

MEETING:	GENERAL OVERVIEW AND SCRUTINY COMMITTEE
DATE:	10 DECEMBER 2012
TITLE OF REPORT:	UPDATE TO THE OVERVIEW & SCRUTINY TASK & FINISH GROUP REPORT ON FEES & CHARGING
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1. Classification

Open

2. Key Decision

This is not a key decision

3. Wards Affected

County-wide

4. Purpose

To note the updated task and finish report on fees and charges attached at appendix A and monitor progress against the Executive Action Plan.

5. Recommendation(s)

THAT:

- (a) the report be noted.

6. Key Points Summary

- Good progress has been made implementing the recommendations
- Since the first report the overall Root and Branch process has developed and includes the review of charging for each thematic area.
- Extensive cost benchmarking has been undertaken to understand our services

7. Alternative Options

7.1 There are no Alternative Options.

8. Reasons for Recommendations

8.1 The executive response was brought to Overview & Scrutiny and approved.

8.2 It was agreed that an updated position would be brought back to the Committee for noting six months after the initial report.

9. Introduction and Background

9.1 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. Cabinet 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".

9.2 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).

9.3 In developing its response the Executive has taken into consideration the current financial climate and future efficiency savings that face local government.

9.4 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.

10. Key Considerations

10.1 The 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.

102. The Executive's response is contained at Appendix A and progress against the recommendations is included. 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.

10.3 The council has worked with Local Government Futures to analyse our statutory and discretionary activity to support the 'Root and Branch' process. As part of this a benchmarking exercise has compared Herefordshire's spend across all major service areas. This has provided greater awareness of per capita spend and has also looked at comparisons by activity 'drivers'.

11. Community Impact

11.1 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.

12. Equality and Human Rights

12.1 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

13. Financial Implications

13.1 All actions proposed will be met from within existing agreed budgets

14. Legal Implications

14.1 There are no legal implications

15. Risk Management

15.1 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.

15.2 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.

16. Consultees

16.1 None identified but future changes to some charges will require consultation

17. Appendices

17.1 Executive Response - Updated

17.2 Task & Finish Group Report on Income and Charging – 19 March 2012

18. Background Papers

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