



## **EXECUTIVE RESPONSE TO THE OVERVIEW & SCRUTINY**

### **TASK & FINISH GROUP REPORT ON FEES & CHARGING**

**REPORT BY DAVID POWELL, CHIEF OFFICER: FINANCIAL AND COMMERCIAL**

**REPORT TO CABINET MEMBER: CORPORATE SERVICES AND EDUCATION**

**DATE REPORT CONSIDERED AND DECIDED BY CABINET MEMBER: 29 MAY 2012**

**SCRUTINY COMMITTEE FINAL CALL IN DATE: 1 JUNE 2012**

**DATE DECISION TO BE IMPLEMENTED: 6 JUNE 2012**

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**CLASSIFICATION:** Open

#### **Wards Affected**

County-wide

#### **Purpose**

To respond to the review of fees and charging.

#### **Key Decision**

This is not a Key Decision.

#### **Recommendation(s)**

**THAT**

- (a) the response be agreed: and**
- (b) this is a decision delegated to the Cabinet Member.**

#### **Introduction and Background**

1. In June 2011 cabinet agreed a number of charging principles. The report arose from a benchmarking review that showed Herefordshire was in the lower quartile in terms of potential fees, charging and income compared to other authorities. As a result it requested " Overview and Scrutiny Committee, through the Vice-Chairman Corporate Services, to undertake a review to identify options for the development of budgetary policy to support further income generation".
2. At the meeting of Overview & Scrutiny Committee on 19 March 2012 the Committee agreed the findings and recommendations to the Executive arising from the review of income and charging (appendix A).
3. In developing its response the Executive has taken into consideration the current financial climate and future efficiency savings that face local government.

4. When Cabinet requested the review there was a need to understand how the rationale for setting fees and charges linked to service provision and how this fitted within the overall approach to budget policy. The move towards greater integration of fees and charges into the overall service delivery and budget process was indicated by Cabinet when it agreed draft charging and trading principles back in July. These principles required:
- a. A consistent approach to full cost recovery and increased income generation to be achieved through the adoption of corporate charging principles. This principle also requires that implementation of income proposals should be supported and driven using a properly managed process with clear timescales and priorities;
  - b. The work already undertaken around traded services to schools had identified proposals totalling £1.9m, which related to existing income streams. Such services needed to be further developed to mitigate the risk of this income being lost due to external competition as academy status schools exercise newfound 'choice' by purchasing services from outside providers;
  - c. A medium-term aim to develop an appropriate approach to extending the traded services model to provide a wider range of council services on a commercial basis;
  - d. A benchmarking comparison with other unitary authorities in the council's comparator 'family group' shows Herefordshire in the lower quartile in terms of income generation. Cabinet formed the view that this indicates there is scope to generate additional income to offset budget pressures and to reduce the level of subsidy provided.

## Key Considerations

5. The eight recommendations of the task and finish group were that:
- a. Council should consistently apply the principles for setting or amending fees and charges agreed last year and revised by this group and by PwC. These principles should be set out as part of the annual budget papers where the full schedule of fees and charges is included. Any future presentation of the schedule to members should include a covering report setting out how the principles have been met.
  - b. Any new charges or any changes to existing charges in excess of inflation, should be tested and reported against the council's stated principles for setting or amending fees and charges. Over a period of time, not exceeding 18 months, all existing charges should be tested against the principles in order to provide a baseline for future review.
  - c. The council should develop a consistent approach to engaging service users and taxpayers more in decisions about whether and at what level to charge for services. Questions should continue to be asked in consultations about services and wider engagement exercises to do with council finances. As part of this engagement, the council should describe the financial and non-financial contribution of charging, and the rationale for levels of subsidy for services to local people. The council should make this information available on its website and at service hubs and information centres.
  - d. Staff should receive the necessary training to behave in a business-like/commercial manner in developing and delivering council services
  - e. The appropriate finance mechanisms and tools should be made available to enable service costs and management overheads to be apportioned and managed effectively to ensure cost recovery.
  - f. Benchmarking should be undertaken to learn from commercial markets exhibiting functional or capability similarities to council services.
  - g. Enabling systems and tools should be in place to minimise the implementation and running costs of service charges and to ensure appropriate information about service use and user behaviour is captured to inform future planning and service delivery.

- h. Services should be classified to distinguish between those that are mandatory, discretionary and commercial to aid transparency and clarity for staff, councillors and the public.
6. The Executive's response is contained at Appendix A. The response covers the eight recommendations and indicates wide acceptance of the Task and Finish group's report. It is clear that the current financial climate and national financial context signal the need for a transformation in approach. The proposed response to the nine recommendations of the scrutiny review takes account of the changing agenda and it is anticipated that the overall response will produce a clear and sustainable approach to charging.

## **Community Impact**

7. Increases in fees and charges will have an impact on communities across Herefordshire. However, significant cuts to front line service provision would be necessary if the increase to median levels of fees and charges were not implemented.

## **Equality and Human Rights**

8. Any decision to increase charges will be subject to an Equality Impact Assessment. It is important that the council has due regard to the relevant part of the general duty under legislation covering the legislation equalities.

## **Financial Implications**

9. All actions proposed will be met from within existing agreed budgets.

## **Legal Implications**

10. There are no legal implications.

## **Risk Management**

11. The proposed actions must be considered alongside progress within other relevant service areas to ensure a strategic and cohesive approach to future opportunities with regards to income and charging.
12. The response in Appendix A has a series of dependencies and interdependencies between tasks. These are critical and will be part of the wider implementation/action plan to aid the response to the task and finish group's report. Income generation is critical to the council delivering on its challenging budget and changing the culture internally and behaviours externally. Actions are spread across all areas of the council and slippage in individual areas of the attached response will have consequences on the overall schedule. In order to mitigate this an overall project plan will be developed for all action owners. This will help ensure that the risk associated with any slippage can be understood.

## **Consultees**

13. None identified but future changes to some charges will require consultation.

## **Appendices**

14. Draft Executive Response
15. Task & Finish Group Report on Income and Charging – 19 March 2012

## **Background Papers**

- Fees and Charges, Cabinet – 30 June 2011
- Fees and Charges Update, cabinet – 16 April 2012