

**Service Cost Recovery Update
Scrutiny Management Board**

7 November 2023

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Context and purpose of the Service Cost Recovery Workstream

As a result of the current inflationary situation and Herefordshire Council's projected medium term financial position, the Council needs to **find new ways to cover its expenditure** whilst ensuring that **residents receive value for money**.

It has been identified that a **lower percentage of council income is recovered through fees and charges** in Herefordshire. By enhancing fees and charges and the number/scale of chargeable services, it may be possible to recover a greater percentage of services' costs.

This work focuses on identifying opportunities to improve the Council's cost recovery position.

Key objectives of the Service Cost Recovery workstream:

- Identify how services' cost recovery compares with other authorities.
- Identify opportunities to enhance services' cost recovery, unless there is a legal barrier to recovering costs.
- Promote council fees and charges which reflect the full costs of service delivery, including management costs, capital costs and corporate overheads incurred whilst delivering services.
- Identify opportunities to upscale delivery of Herefordshire Council's chargeable services.

We have made progress to date by undertaking the following activities:



Met with managers within 15 service areas, to seek thoughts about opportunities to improve service cost recovery.



Compared fees across 400+ categories with 13 comparator councils. Identified key areas of difference and opportunities for change within a Summary Analysis Report.



Analysed Herefordshire's overall recovery of service costs across 20+ categories, to identify opportunities for change.



Tested the validity of over 200 opportunities for change to Herefordshire. These are opportunities which other local authorities have explored. Herefordshire Council data has been analysed in relation to each of these opportunities, and conversations with staff have assisted with identifying the viability of any opportunities for changes.



Fed 59 opportunities into an opportunity longlist, informed by discussions with staff. Gathered data to support with testing opportunities for changes.



Which opportunity areas have been examined, in relation to Service Cost Recovery?

Analysis has been conducted across services, to establish opportunities for:

Moving services to a full cost recovery position

Ensuring that chargeable services are recovering the full cost of delivery (including overheads).

Upscaling services

Upscaling chargeable services which are delivering a surplus, and where sales volumes are lower than within other local authority areas.

Uplifting fees

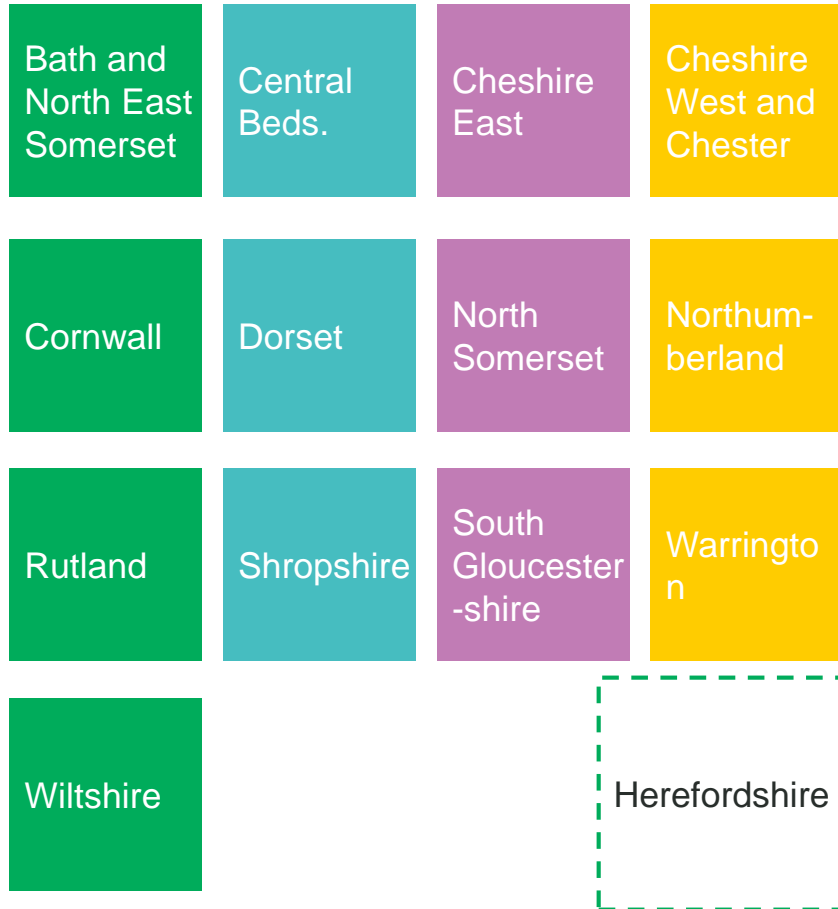
Uplifting fees, to reflect rates within comparable authorities and the local market.

