Meeting:	Cabinet
Date:	21 May 2008
Subject:	Revenue Income Optimisation
Key Decision:	Yes
Responsible Officer:	Myfanwy Barrett Corporate Director of Finance
Portfolio Holder:	David Ashton Leader
Exempt:	No
Enclosures:	Appendix 1 – Summary of Quick Wins Appendix 2 – Approved Framework

Section 1 – Summary and Recommendations

This report sets out progress on the Revenue Income Optimisation (RIO) project and recommends some changes to fees and charges in 2008-09.

Recommendations:

That Cabinet agrees the proposals in relation to fees and charges set out in Appendix 1.

Reason: (For recommendation)

To maximise income opportunities.

Section 2 – Report

Introduction

1. Harrow has experienced very severe financial pressures in recent years and is facing funding gaps in future years. The funding gaps identified in the Medium Term Financial Strategy for 2009-10 and 2010-11 are £5.4m and £7m respectively. Therefore it is vital that the Council looks at all opportunities for reducing costs and increasing income.

2. Whilst revenue income makes a significant contribution to the way that Councils are funded, there is a common and growing consensus that this is an area that is not being exploited to the full either to reduce cost pressure or to create a consistent momentum to improve services.

3. The Local Government Act 2003 introduced new charging and trading powers but it is clear that these are not being used to full effect. There is also a large amount of regulation around charging.

4. In this context the Council commissioned PWC to carry out a revenue income optimisation (RIO) project.

5. The Audit Commission subsequently published a report entitled "Positively Charged – Maximising the benefits of local public service charges". The report examined the contribution made by charging to council finances, and how decisions on charging can support strategic objectives for local government. The report looked at patterns in charging across local authorities and presented a series of barriers and constraints as well as considerations for setting charges. It put forward a number of recommendations focussing on improving knowledge of customers and charges, and understanding how these fit with the overall objectives of the council and service provision directly. Additionally, from 2009, it is likely that the Audit Commission's use of resources assessments will take account of how councils and other public bodies are using charges.

6. The publication of the Audit Commission report makes the Council's own project very timely.

Objectives of Project

7. The objectives of the project are to:

   - Take a corporate approach to revenue generation
   - Improve the management information which supports charging decisions
   - Improve the understanding of market conditions
   - Ensure consistency in design of charges and application of concessions
   - Ensure that policy decisions relating to charges are explicit and clear
   - Generate new ideas and maximise the opportunities available
   - Ensure that Harrow generates income that is above average when compared with its nearest neighbours

- Establish effective governance and performance management arrangements going forward
- Establish an effective annual review process

8. The project has a number of steps as follows:

    i) Ideas generation – this produces a long list of ideas for discussion with managers and members
    ii) Ideas consolidation – this refines the list of ideas and identifies those where further work is recommended
    iii) Challenge – options are reviewed in detail
    iv) Business case development
    v) Cabinet approval
    vi) Implementation of approved business cases

9. It is anticipated that the project will make a significant contribution towards the Council's strategy for closing future funding gaps in the medium term.

Initial Findings

10. PWC commenced the project in November and produced an initial report in December which set out the long list of ideas for discussion and a draft framework.

11. The initial report indicated that there is considerable scope for Harrow to increase its revenue as it is currently generating considerably less income than other London boroughs. This is borne out by the Audit Commission report and comparison tool.

12. The Audit commission tool compares Harrow with its nearest neighbours (15 outer London boroughs). This shows that, using 2006-07 data, Harrow's total income from charging is the second lowest in the group at just over £20m (the highest is over £80m), and that Harrow's charging income as a proportion of total service expenditure is also the second lowest in the group at around 6% (the highest is around 15%).

13. Since PWC produced their initial report, officers have provided comments on the ideas. PWC have conducted a series of workshops with managers to refine the proposals and also carried out a survey of existing concessions.

