

Further details of assumptions and methodology

The table below sets out further detail, as requested by the Scrutiny Management Board, on the assumptions used to estimate fixed and variable costs, which form the basis of calculations used in financial modelling to estimate savings and to assess viability. This table will be included as a new Annex 3 to Appendix I (Finance) and will be referred to in section 2 of that appendix.

Service Area	Assumptions used to estimate fixed and variable cost elements
Education - DSG funded services	The vast majority of cost in this area is variable and has been apportioned across new proposed authorities using population under 19 as a cost driver. Based on analysis of Plymouth's existing fixed cost base, we have assumed that 0.5% of current costs are fixed.
Education - other services	The majority of cost in this area is considered to be variable and has been apportioned on the basis of Population under 19. 3% of current costs are assumed to be fixed.
Highways and Transport	This service area includes functions such as parking, traffic management and transport strategy which are assumed to have relatively higher fixed costs, as well as highways maintenance and public transport functions which are assumed to have relatively low fixed costs. Different assumptions have been used for different areas, taking a granular approach - overall the fixed cost proportion assumed is 12%. Robust road length data was not available at parish level, and so population per authority has been used to apportion variable costs.
Children's Social Care	Based on a review of fixed costs at Plymouth City Council, fixed costs for Children's Social care functions have been calculated for individual service components (resulting in an overall assumption that 3% of costs are fixed). Actual anonymised client data, collected at MSOA level through a survey of social care functions by consultants Newton, has been used to apportion costs across new proposed authority areas (a three year average has been calculated for a range of activity data, selected to correlate with each RA cost category).
Adults Social Care	As with Children's Social Care, fixed costs for Adult Social Care functions have been calculated for individual service components based on a review of fixed costs at Plymouth City Council. This has resulted in a calculation that assumes 2% of costs are fixed overall. Again, anonymised client data, collected at MSOA level through a survey of social care functions by consultants Newton, has been used to apportion costs across new proposed authority areas. A three year average has been calculated for a range of activity data, selected to correlate with each RA cost category.
Public Health, Bereavement & Coroners	The majority of services in this area are funded by public health grant, with the coroners and bereavement functions funded by core spending power and fees and charges respectively. Fixed costs have been estimated for each element, and income has been treated as fully variable; across the category 13% of costs are assumed to be fixed (though this varies across different RA categories - the coroners service

Service Area	Assumptions used to estimate fixed and variable cost elements
	is devon-wide and so has been treated as a wholly variable cost). Variable costs have been apportioned based on population.
General fund housing & housing benefits	This area includes services such as homelessness, which have high variable costs, as well as housing benefits administration, with relatively high fixed costs of operation. Overall our calculations and assumptions assume around a third of costs in this area are fixed (mainly relating to housing benefits administration and policy / regulation and systems costs). Variable costs have been apportioned using total population as the cost driver.
Culture, sports and community services	This area is made up of a number of distinct, mainly lower-tier services that are assumed to have relatively high levels of fixed cost currently (overall, around 10%) due to the number of discrete operations in different district and unitary councils. Library services are mainly operated on a shared service basis (with the exception of Plymouth) - we have assumed this model will continue and so library services are treated as a wholly variable cost. For all functions, population has been used as a cost driver.
Economic and community development	The majority of costs in this area relate to revenue-funded economic development policy and programme functions, currently distributed across all 11 councils in Devon. We have assumed that around 35% of current costs are fixed overall - relating to policy and strategy development, external engagement with government and business communities, and service management. Variable costs have been apportioned using total population. Capitalised programme costs are not included in the analysis, and income generated (mainly through rents and some revenue grants) has been treated as wholly variable.
Planning and regulatory services	These functions are currently distributed across all 11 councils in Devon and include a wide range of specialist regulatory functions as well as planning policy and development functions. Because of the highly disaggregated, specialist nature of work we have assumed a relatively high (43% overall) level of fixed costs across the function as a whole - though within this overall figure there is some variation (development control, for example, is assumed to have a higher proportion of variable costs). Trading standards is operated on a shared service basis across Devon and Somerset; we have assumed that this approach will not change and so these costs are treated as wholly variable. Again, all costs have been apportioned using total population as the cost driver.
Waste & Environmental services	Based on a review of fixed costs at Plymouth City Council, fixed costs for these services (mainly waste collection and waste disposal, but also environment & climate functions) have been assumed to form 12% of overall costs. Total population has been used to apportion costs across new proposed council areas.
Corporate services, levies & trading services	Current costs for Corporate Services are assumed to be largely fixed - we have taken a granular approach with different assumptions across different functions (with some functions - e.g. ICT and HR - having relatively higher variable costs associated with the number of users / staff). Overall, around three-quarters of current costs in this area are

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	assumed to be fixed. Variable elements of current cost have been apportioned across new proposed council areas using total population.
Capital financing, interest and investment income	These costs have been treated as wholly variable and, at this stage, are apportioned across new proposed council areas using total population.