



Worcester
CITY COUNCIL

COMMERCIAL STRATEGY 2017 – 2020

November 2017

Introduction - why do we need a Commercial Strategy?

Like all other Local Authorities in the UK, Worcester City Council's finances are in transition from a funding model based primarily on grants from central government to one based on locally-generated income. The withdrawal of central funding has significantly outstripped growth in other income over the last few years. Between 2010/11 and 2014/15 Central Government funding fell from £8.193m to £4.998m. The Revenue Support Grant element of this is set to continue to decline, from £1.856m in 2015/16 to zero by 2019/20.

From 2019/20 onwards, funding for services will be almost entirely from business rates, Council Tax and income that the Council can generate from its operations, including commercial activities.

To offset the fall in grant income, the Council has set a target for achieving savings over the three years 2017/18 to 2019/20 of £2.8m. A Transformation Programme has been established to achieve this and is on track to deliver within the lifetime of the Medium Term Financial Plan (MTFP). This includes elements of increased income as well as reduced costs and, if it is to succeed, will require a transformation in all service areas along with a Council-wide approach to continuous financial improvement. The Transformation Programme includes, specifically, £200k to be achieved from income-generation activities and the Council has set aside a reserve of £500k to support this.

The Council has limited control over business rates and Council Tax income. These represent relatively stable income streams although there are significant risks relating to business rates.

Income from business rates can fluctuate considerably from one accounting period to the next. Short term growth is a valuable source of new income but this may not translate into longer-term income streams as the amount collectible depends on a wide range of external factors such as the level and success of appeals, central government decisions about business rates relief and the level of investment or dis-investment in the area by individual companies.

Council Tax is more stable but can only be uplifted year on year within parameters set by Government while the Council Tax base can only grow if sufficient sites can be made available for home building and developers are able – and willing – to bring projects forward. New Homes Bonus is a related element of funding which will continue to be paid until at least 2020/21 but this too is dependent on local circumstances and the Council's capacity to promote and support housing development within the Worcester City boundary. Moreover the Government has introduced a 'deadweight' threshold for growth, below which no New Homes Bonus will be payable. This is likely to mean that NHB remains, at best, at current levels for the foreseeable future.

Costs can be reduced to compensate for the loss of income. The Council has reduced budgeted net spend on services from £12.840m in 2010/11 to £9.785m in 2017/18. However, a base level of expenditure is needed to meet the cost of statutory services such as refuse collection, planning and development control and licensing while a core infrastructure is required to support services and the public through Revenues and Benefits management, legal, financial and democratic functions along with ICT, asset management and Human Resources management. The Council has also committed to the provision of non-statutory services in order to meet the outcomes set out in the City Plan. These include income-generating services such as leisure and cultural events and garden waste and trade waste collection.

The Council – if it is to remain committed to providing the full range of services at the level of standards expected by local communities – will be increasingly reliant on income from these and other sources. To do this it needs to establish the working practices of a commercial organisation. This requires a change in thinking, whereby we view the delivery of services and functions in a business-like way and seek out new opportunities to generate income to support the services that our communities want to receive.

This strategy sets out the means by which this change will be achieved.

Alignment with the City Plan and service planning

The City Plan is the core document that drives the Council's business. It projects a fundamental underlying aim as its central vision:

“Building a successful future on 2000 years of history”

To help achieve this successful future, the Council has identified five themes and set a number of key outcomes for each theme. Figure 1 summarises, with a few current examples, how the five themes can be supported by a more commercial approach to service delivery and by the development of new services on a commercial basis. These examples show how income-generating activities and ways of working that reduce costs can also enhance the offer that the Council makes to potential customers who wish to receive, or may require, new services.