14. The framework for charging was approved by Cabinet in February (see Appendix 2).

15. In the last couple of months PWC have been focusing on:

    - Developing some quick wins for approval by Cabinet in May
    - Developing outline business cases for some short to medium term projects
    - Conducting a "top down" analysis to show why Harrow's income is low when compared with nearest neighbours
    - Reviewing the Council's approach to concessions

16. As these areas of work develop, there will be regular reports to cabinet to seek decisions.

Proposals

17. At this meeting, Cabinet is asked to consider the quick win proposals set out in Appendix 1.

18. The quick wins are areas where it is recommended that charges are increased or introduced in order to recover costs or make Harrow comparable with other authorities. They are also areas where a change is relatively easy to implement.

19. The relevant Portfolio Holder and Corporate Director have confirmed that the proposals should be implemented.

20. In addition the Capita Programme Director has been consulted to ensure that there is no conflict with the Capita service plan.

Further Work

21. The project will continue with PWC

    - Producing detailed business cases for some short to medium term projects
    - Concluding the work on the Council's approach to concessions
    - Concluding the "top down" analysis to show why Harrow's income is low when compared with nearest neighbours

22. The short to medium term projects that are already underway include:
    - Advertising and sponsorship
    - Building control

23. It is also likely that in some areas PWC will recommend that there is scope for efficiency savings – for instance in the way that the service is provided or the way that the income is identified and collected. The new Efficiency and Improvement Board will then take a view on how to take such work forward. The Capita Programme Director will be consulted where such work could fall under the scope of the partnership contract.

24. The work on concessions will be carried out in line with the approved framework (appendix 2).

25. The top down analysis will enable the Council to understand how its income profile differs from that of other boroughs and where the gaps are. This will inform the next round of projects.

Governance

26. The project will be directed and monitored by the new Efficiency and Improvement Board. This will ensure that the project is integrated with the rest of the Council's efficiency programme and that the momentum is maintained. In addition the Corporate Director of Finance will meet regularly with the PWC team to track progress.

Financial Implications

27. The 2008-09 budget includes an income target for the project of £400k net of implementation costs and fees. The Council will need to achieve the target through the quick wins set out here, and the short to medium term projects that are underway, in order to come in on budget. At this stage there is confidence that the target will be achieved.

28. As the project develops, targets for 2009-10 to 2011-12 will be modelled.

Performance Issues

29. The annual Use of Resources assessment includes a review against the following key lines of enquiry:

   - The council currently achieves good value for money
   - The Council manages and improves value for money

30. The RIO project will contribute to both of these objectives. If the Council increases its income this will reduce the net cost of some services and have a positive impact on value for money indicators. Further the project shows that the Council is actively managing value for money by seeking ways to generate income.

Section 3 - Statutory Officer Clearance

Name:…Myfanwy Barrett. Date: …16 May 2008………	✓	Chief Financial Officer
Name: Hugh Peart ……… Date: …16 May 2008……..	✓	Monitoring Officer

Section 4 – Performance Officer Clearance

Name:…Tom Whiting………. Date: … 16 May 2008……..	✓	Divisional Director (Strategy and Improvement)

Section 5 - Contact Details and Background Papers

Contact:

Jennifer Hydari

Background Papers:

Report to February Cabinet – Revenue Budget 2008-09 and Medium Term Financial Strategy 2008-09 to 2010-11

Appendix 1

LB Harrow RIO Quick Win summary

Area	**Description**	**Income 2008/09 £000**	**Decision required**
Parking	First Hour Free Peel House North Harrow	Peel House 22 North Harrow 12	Already agreed in principle.
Utilities and charges	Section 74 fines	50	Charge a £50 admin fee per notice for road opening works that overrun
	Inspections	25	Employ more inspectors to undertake more inspections and generate more income - £20k net income per FTE per annum
Catering	Vending machines	25	Invest in vending machines within Council properties to secure additional income. Vending machines should be positioned in places where there is high footfall
Pest control	Increase in charges	10	Authorise for the fees to be positioned in line with the average of the comparator group.
Total		144 .	

