

MEETING:	CABINET
DATE:	30 JUNE 2011
TITLE OF REPORT:	INCOME PROPOSALS AND CHARGING PROPOSALS
REPORT BY:	CORPORATE SERVICES AND EDUCATION

CLASSIFICATION: Open

Wards Affected

County-wide.

Purpose

To seek approval for the charging and trading principles outlined in the report and the suggested approach for the development of income proposals for directorates. To update Cabinet on the progress achieved to date and to approve proposals that deliver the income requirement contained in the agreed budget.

Key Decision

This is a Key Decision because it is likely to result in the Council incurring expenditure which is, or the making of savings which are, significant having regard to the Council's budget for the service or function to which the decision relates.

It was included in the Forward Plan.

Recommendation(s)

THAT:

- (a) the charging principles contained at Appendix 1 be approved;**
- (b) the proposals in relation to car parking and planning advice charges contained in the report be approved and authority be delegated to the Director for Places & Communities to finalise the schedule of fees and charges to be applied within the principles agreed; and**
- (c) the proposals in relation to school transport and adult social care charges contained in the report be approved and authority be delegated to the Director for People's Services to finalise the schedule of fees and charges applied within the principles agreed.**

Key Points Summary

- A consistent approach to full cost recovery and increased income generation can be achieved through the adoption of corporate charging principles. Implementation of income proposals should be supported and driven using a managed process with clear timescales and priorities.
- The work undertaken to date around traded services to schools has identified proposals totalling £1.9m which relate to existing income streams. Services need to be further developed to mitigate the risk of lost income due to academy status and external competition.
- A medium-term aim is to develop an appropriate approach to traded services which could be provided on a commercial basis.
- A comparison with other, similar profile authorities (benchmarking) shows Herefordshire in the lower quartile in terms of income generation compared to comparator authorities. There is scope to generate additional income to offset budget pressures and to reduce the level of subsidy provided.

Considerations

Current Position and Scope for Additional Charging for Herefordshire Council

1. The 2009-10 out-turn position showed that Herefordshire Council generated approximately £19m through fees, charges and sales.
2. This was split over service directorates as follows:

Income from Charging	£000's
Sustainable Communities	7,511
Adults	6,649
Children's	3,182
Deputy Chief Executive	670
Public Health	640
Resources	188
TOTAL	18,840

3. Total income from all chargeable services was approximately 4.7% of total service gross expenditure. Chartered Institute of Public Finance and Accountancy (CIPFA) benchmarking analysis places Herefordshire towards the bottom of the lower quartile of unitary councils for this indicator.
4. A number of income generating services such as Leisure Centres and Arts Centres have been outsourced. Adjusting the benchmark data to reflect the income generated by HALO and the Courtyard gives a more meaningful comparison and increases the % of income to cost to 6.7%. This is still in the lower quartile. If the Council moved from the lower to median quartile this would generate an additional £2.78m in income.
5. Councils are permitted to set charges at a level that recovers the full cost of services, including on-costs; however charges cannot be set that generate a profit.

6. The council also has the potential to develop traded services on a wider commercial basis to generate profits. A medium-term aim is to consider the opportunities to establish a portfolio of traded services. In effect this will result in the creation of a number of small businesses which in turn will require commercial and business management skills. This is a role that is currently being developed under the guidance of the Commercial Board.
7. Examples of services that other councils are already trading on a wider commercial basis include Kent County Council's 'Top Temp' Agency. Herefordshire Council would also have opportunities to develop trading in collaboration with existing partners such as Amey and The Shared Services Partnership.

Charging Principles

8. In order that a consistent authority-wide approach to charging is delivered a set of principles has been developed. These principles are contained at Appendix 1 and provide a framework for testing existing charges and also for assessing any future charges. It lists a number of key principles including the need to be clear about any level of subsidy; that charges should reflect the full cost of provision; and the adoption of an automatic inflationary uplift to fees and charges.

Delivery of Savings included in the 2011/12 Budget

9. As part of the 2011/12 budget setting process directorates identified savings of £10.3m to be achieved in balancing the budget. The agreed budget includes £712k to be delivered through increases in existing income and new income streams.
10. The £712k additional income included in the 2011/12 budget covers the People's Services and Places & Communities directorates. Proposals for delivery of this are set out below; subject to Cabinet approval of the proposals it is requested that delegated authority be given to the respective directors to finalise the schedules relating to their areas.

Car Parking

11. The council last increased car parking charges in June 2008. There is clearly a balance to be struck between ensuring that charges remain comparable with neighbouring authorities to ensure competitiveness when attracting visitors and shoppers; encouraging a reduction in single user car journeys to reduce traffic congestion/carbon emissions; and income generation.
12. A number of policy changes are proposed to achieve these aims:
 - The application of charges to additional council car parks to achieve equity across the county.
 - The withdrawal of the existing concessionary parking scheme for those of retirement age. This is a unique concession amongst comparator authorities and is also contrary to the aims of the Local Transport Plan. It should be noted that no further changes are proposed to the current provision of concessionary bus fares for those of retirement age.
 - The introduction of charges for on-street parking.
 - Extension of charging periods to include, Sundays and bank holidays; most comparator

and neighbouring authorities have already introduced some charges every day and during the evenings.