Figure 1: Delivering the City Plan through commercial activity

City Plan Theme	Existing commercial activity	Potential new activity
Stronger and Connected Communities	Bereavement Services Use of Council facilities and Community Centres for events Licencing fees	Crowdfunding Assistive technology Memorialisation
A Prosperous City	Planning applications Pre-planning app. assessment Bulky waste collection Taxi licencing Car parking	Property investments Provision of incubator units
A Healthy and Active City	Leisure Services Contract Garden waste collection Allotments Football pitch hire	Riverside commercial development Racecourse development
A Heritage City for the 21 st Century	Community events Worcester Festival Commandery Guildhall lettings	Increased lettings for charities/community functions
Sustaining and Improving Our Assets	Commercial lettings Leases	Museums and Gallery management Provision of web space Capital receipts Use of space for advertising

Figure 1 also demonstrates that a commercial approach is not incompatible with progressive policy-making. Underpinning the City Plan is a commitment to improving Worcester as a destination and as a place to live, work and spend leisure time. By providing services that are self-sustaining and by generating income in excess of direct need, the Council can build capacity for regeneration and increase service delivery to target groups. Commercialism is being pursued in order to provide the best possible services for Worcester’s residents within budgetary constraints. At times, balancing commercialism and social purpose may throw up ethical dilemmas – such as the desire to generate income from properties and the desire to support tenants facing financial pressures – which will need to be considered on an individual basis. However the core aim of the strategy is to develop approaches which further social as well as commercial objectives.

Many of the existing commercial activities have been incorporated into service plans and the Transformation Programme. The latter was developed in 2016/17 to address a budget gap of £2.8m identified in the MTFP at that date. The Transformation Programme includes efficiencies alongside business income growth initiatives and is

designed to develop a progressive approach to service delivery alongside the Council's core values of:

- Committed People
- Customer Focused
- Creative Council
- Good Governance
- Strong performance

These values are consistent with a commercially-minded approach to service delivery and income generation as shown in Figure 2

Figure 2: Our corporate values and commercial approaches

Corporate Values	Commercial values
Committed People	Sustaining delivery to high standards and finding new ways of delivering to attract more customers
Customer Focused	Thinking of the people of Worcester as customers who will be prepared to pay for good service at the right price
Creative Council	Identifying new income-generating opportunities, new services and new projects and finding ways to make these real
Good Governance	Aligning costs to income so that the business case for investment is robust and that trading activities are on a sound legal basis
Strong performance	Generating more income from existing streams means sustaining services, while achieving delivery in advance of expectations secures continued buy-in from customers

Other relevant strategies are under development and will need to be aligned with the Income Generation Strategy. These include a Customer Services Strategy which seeks to put customers at the heart of our thinking about services, an ICT strategy which will enhance our capacity to deliver better services and Capital, Asset Management, and Organisational Development strategies which will help marshal our resources in a sustainable way. All of these are forward-looking documents which are designed to provide a framework for effective service delivery so that we can ensure that every operational activity is aligned to our corporate goals and the overarching aims of the City Plan, while exemplifying the corporate values.

While each of these strategies addresses directly a specific component of the business and, through this supports the City Plan, there are numerous overlapping elements. Taken together they form a complete approach to shape and steer the future direction of the Council in order to achieve the aims of the Plan and establish the Council on a sound financial footing once the transition from central funding to self-generating income is complete.

Where are we now?

The Council has recognised the need to support service delivery by generating income for a number of years and has stated its intention to increase income in the 2017/18 budget papers published in November 2016:

“The proposed approach to generating additional income will be on a project basis with three key areas of activity:

i. Updating our income budgets to ensure they reflect the current levels of activity and the actual income generated. It is anticipated that this could deliver an extra £100k of income budget p.a.

ii. Increasing income on our existing income activities through a review of compliance, enforcement and a targeted business case approach to review the potential for income growth. The business case approach will also be applied to smaller scale new income opportunities, associated with or complementary to our existing activities. It is anticipated that this could deliver an extra £200k-£300k of income p.a.

iii. In the medium term, the development of two-three ‘big ticket’ income items that generate more significant levels of income through, for example: better utilisation of our asset base either as a stand alone or through partnership working; the development of sites for housing, business opportunities or leisure activities to encourage economic growth and a healthy and more active population; and the further development of the tourism offer through our heritage assets and partnership approach.”