Establishing new services

Establishing new and innovative commercial services, where the Council is not providing commercial services which other authorities are.

The following analysis was completed to understand Herefordshire's current state:

Data from 13 Comparator councils¹ was analysed



2 key pieces of analysis were conducted

RSX and Revenue Outturn (RO) Data - FY21/22

Expenditure and fee/charge income data was assessed across 150 categories, to understand service cost recovery in Herefordshire and other comparable local authorities.



Herefordshire Council (HC) Fees and Charges

Herefordshire Council's fee and charge levels for 2023/24 were collated and compared with other local authorities.



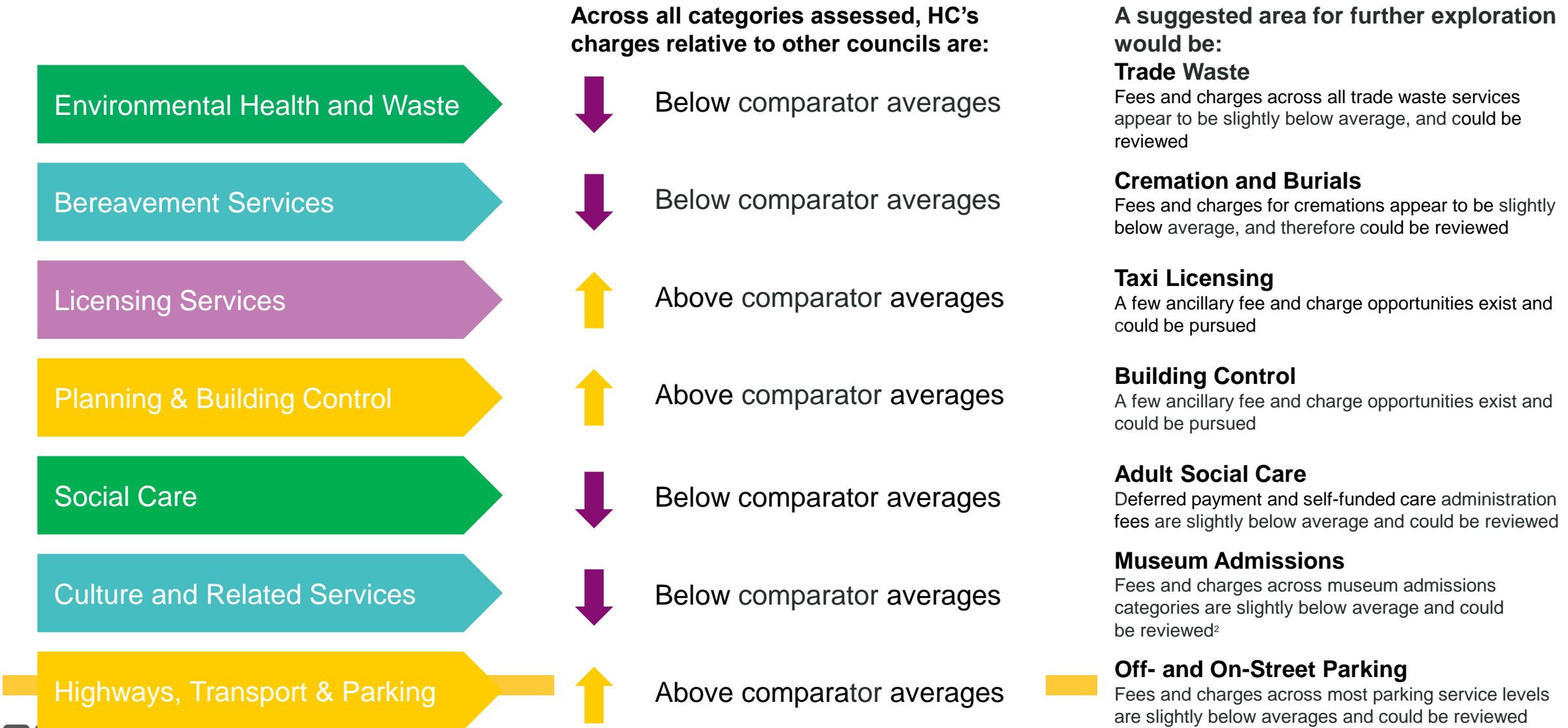
Identification of opportunities for changes