- An above inflation increase of charges applied to individual car parks.
13. Subject to Cabinet approval of the above proposals it is requested that delegated authority be given to the Director for Places and Communities to finalise the schedule of car parking charges for introduction from 1st September 2011, following the car parking strategy within the council's agreed Local Transport Plan, to achieve a full year income increase of £975,000. This would address the budget shortfall, and bring charges within Herefordshire in closer alignment to benchmark authorities.
 14. Consideration will also be given to setting charges to enable an increase in investment in the quality of car park provision, such as the extension of pay on exit facilities at city centre car parks.

Planning Advice

15. Charging for pre-application planning advice is a new income stream. A number of other local authorities are already charging for this service. Historically the service has been provided free by Herefordshire's planning service, and represents a considerable amount of officer time. Charges need to take into consideration the principles of full-cost recovery as well as the rates being charged by other authorities.
16. The annual forecast level of income from pre-application charges is expected to be £50k. This forecast is based on historical numbers of pre-application enquiries and the experiences of other authorities who have already implemented the charges. Actual income will depend on a number of factors and could be higher or lower; however the £50k forecast is felt to be a prudent estimate.
17. The bulk of income is envisaged to come from large scale residential and commercial developments where significant officer time would be required. A beneficial consequence of the proposed charging regime will be to better focus the thoughts of potential applicants and give more structure to discussions, which will enable officer time to be used more effectively in future.
18. Subject to Cabinet approval of this proposal it is requested that delegated authority be given to the Director for Places and Communities to finalise the schedule of charges.

School Transport

19. School transport proposals do not change the existing policy. There will be an above inflation increase in parent/carer contributions towards discretionary post-16 transport, discretionary transport to faith schools on denominational grounds and for vacant seats on school transport for those non-entitled users of transport.
20. The increases in contributions generate £66k in 2011/12 and £100k over a full year. Opportunities to pay on a monthly rather than a term basis are being developed to assist parents and carers in managing the increase. The government has indicated that it is likely to consult on the provision of home to school transport over the summer of 2011, so the proposals cover 2011/12 academic year only pending the outcome of consultation.

Adult Social Care

21. There is a £150k additional income requirement for Adult Social Care contained within the 2011/12 budget. In addition, a more fundamental change to the type and scale of fees and charges is required to support the changing approach to care provision that will see personalised budgets being managed by those in receipt of care. The development of adult social care fees and charges will be carried out having regard both to the changing vision for adult social and community care and the charging principles proposed in this report. Any changes to the fees and charging approach will be subject to consultation.

Community Impact

22. New and increased charging will have some impact on sectors of the community; however the alternative would be further cuts in front-line services. The scope of charging principles includes consideration of concessionary schemes which should give some protection to more vulnerable sectors of the community.

Financial Implications

23. Additional income of up to £3m could be generated by achieving median performance in income generation. Income projects will be assessed in terms of the difficulty in implementation. More complex income proposals may require additional resources to be invested.

Risk Management

24. Additional income is a key strategy in addressing growth pressures and to mitigate any shortfall in funding. Failure to agree income generation measures would result in a requirement to make compensatory savings elsewhere in the budget

Legal Implications

25. None.

Consultation

26. Consultation on individual proposals will be undertaken as necessary..

Appendices

Appendix 1 - Charging Principles

Background Papers

None

Charging Principles

The following are the proposed charging principles:

- The council should aim to charge for all services where it is appropriate to do so, unless there are conflicting policies or legal reasons not to do so.
- The council should (subject to market conditions) aim to maximise income from fees and charges by ensuring that charges reflect the full cost of provision, unless there are contrary policies, legal or contractual reasons.
- Decisions to subsidise services, or to not make a charge for a service should be clearly linked to council objectives, and the potential income that is not earned must be a consideration in the decision.
- Where the council continues to subsidise the cost of services provided to customers, the level of subsidy should be clearly understood and publicised.
- Comparisons and benchmarking with relevant sectors in terms of charges made, cost of service delivery, levels of subsidy and market variations should be used to inform fees and charging proposals.
- Charges must be linked to both service and strategic objectives and must be clearly understood.
- The direct implications of charging for residents, and the indirect implications for public, private and voluntary sector partners should be clearly understood.
- Any concessionary scheme should be based on ability to pay and be applied in a consistent and transparent approach across all council services.
- The council should through its commissioning arrangements, ensure that the charging policies of partner organisations engaged in delivering council services align with council policies.
- Annual inflationary uplifts will be applied through the budget setting process.