Revenue Income Policy – A Framework

Preface

1. Whilst revenue income makes significant contribution to the way that Council's and other public services are funded, (current estimates suggest that 8% of Council revenues are raised through fees and charges), there is a common and growing consensus that this is an area which is not being exploited to the full either to reduce cost pressure or to create a consistent momentum to improve services. Identified barriers are:

- Failure to surface debate within Local Authorities on the opportunities created by a corporate focus on revenue income generation. In particular how income generation in addition to reducing the net cost of services might also improve and extend the range of services offered. In this context it is important to reflect on how service managers and decision makers at senior officer and elected member level are incentivised to challenge themselves and their services to engage and be more creative around charging opportunities and decisions.

- The focus on budgetary targets in isolation from how charges for service are 'designed' or fresh ideas for income generation are identified which creates a disconnect between income generation as an integral part of service planning and improvement.

- Within a complex regulatory environment – what restrictions/opportunities are available for charging?

- Lack of clear information on which to base charging decisions during the annual review process so that it is unclear which services are subsidised and by how much, and therefore whether low priority services are inadvertently subsidised at the expense of higher corporate priorities and opportunities to maximise income are lost.

- Lack of management information on:

  – The full cost of providing the service, how is this defined and is information available to determine how it is established to take into account all direct and indirect costs?

  – Demand and usage profiles on which to base the level of charge through understanding what the impact might be, whether it could be differentiated by user/time of use to maximise take up and income and to ensure that low income users and other target groups are not disadvantaged.

  – The market context of income generating activity. Are prices too low or too high in relation to competing uses and what is the impact of this?

- Lack of clarity over concessionary use and target groups.

- 'Me too' thinking where benchmarks are used to drive levels of charge without having regard to local user requirements/preferences and the impact of local competition.

- Perceived risk and lack of commercial capacity in respect of new areas of charging and new models of delivery.

2. To a large extent the solution lies in creating clarity around the problems – real or perceived. The attached document sets out, as a basis for discussion, an approach to revenue income generation which establishes some key principles and a refined approach for revenue income generation which seeks to address and clarify some of the key barriers as set out above as:

- Aims and key principles which underpin the Council's approach to income generation which sets out the circumstances where income generation is both acceptable and encouraged.
- A standardised approach to concessionary charging.
- The approach to identifying and defining income generating activity in terms of:
  - How charging decisions are made?
  - What management information is used to determine the level of charge?
  - How is the charge designed.
- Performance management and an annual review process.

Section 1: Why a framework for income generation?

Context of a new approach to income generation

3. In 2006/07, councils in England raised £10.8 billion from charges for services, not including housing rents. This was around 8 per cent of their total income and is the equivalent of £210 for every person in England. Whilst revenue income makes a significant contribution to the way that Council's and other public services are funded, there is a common and growing consensus that this is an area which is not being exploited to the full, either to reduce cost pressure or to create a consistent momentum to improve services.

4. The Council has therefore recognised that local people value the services it provides and that there is an opportunity to create choice and access to an extended range and quality of service through off setting the cost by charging a fee. Moreover, in the context of tough financial settlements for local government, appropriately targeted charging may also allow the continued delivery of some public services that might otherwise have struggled to be viable.

5. A properly considered approach to income generation is capable of supporting the development of new and existing services in response to local need and demand, for example, to pay for improvements which directly benefit service users who are willing to pay for them, to subsidise services for a particular group such as children or older people, to support particular strategic objectives of the Council, or to support wider policy objectives such as changing behaviours or moderating demand for a particular service.

6. That said, the environment in which local government raises income is complicated by the nature of the Council as an organisation. The Audit Commission, Central Government and others, have identified that in the past the controversy and complexities attached to income generation coupled with a lack of a corporate focus and approach have resulted in local authorities failing to maximise the revenue opportunity presented by charging and trading despite changes to the regulatory regime which encourage this[1]. These complexities include:

- Who should pay for services and who should be subsidised? This requires judgements to be made about who the beneficiaries of services are, the user or the wider community, and therefore what the balance should be between 'user pays' and 'taxpayer subsidises'.

- Understanding of the regulatory restrictions on charging – both service specific where there may be prohibitions on certain types of charges, and in relation to the structure of the charge – whether it should be fixed to recover the cost of providing it, whether it may be set to generate a surplus.