¹ Comparator group was informed by CIPFA Nearest Neighbours as outlined on [LGIinform](#). Revenue Outturn data reflects 2021/22 figures.

Herefordshire's service cost recovery is lower than comparators' within a number of areas

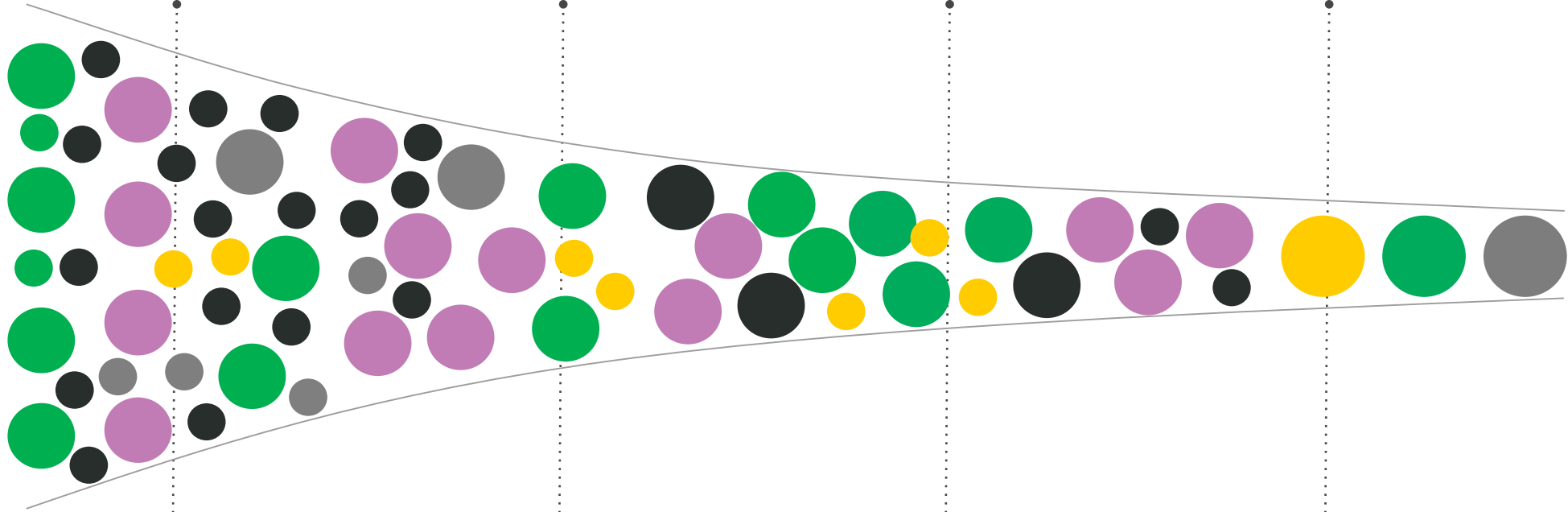
	Comparison with average	Sub-Categories with lower Service Cost Recovery ¹ in Herefordshire			
Education	↓ Below comparator average	<table border="1"> <tr> <td>Post 16 Provision</td> <td>Early Years</td> <td>Primary Schools</td> </tr> </table>	Post 16 Provision	Early Years	Primary Schools
Post 16 Provision	Early Years	Primary Schools			
Highway and Transport Services	↑ Above comparator average	<table border="1"> <tr> <td>Statutory Concession Fares</td> <td>Street Lighting (including energy costs)</td> <td>Highway Maintenance Planning, Policy & Strategy</td> </tr> </table>	Statutory Concession Fares	Street Lighting (including energy costs)	Highway Maintenance Planning, Policy & Strategy
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Children's Social Care	↓ Below comparator average	<table border="1"> <tr> <td>Children Looked After</td> <td>Safeguarding children and young people's services</td> <td>Family Support Services</td> </tr> </table>	Children Looked After	Safeguarding children and young people's services	Family Support Services
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Adult Social Care	↓ Below comparator average	<table border="1"> <tr> <td>Asylum Seeker Support</td> <td>Care Assessment and Safeguarding</td> <td>Information and Early Intervention</td> </tr> </table>	Asylum Seeker Support	Care Assessment and Safeguarding	Information and Early Intervention
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Housing Services	↓ Below comparator average	<table border="1"> <tr> <td>Nightly paid, privately managed accommodation</td> <td>Bed and breakfast hotels (including shared annexes)</td> <td>Private sector accommodation leased by authority</td> </tr> </table>	Nightly paid, privately managed accommodation	Bed and breakfast hotels (including shared annexes)	Private sector accommodation leased by authority
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Culture and Related Services	↓ Below comparator average	<table border="1"> <tr> <td>Tourism</td> <td>Parks and Open Spaces (including play areas)</td> <td>Library Services</td> </tr> </table>	Tourism	Parks and Open Spaces (including play areas)	Library Services
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Environmental and Regulatory Services	↑ Above comparator average	<table border="1"> <tr> <td>Environmental Protection</td> <td>Climate change costs</td> <td>Defences against flooding</td> </tr> </table>	Environmental Protection	Climate change costs	Defences against flooding
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Planning and Development Services	↓ Below comparator average	<table border="1"> <tr> <td>Environmental Initiatives</td> <td>Other Planning Policy</td> <td>Business Support</td> </tr> </table>	Environmental Initiatives	Other Planning Policy	Business Support
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Central Services	↓ Below comparator average	<table border="1"> <tr> <td>Retirement Benefits</td> <td>Council Tax Collection</td> <td>Registration of Electors</td> </tr> </table>	Retirement Benefits	Council Tax Collection	Registration of Electors
Retirement Benefits	Council Tax Collection	Registration of Electors			