Current income streams are shown in **Appendix A**. These amount to £7.8m in 2017/18, or 38% of budgeted service costs. Clearly, income from bereavement services and car parking are dominant strands but opportunities exist to strengthen income from other existing sources, such as trade and garden waste collection, where the Council is able to influence demand through targeted approaches.

Other income includes £429k in respect of the Freedom Leisure contract and £426k for property rentals, including markets. The latter need to be considered as part of an Asset Management Strategy which identifies the rationale for holding assets – whether for commercial or social purposes or for a mixture of both – and target rates of return according to asset category.

To understand the potential drivers for increasing income in purely financial terms, high level risk assessments can be used to show the level of increased demand for income to match reduced cash flows. Table 2 shows the impact of potential changes in the MTFP and thereby highlights the increased income that the Council will need to generate if it is to remain on course to achieve a balanced MTFP. This shows that while the overall impact on income demand is slight, changes can have a significant effect on specific controllable streams. This is exemplified using the garden waste income stream.

Table 2 : Risk assessment: impact of MTFP changes on income demand

	Change	£ per annum	Increase in income required (overall)	Increase in income required (garden waste)
Increase in NHB 'deadweight threshold' to:	5%	50,000	0.6%	15%
	8%	200,100	2.5%	59%
Increase in salary costs to 2% for all years	1%	83,000	1.1%	24%
Increase in appeals/reduction in business rates income	1%	65,000	0.8%	23%
Failure to achieve projected savings from One Town Review	100%	150,000	1.9%	44%

Table 2 reflects only income cash flows and does not take into account any increase in costs that may be required to generate additional income. The Council is not currently in a position to understand the relevant costs associated with each activity other than through allocation of direct and indirect costs to related cost centres. A more direct relationship between costs and income needs to be achieved.

A detailed fee-setting approach has been developed by the Head of Community Services to promote best practice and create a stronger understanding of the relationship between charging regimes and the marginal costs of delivery to provide the relevant services. This will be developed and rolled out across all departments as part of the drive to secure and increase income from existing sources. The draft strategy is attached at **Appendix B**.

One specific area of current income generation that is subject to change is income from investments. The Council is currently holding £15.5m in short term cash investments which generate a modest rate of return. In 2017/18 this is anticipated to be £82,000 at a rate of approximately 0.5% percent. There is potential to increase this income by transferring some of these funds into the CCLA Property Fund which can generate returns in the region of 4.5%. This is a low-risk form of property investment focused on investment in a mixed portfolio of commercial properties held in a pooled fund.

Further options for increased income from property investments will be explored as part of this strategy but this is subject to revised guidance from CIPFA and the Department for Communities and Local Government which is under consultation. Detailed proposals for exploring such investments will be developed in the light of this guidance once finalised. **Appendix C** sets out a risk-assessment approach and project criteria that will be applied to potential commercial investments as they are identified. The emphasis is on identifying projects which are capable of making a

return but also contribute to regeneration initiatives and bring in secondary income such as business rates or Council Tax.

To put itself in a position to generate increased income from activities, the Council will need to focus on five areas:

- Being more commercially minded in the way we do things, so that we are aware of unit costs and income in all service areas and aim to increase the margin between direct costs and income wherever possible/appropriate
- Maximising existing income streams, in balance with customer needs and market conditions
- Identify new services that are self-sustaining through income streams and establish ways of achieving them
- Increase investments – for example by developing our property portfolio
- Supporting growth within the city to achieve growth in Business Rates and Council Tax.

Each of these is addressed in Figure 3 overleaf which sets out planned approaches and identifies progress measures.