- In direct contrast with the above, understanding the opportunities created by the introduction of 'Freedoms and flexibilities' for income generation through charging and trading which mean that there are commercial opportunities for Councils to raise revenue to support wider objectives.

- Concerns over the equity of charging and how this might impact on disadvantaged groups.

- The social context of charging, and how this is supported by concessions and targeted support to specific groups to support the wider strategic objectives of the Council.

- The capacity to take a more entrepreneurial approach to charging by applying commercial principles within a public sector service delivery context. In particular where this requires specific structures, investment and risk which are unfamiliar and untried.

- The market context of services which compete with services provided by others.

- Being able to access management information to support robust decision making on designing charges to take account of demand, user preferences and in many instances simply understanding the cost of the activity which could be recovered through the charge.

7. The consequence of failing to address the challenges set out above is that a significant revenue generation/service improvement opportunity is missed and that with a fragmented approach to income generation the structure and processes of local authority charging may appear to lack transparency and be confusing and illogical for users. For example, where there are a range of eligibility criteria for reduced charges for low income users. What is needed is to establish clarity and a clear direction through a policy led and managed approach to income generation creating

[1] Freedoms and flexibilities Local Government Act 2003

capacity and understanding within the organisation. Critical issues to take into account in any such approach include:

- A policy which sets out the aims and principles which underpin the overall approach, in particular how income generation will support the delivery of wider Council objectives, for example, income generation supporting investment in better quality or new services, a clear rationale for why a particular service or group of users is subsidised relative to othersand a clear approach to concessions

- The approach to income generation which includes:

  – The charging decision – how is the decision made and what factors are taken into account? Including any regulatory considerations, how the charge might be used to support wider Council policies and any subsidy implied by this.

  – An informed approach – what management information, market intelligence etc is used to inform the decision?

  – Designing the charge.- are charges well designed, taking proper account of recovering cost, (including how this is defined), the impact of the charge on users, the impact of any concessions etc

- The review and scrutiny process for existing and new areas of income generation which makes sure that income decisions are consistent with for example the approach to recovering cost and maximising income.

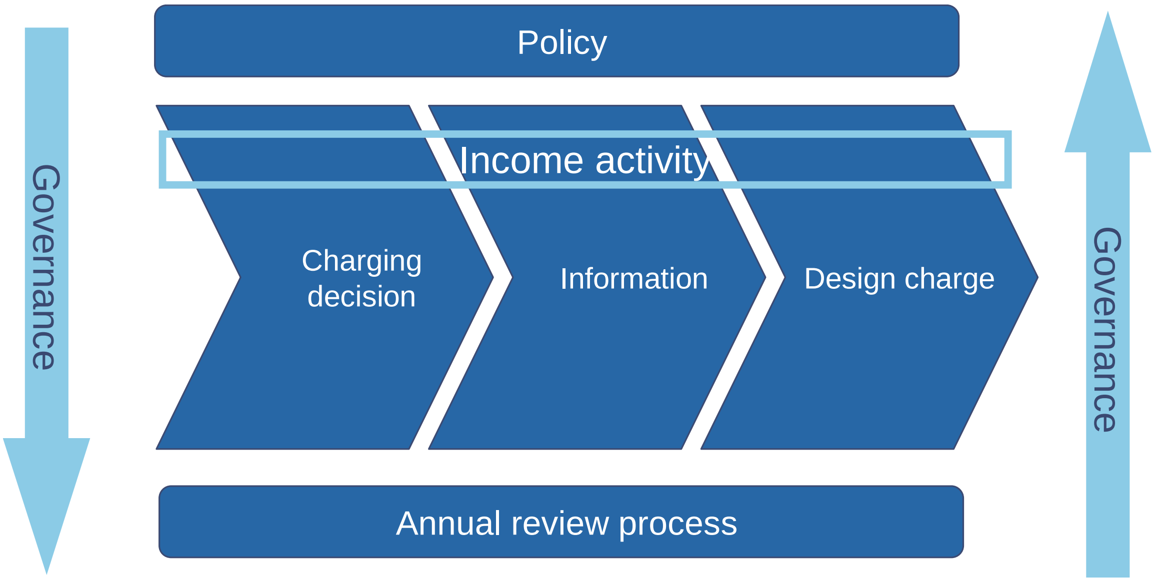
8. This document therefore seeks to establish a framework to support and guide a practical approach and renewed focus on raising revenue within the Council under the following headings:

- Policy aims and principles.

