a service:

- Allocating by the number of staff in a service - this is particularly common amongst smaller organisations
- Allocating by the time support staff spend on functions related to each service
- Allocating by expenditure of a service relative to other services

It is possible to use different methods to allocate overhead costs of different types eg using number of staff in a service to decide on proportion of office rental to allocate to that service but use staff hours to determine marketing costs. Whatever method is used it must be applied consistently between services.

Supporting People cost comparisons

Local authorities are finding ways of comparing the costs of different services as a way of making savings and striving for efficiency. Because organisations structure their budgets in very different ways councils

often expect providers to sign up to a unit cost such as an hourly rate or a weekly rate (as is common in the case of accommodation based services). This should make costs easier to compare but only if the unit cost is constructed in a similar way. For this reason some councils have developed cost comparison tools based on a unit rate.

There have been discussions between some local authorities and their providers about how financial information should be presented. If you are not already aware how your local authority compares costs you could ask them about it there may still be scope to discuss how they go about assessing the costs of your service.

Smaller organisations, whether private or voluntary sector may be concerned that economies of scale available to larger organisations will put them at a disadvantage. The Scottish Executive, however, has urged councils to recognise the role smaller services play in promoting diversity of provision.

This can be found at: Issues for Small, Specialist and New Providers at Folder 1, Part1, Section 6 in the Scottish Executive's Service Review Guidance www.scotland.gov.uk/Topics/Housing/Housing/Supportpeople/Page196

Accommodation based services

In accommodation based services the issue of housing benefit remains of concern because service providers need to make sure that their costs are covered adequately through rent, service charge and Supporting People grant. Problems can arise where elements of a service are deemed outwith SP and are also ineligible for housing benefit.

Supporting People grant can only fund support as per the 21 tasks set out in the Scottish Statutory Instrument 2002 No.444. The support may include services to other members of the household and does not have to involve a tenancy.

For guidance go to: www.scotland.gov.uk/Resource/Doc/1125/0016401.pdf

The Department for Work and Pensions has issued a circular to local authorities instructing them not to shift costs associated with housing support back into housing benefit. To see the circular go to: DWP General Information Bulletin: HB/CTB G2/2005

If you find that a local authority Supporting People Team is asking you to re-apportion the split between Housing Benefit and Supporting People it is worth checking with the Housing Benefit section that they will accept the re-apportioning.

Services eligible for HB

The rule of thumb is that Housing Benefit pays for the physical aspects of providing housing - the bricks and mortar - rather than additional services.

Dealing with tenancy compliance and rent collection issues are normally eligible for Housing Benefit as part of the rent charge. Where tenants have particular needs and require an unusual amount of time devoted to these issues the excess time would be seen as a housing support service and as such ineligible for HB.

The costs of providing services related to a person's tenancy can be included in the service charge and as such eligible for housing benefit. Examples are:

- building insurance
- warden/caretaker costs which deal with 'accommodation related services' ie relating to the security and protection of the building rather than elements that fall within housing support tasks

- refuse removal, lifts
- radio/TV aerial maintenance
- portering
- communal telephone line rental and equipment
- door entry phones
- provision of laundry facilities
- cleaning of communal areas
- children's play areas
- maintenance and replacement of equipment eg laundry, lift, fire alarm
- fire equipment
- window cleaning in communal areas
- communal garden maintenance

Housing Benefit will only cover costs directly attributable to the provision of accommodation.

Examples of services that would be ineligible for housing benefit include:

- meals, cleaning own rooms or other 'day to day' expenses such as laundry costs
- medical expenses, nursing or personal care or counseling costs
- any housing support service being paid for by Supporting People

For more information about service charges and eligibility for HB go to the Housing Benefit Guidance Manual, Part A4: www.dwp.gov.uk/housingbenefit/manuals/hbgm/parts/pta_04c.asp#f

Another source of information is Guide to Housing Benefit and Council Tax Benefit 2005-06 by John Zebedee, Martin Ward and Sam Lister published by Chartered Institute of Housing and Shelter

The Supporting People Enabling Unit assists and supports independent service providers in the implementation of the Supporting People Programme. The Unit is hosted by Community Care Providers Scotland and by the Scottish Federation of Housing Associations and is funded mainly by the Scottish Executive.

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