Figure 3: Planned approaches to making services self-sustaining through income generation

Activity area	Planned approach	Progress measurement
Being more commercially minded in the way we do things so as to increase the gap between costs and income	Establish a trading account approach to income generating areas	<ul style="list-style-type: none"> • For each known income strand, all relevant costs are identified. • Contribution to overheads and capital requirement is established and targets set to maintain and/or increase over time.
Maximising existing income streams, in balance with customer needs	Set out criteria for fee charging and review fees regularly Establish a board / process to review proposals put forward by services	<ul style="list-style-type: none"> • Annual review of fees and charges approved at Committee. • Set target rates of return on commercial investments.
Identify new services that are self-sustaining through income streams and establish ways of achieving them	Use the Income Generation Sub Committee to review ideas and act as a project gateway	<ul style="list-style-type: none"> • List of potential opportunities identified. • Workstream planned to bring forward opportunities for consideration. • Business Cases developed. • Business case owners identified.
Improve returns on investments to maximise value of cash holdings – for example by investing in property	Set aside investment funds or borrowing requirement to invest as far as regulations and our risk appetite allows (Appendix C includes risk assessment and proposed project selection criteria)	<ul style="list-style-type: none"> • Property portfolio established and target income levels achieved. • Borrowing needs identified and capital financing arrangements in place inline with regulations
Supporting growth within the city to attract CT and Business rates	Use the City Plan reserve to support investment and regeneration opportunities	<ul style="list-style-type: none"> • Programme of activities established. • Project owners identified and timelines recorded on Pentana for monitoring

To support delivery of the strategy, the Income Generation Sub-Committee has set aside £50k from the Income Generation Fund for the appointment of a central co-ordinator. The role of the Co-ordinator is included at **Appendix D**. Its purpose is to draw together the potential income-generating opportunities and to develop the outline business case for these.

The postholder will also work with service departments to explore ways of maximising income and establish an approach for measuring progress against income recovery targets. This function will act as a catalyst for change as well as for the generation of new ideas. It will be supported by internal resources. Key to success will be the development of an entrepreneurial culture which can be measured by the achievement of six characteristics of commercial organisations, as set out in Figure 4 overleaf.

The Council is already in a strong position to adopt these characteristics as they are compatible with the five values of the organisation set out in Figure 2. These, in turn, support the drive to become an Excellent Council and form part of the wider organisational change programme that is underway. Training and development activities derived from these initiatives can also be used to support the transition to commercially-oriented approaches, supported by the Income Generation Co-ordinator.

Figure 4: Characteristics of successful commercial organisations

Communicates effectively	Is forward thinking and plans accordingly	Adapts easily	Makes use of skills and talents	Listens to customers and stakeholders	Understands risks and acts to address them
<p>The sharing of ideas and information helps to promote best practice across the organisation by sharing information about successes achieved as well as any issues that arose and their solutions. Analysis of this information can play a crucial part in the successful development of new projects.</p>	<p>A successful commercial organisation is always looking for new areas and opportunities in which to expand so that income can be increased whilst at the same time, improving service delivery</p>	<p>Organisations that adapt to new ways of working and seek out new areas of work are more likely to survive than those organisations that always do what they have always done</p>	<p>Successful organisations identify entrepreneurs and give them room and scope to flourish</p>	<p>A successful commercial organisation needs to be open and receptive to new ideas and issues raised from a variety of areas.</p>	<p>Successful commercial organisations have contingency plans in place to deal with issues that may arise in the future.</p>

Next Steps

The key stages in the implementation of the strategy are set out below with indicative start-up dates. Delivery timelines will need to be developed for each individual strand.

The Income Generation Sub-Committee will act as the Gatekeeper for this programme of activity and will be supported by the Corporate Director Finance and Resources and the Head of Finance.