- The approach to charging/income generation

- Review and scrutiny process.

9. The overall approach is represented by the diagram below:



Section 2: The income policy - Aim and key principles

Aim

10. The LB of Harrow is committed to ensuring that it maximises opportunities to raise income to reduce the overall net cost of providing services, as well as to expand the range and quality of services through re-investing income generated.

11. The Council will manage its income generation within an overall policy framework set out in the principles below.

Principles

12. The Council acknowledges that the circumstances in which it raises income currently and how it may raise income in the future are complex and diverse. It is both a commissioner and provider of services, and has advantages of scale presence when competing with the private sector, as well as operating as a monopoly in some services. It wishes to preserve equity for low income and disadvantaged users whilst using income generation to keep the net cost of services as low as possible. Therefore some key principles are needed to demonstrate that public stewardship is being preserved in the approach to generating income. These are as follows:

- In the context of the Council's objectives, the benefits to citizens and the community generated by particular charges will significantly outweigh any costs. Charging will be integral to service planning, as part of our focus on responding to particular local needs and demands in Harrow and creating choice.

- Concessionary charges will be available in the following circumstances:

  1 To individual low income users based on assessment criteria which are common across the Council, (except where these are superseded by service specific requirements such as 'Fairer Charging for Social Care for example). ***NOTE:*** *The Council is in the process of defining a common set of eligibility criteria to be applied consistently across all service areas, which minimise duplicated processes and which are as simple as possible for the user to understand and to access.*

  2 Subsidising groups of users where this supports a particular service objective, for example increasing participation in leisure activities by young people, access to services for people with disabilities etc.

  3 To support marketing or business development activity aimed at increasing take up and the overall income yield for the service in the long term.

  NOTE: 1 and 2 above will need to be agreed by Elected Members as part of the annual setting of fees and charges and any subsequent amendments to this policy. The Council will agree which services or groups of users will be eligible for any exemptions from charging and are therefore subsidised and this will be reconsidered as part of the annual review process. This will ensure that there is a logical decision supporting why a particular service or group is subsidised relative to others, and therefore how subsidy from mainstream budgets is used to support the top priorities of the Council.

  3 will need to be based on business cases which set out the rationale for short term reduction in charges, including an evidence base in terms of projected volume increases, the impact on cost and income.

  The current review of income by PricewaterhouseCooopers is seeking to identify the cost impact of existing concessionary charging.

- Discretionary income generating activity will be underpinned by a consistent rationale which will include:

  – That charges are always considered in relation to costs. As a minimum, the cost of providing the service will be recovered unless there is a positive decision to the contrary.

  – Reflect how users value the service, acknowledging that charging can create an image of quality and something to value as well as giving the user greater power to challenge the cost and quality of the service.

  – Maximising the potential to generate income, for example, through differential charging to tap into the value placed on the service by different users.

  – Where it is allowed within the regulatory regime to generate a 'surplus' over and above the cost of providing the service this should be assumed within any income targets. In particular where a service is 'demand led' and/or competes with others based on quality and cost the charge should be determined by the maximum that users are prepared to pay.

  - Taking account of competitor pricing.
  - Where a service is subsidised that this is as a result of a positive decision by the Council – which is regularly reviewed, and that this is published as part of the outcome of the annual review.
  - Reflect the impact of any exemptions from of concessionary users.

- As part of the process of setting new or existing charges, clear targets will be established, (both qualitative and quantitative). For example, level of reduction in the net cost of the service, quality improvements arising from any investment, benchmark position of net cost against similar activities in other Councils.

- There may be circumstances where income generation is not the key driver for the way in which prices are set, for example, where the Council wishes to manage demand, or deter or incentivise certain behaviours such as encouraging re-cycling, discouraging trade use of civic amenity waste sites etc. In this context, however, the general principles of pricing should apply and in particular that any charged activities, enforcement etc must at least recover cost.