On balance, Herefordshire has lower fees and charges¹ across 4 out of 7 categories assessed, with the potential to identify and implement changes within these 4 categories



Stage 1 Complete

We are here



Collate Data

Engage with service stakeholders to source fees and charges and income/expenditure for chargeable services and understand services' views about opportunities for changes.

Data Analysis

Analyse council-wide data, to confirm primary opportunity areas to focus on, as the work progresses.

Opportunity Testing

Perform analysis of service data to substantiate opportunities identified through discussions, and conduct further exploratory discussions with services, to understand the service context.

Opportunity Prioritisation

Narrow opportunity longlist and prioritise opportunities which are likely to deliver long term benefits to the Council and/or close the gap between Herefordshire and comparators' cost recovery position.

Business Cases

Commence development of business cases for up to 5 focused areas across the Council. These will include initiatives which can be implemented

February - April 2023

April - May/June 2023



Business Cases

As a result of the previous review, 4 Business Cases were developed for further analysis –

- Introduction of Council Lottery to support Community Sector Organisations
- Advertising on Council (highway) assets
- Aligning Parking Charges
- Community Toilet Scheme

Each of these are now being developed for future approvals / decisions

Review of Fees and Charges – Stage One

- Currently no one version of all Council Fees and Charges
- Review commenced to bring together as a centralised record
- Ongoing comparison as part of the Service Cost Recovery workstream to identify any that are out of line with comparators
- Easier to identify inflationary uplifts and changes / patterns of income
- Fees and Charges are set as part of budget setting
- Report to Audit and Governance Committee on 24 October – Reviewed process for in-year changes

Conclusion

- Significant amount of work completed to review Income and Charges across the Council
- Initial review of “Service Cost Recovery” has shaped future priorities and work
- Economy and Environment Directorate Transformation – focused on Commercialisation of Services
- Review of Fees and Charges on-going
- Based on Scrutiny Management Board comments – further update at next meeting