Improving current income approaches	Appoint income generation Co-ordinator	November 2017
	Develop fee-setting approach	January 2018
	Align costs to income streams to establish trading accounts	September 2018
	Roll out fee-setting approach across all departments	September 2018
Identifying new income streams	Establish Riverside Project as part of Task and Finish Group	November 2017
	Appoint external property agents to support identification of potential investments	December 2017
	Review known project lists and rank for feasibility	January 2018
	Develop income-generating opportunities with service departments	May 2018
	Compile investment options and apply selection criteria	April 2018
	Develop business cases for suitable projects	August 2018
Supporting growth	Review business support activities including web-based	April 2018
	Identify potential incubator sites	June 2018
	Identify potential regeneration projects to be delivered via City Fund	June 2018 and ongoing

Appendix A

Income generating services 2017/18

Fees & Charges	Annual Budget £000
Facilities - Room Letting Fees	(69)
Revs & Bens - Court Fees/Summonses	(252)
- Environmental Health and Licencing	(280)
- Bereavement Services	(1,776)
- Parking Income	(3,641)
- Open Spaces	(33)
Community Services	(5,730)
- Garden Waste Collection	(341)
- Trade Waste Collection	(638)
- Open Spaces	(27)
- Other Fees and Charges	(16)
Operational Services	(1,022)
- Planning Application Fees	(353)
- Local Land Charges	(193)
- Pre-Application Fees	(39)
- Permitted Development Fees	(2)
- Other Fees and Charges	(25)
Development Management	(611)
Building Control - Fees	(110)
Housing - Licencing Income	(102)
CMT & Democratic	0
Leisure Services - Fees	0
Fees & Charges - Services	(7,896)

WORCESTER CITY COUNCIL CHARGING STRATEGY 2017 (DRAFT)

1 Introduction and Context

There is a range of specific powers which enable charging. The most important of these is Section 93 of the Local Government Act 2003 which gives a specific power to charge for discretionary services where "the Authority is *authorised...* to provide a service" but not under a duty to provide it and the person receiving the service has agreed to its provision.

There is a restriction on the amount of charge which can be levied under section 93, to the effect that taking one financial year with another, income should not exceed the cost of provision. Although the recovery period has been recognised as three years, there is flexibility in the legislation about how the costs are calculated. Costs would normally be assessed in accordance with proper accounting methods and Government guidance but can include all overheads including corporate and democratic core costs and the cost of assets required to deliver the service. It is also worth remembering that charges could be set at different levels for different people. It would be quite lawful to charge nothing for some beneficiaries of the service and a higher charge for others.

Like many other Local Authorities nationwide, Worcester City Council has traditionally reviewed and agreed charges and prices for activities and services annually in line with inflation and increases in income targets within the budget setting process, with some ad hoc benchmarking. There has been some fluctuation over the last four to five years, largely due to budget pressures or the results of benchmarking.

Increasingly pressure has come upon non-statutory services to justify levels of subsidy and spend of the public pound in their service areas. National data demonstrates a wide variation in charges between Councils, some of which may reflect legitimate differences in the quality of facilities or local market conditions. However, it may also be due to the issues not having been examined other than for budget setting purposes. Since the Value for Money Audits carried out by the Audit Commission in 1999 Local Authorities have been guided through a range of documents¹ to set fees and charges based on research and benchmarking. A Mori survey in 2010 demonstrated that 33% of residents support local authorities selling services locally and 64% of the public support differential charging. The Mori report makes it clear that the public is not averse to paying for services where that protects the front line. This means that there are opportunities for councils to review charging strategies and look at new ways of generating income to help balance the books in a way which the public will understand.

¹ The Price is Right? - Charging for Public Services - Audit Commission 1999; Enterprising Councils Getting the Most from Trading and Charging - Local Government Association 2012; Pricing and Concessions in Leisure Briefing 12-55 2012 – Association of Public Service Excellence; Positively Charged 2008 – Audit Commission Local Govt. Information Unit; 2010 MORI research project 'A Perfect Storm Revenue and Charging' for BDO

This strategy seeks to interpret the guidance referenced above to take a more strategic approach to the annual setting of fees and charges through the use of a range of research to inform the process. The objective is for Services to ensure that charges can be used to their full potential to help the service area to meet overall Council objectives and priorities. A strategic approach to charging also aims to clarify both the decision-making process and criteria, reflecting information available.