- As a significant organisation, the Council recognises that there may be opportunities to trade services with other public sector, private and voluntary sector organisations to increase the capacity of others to provide services, or to maintain the efficiency of its own cost base. Where it enters into commercial trading arrangements, these will be within the scope of its powers, be based on a prudent assessment of any risks to its core activities and will not be contrary to the values and philosophy of the Council.

- Charging structures may be used to incentivise environmentally sound and sustainable practice.

- When introducing new or making changes to existing income generation, the Council will have regard to the views of users and other stakeholders.

- There will be an annual review of income generation opportunities by Officers and Elected Members considered as part of the budget setting process. Whereas in the past, however, this may have been subject to an annual percentage uplift based on the previous year's charge, which may be historic, charging information will be set out in a format which demonstrates that the income stream has been developed in accordance with the principles and approach within this Income Generation Framework. (This is expanded on section 4 of the document).

What is this income generation framework for?

13. This income generation framework is intended to guide Officers and Elected Members in an organisation wide approach to income generation. As the framework is consolidated and agreed it may be appropriate to develop a 'public facing' document which captures the key principles and how they are being deployed to deliver benefit to local people.

What services and goods are covered by the framework?

14. Any service or goods that the Council has a power and discretion to provide to the community, or has a statutory duty to provide but has discretion to set a charge.

Section 3: Approach

15. The following section sets out the key issues and parameters for the way in which income is generated to support the aims and principles set out in Section 2.

Approach to structuring income proposals

16. In the past much of local authority income generation activity has been established on a historic basis. This section sets out a generic approach to elements which should be considered to make sure that income streams are viable, based on realistic evidence based assumptions and consistent with the Council's aim to maximise income, reduce the net cost of services and to improve the range and quality of services it offers.

17. Key considerations in this regard are:

- The decision to create an income stream or increase a charge.
  - Regulatory position. Can income be generated and on what basis?
  - Is charging consistent with the Council's policy on charging. Would there need to be exemptions from charging for some users or groups of users?
- An informed decision – what factors should be taken into account?
- Designing the charge to maximise income.

18. Guidance on each of the above steps is set out below

The decision to charge: Regulatory position – Can income be generated and on what basis?

19. The basis of the powers which local authorities' have to raise income is historic and complex. As part of building the case for a new income stream it will always be necessary to establish the lawful basis of any charge, but the broad principles are described below, so that the following categories of opportunities to raise income apply:

- For some areas there is a specific prohibition on charging, such as many areas of social care for children, education, book loans from libraries and waste collection, (under current regulations, although this is likely to change in the near future). A list of areas where a prohibition on charging/income generation applies will be developed.
- Areas of statutory charging where fees are prescribed such as planning, liquor and entertainments licensing, personal searches of the land charge

register, or areas where fees are prescribed with some element of discretion, such as social care. In both cases opportunities should be sought to consider where there may be potential to supplement charges with discretionary services which support the outcomes of the core statutory service, for example, advisory services such as pre-application planning advice.

- Discretionary income generation which must be in a ‘function related activity’, or contribute to ‘wellbeing’ outcomes as defined by the 2003 Local Government Act. Broadly the rules/guidance which apply are:

  – Councils are under a duty to ensure, that taking one year with another, the income from charges for discretionary services do not exceed the costs of provision;

  – Charges may be set differentially, so that users are charged different amounts, for example for parking at different times of the day or for different levels of service.

  – Authorities are not required to charge for discretionary services and may provide them free of charge if they wish.

  – Where discretionary services are not provided at cost recovery, this should be part of a positive decision by the Council to support a particular objective, or group of people in support of achieving its corporate objectives.

  – Where discretionary charging results in a surplus or profit over and above the costs attributable that activity, this shall be addressed in subsequent years by reducing charges to compensate for the level of over recovery. (There are some exceptions to this, however, see below).

20. The Council’s income policy requires that there is at least a presumption towards ‘full cost recovery’ except where there is positive decision to support those on low incomes or a specific group of users. The Council has defined ‘full cost recovery’ in accordance with the CIPFA Best Value Code of Practice, (BVACOP), which states that as:

  – Charging at full cost recovery should include all costs which relate to the provision of the service (directly or bought in) or to the undertaking of the activity. Gross total cost appears to be an appropriate definition of full cost and is defined to include all expenditure attributable to the service/activity, including employee costs, expenditure relating to premises and transport, supplies and services, third party payments, transfer payments, support services and capital charges.

  – BVACOP also details 7 general principles in allocating or apportioning support services and overheads as shown overleaf

Complete recharging of overheads	All overheads not defined as Non Distributed Costs or Corporate and Democratic Core should be fully recharged to the service expenditure headings as defined by Section 3 of the *Best Value Accounting Code of Practice*. Note that Corporate and Democratic Core costs should receive an appropriate allocation of overheads.
Correct recipients	The system used must correctly identify who should receive overhead charges.
Transparency	Recipients must be clear what each recharge covers and be provided with sufficient information to enable them to challenge the approach being followed.
Flexibility	The recharging arrangements must be sufficiently flexible to allow recharges to be made regularly enough and to the level of detail appropriate to meeting both users' and providers' needs.
Reality	Recharging arrangements should result in the distribution of actual costs which has the basis of fact. Even if the link cannot be direct, reality should be the main aim.
Predictability/Stability	Recharges should be as predictable as possible, although there will be practical limitations to this
Materiality	It is unlikely that a simple system will be adequate to meet all other requirements noted above. However due regard should be made to materiality to minimise the costs involved in running the system.

- In certain circumstances income generation can include a 'surplus element', i.e. recovering more than the cost of providing the service. This is usually specific to certain services where the law allows it, such as leisure, car parking, trade waste and others, or where the Council has a part of full share in a company which has been established to trade. Where it is allowable to make a surplus this should be the starting point for 'designing' the income stream.

Is charging consistent with the Council's policy on charging? Would there need to be exemptions from charging for some users or groups of users?

21. When considering how to create an income stream or to increase income, thought should be given as to how this fits with the Council's general policy principles. How can income be maximised, how might it reduce net cost or contribute to service improvement? The impact of exemptions for concessions should be properly assessed and in particular consideration should be given to whether there is the potential to cross subsidise usage which is exempt from full price charging.

An informed decision

22. Where possible charging decisions should be based on management information which allows the basis of the charge to be calculated, for example, in relation to user preference, demand trends, elasticity of price and demand, knowledge of the full costs attributable to the service, the impact of competition and competitor pricing etc.

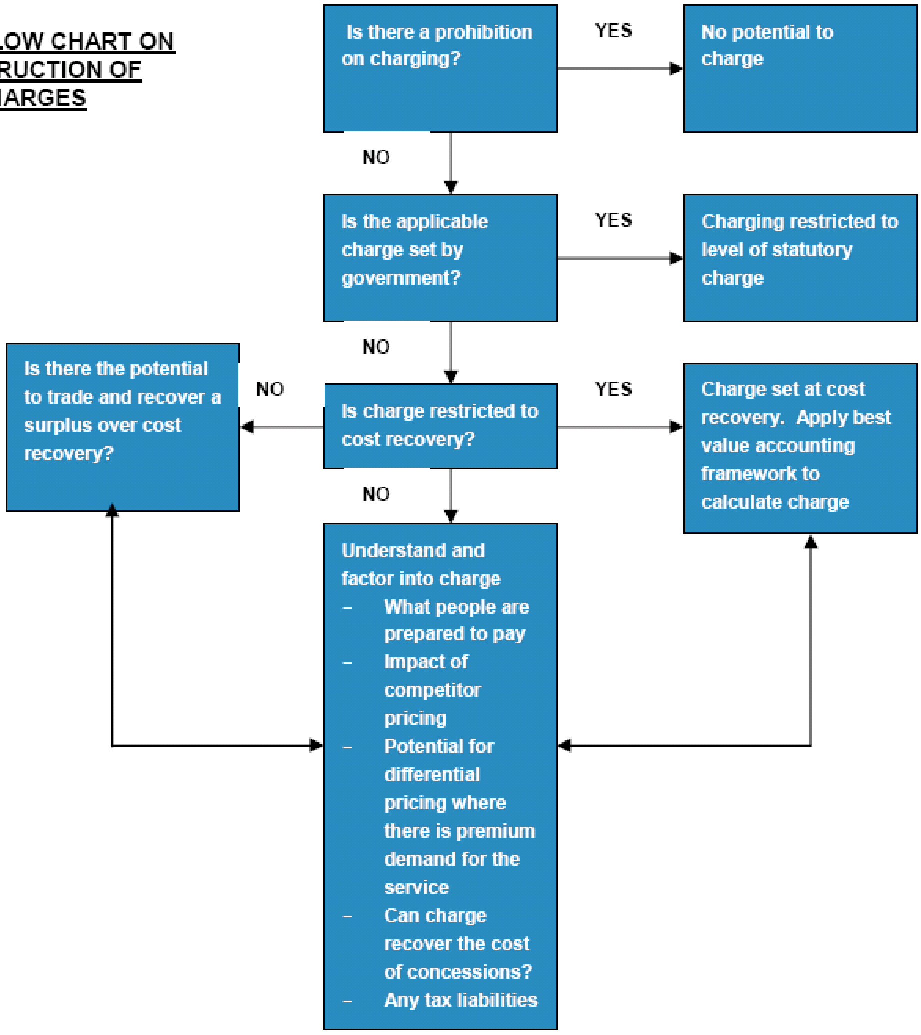
23. Where this information is not available as part of planning for the implementation of any new or re-based charging, it should be envisaged how the information required is to be developed over time.

Designing the charge

24. There are a number of elements which should be taken into account when designing a charge, building on the issues described above, as follows:

- Recovering full cost, which should include any direct, indirect and variable costs, for example the cost of collection.
- The impact of exempted users or target groups and whether the cost of this can be recovered through ‘cross charging’ those users who pay full price.
- Any positive decision to subsidise the service and how this links to corporate priorities.
- Where there is premium demand for a service, that this should be reflected in the pricing structure, for example where there is peak usage at certain times of the day.
- Impact of competition and competitor pricing.
- Understanding the impact of user preference and price sensitivity on the ‘elasticity of price and demand’.
- The impact and cost of promotional activity and promotional pricing.
- Whether the charge creates any specific tax liabilities, for example VAT.

SIMPLE FLOW CHART ON CONSTRUCTION OF CHARGES



Section 4: Review and scrutiny process

25. New and adjusted income opportunities may be considered:

- during the year, and;
- as part of annual budget cycle

26. To maintain ‘visibilty’ of the focus on income generation there will be an in year and annual review process which:

- Makes ‘go and no go’ decisions in relation to new and existing income opportunities.
- Ensures that income generation is being maximised within the framework set out in the policy principles/approach to setting charges within this document.
- Ensures that income decisions are based on evidence based principles which support realistic estimates of the level of income to be achieved.
- Creates a clear decision making process around where income generation might be used to support both the revenue sustainability of the Council and contribute to service improvement.

27. It makes sense that there should be some central management of income opportunities by a cross service group of officers and elected members, so that expertise and capacity evolves which can grow the momentum of opportunities, also that discipline is maintained around the income principles and approach. The Council will take a view on the Constitution of this group, whether it will be convened as required throughout the year, and how it will operate in advance of the budget setting process to ensure that there is appropriate scrutiny of proposed increases to fees and charges / new income decisions.

28. Key to making informed decisions about the viability of income opportunities is how it they are presented for consideration, both initially and at the annual review stage. As a minimum the information should include:

Reporting template

- Current charge.
- Proposed increase.
- Income estimate and target.
- Estimated gross and net costs, including an explanation of how this has been calculated.
- Benchmark data to compare with the position in similar services.
- Income as a % of expenditure.

- Subsidy/surplus per user – including the reason for subsidy if applicable.
- The cost impact of any concessions offered.
- Analysis of the impact of the proposed charge including any assumptions and user/market information used as an evidence base.
- Income target and service outcome target.