There is a need to ensure that charges support the following:

- Targeting subsidy at top priorities – as recommended by the Audit Commission low priority services should be able to have a higher proportion of their costs recovered allowing the Council to target its subsidy at priority users
- Improving Services – charging can be used to make service better, or increase and manage access
- Delivering Corporate Priorities – to support key strategies; plans and priorities
- Generating Income – improved cost recovery can support services under budget pressures, while consideration of introducing charges for services which are currently not charged for demonstrates a valid approach
- Managing Demand for Services – sensitive use of peak or premium pricing can support targeted access to services
- Communicating a Message – an image of quality or something of value can influence how people use a service, and the benefit they get from it

2 Terms of Reference

The key principles of the charging strategy are aligned to the Worcester City Council Charging Policy:

- Income optimisation through the annual review of fees and charges
- Cost recovery should be as near to 100% as the market can reasonably bear
- Aligned where necessary to the costs associated with providing the service

Subsidy should be targeted to those known to be on a low income or within a priority group.

In order to set out a strategic approach to charging for Worcester City Council services, the following areas need to be reviewed:

- Current fees and charges
- Previous fees and charges
- Provision by competitors or other sectors such as private provision and associated charging
- Annual income and income targets
- Current service expenditure
- Current subsidy and % recovery rates
- Current concessions
- Usage/participation levels and user/customer data – where known
- Contract specifications for third party providers
- Alignment of service to corporate objectives and the Worcester City Plan
- Any current annual registration/memberships and joining/induction requirements

This allows a reference base and framework for review to be established which will support the annual review of charging in all service areas.

This strategy will be reviewed every three years.

3 Council Priorities

Worcester City Plan

The City Council has set out five main priorities in its City Plan 2016 – 21:

1. Stronger and Connected Communities
2. A Prosperous City
3. A Healthy and Active City
4. A Heritage City for the 21st Century
5. Sustaining and Improving our Assets

The Charging Strategy supports all of these themes as it seeks to achieve a balance between subsidised services provided for those that need them and charged-for services at a level that customers can afford and/or are prepared to pay. At a strategic level the Council is required to achieve value for money in the delivery of services and charging strategies are an important test of this concept: a decline in turnover may be an indication that the price offered for the service is considered too high by customers, while providing services at a subsidised rate does not represent 'value for money' for all Council Tax payers who will be bearing a share of the subsidised cost of a service that they do not choose to use. Pricing strategies must therefore seek to achieve an appropriate balance between maximising income and supporting local needs. This is explored in more detail in the Council's Commercial Strategy.

4. Service Elements

Community Services

There is a mixed economy picture emerging within the city, with some services such as leisure, sports, play and arts development outsourced to Freedom Leisure through a 10 year contract and other services being delivered through a shared service such as heritage. Many private and not for profit organisations also deliver services such as parking, and community events alongside services delivered directly by the City Council.

A review of Community Services in 2017-18 will develop a new Community Strategy which will support the delivery of the priority within the City Plan for Safer and Stronger Communities. The aims within this strategy will also respond to the principal of reducing any gap of inequality, in terms of access to and participation in activities.

Key service areas, in terms of income generation and cost recovery levels, for consideration are:

- Parks and Open Spaces
- Community Events
- Car Parking
- Bereavement Services

- Allotments
- Licensing and Regulatory Services (through Worcestershire Regulatory Service)
- Heritage Services (through the Worcestershire Museums Service)
- Leisure Centres, arts and sports development (through Freedom Leisure)

This charging strategy seeks to interpret Worcester's City Plan priorities through the promotion of a pricing structure and approach which will uphold in particular the priority of reducing inequalities and improving the quality of life.

Operational Services

There is equally a mixed economy in this area of services too in terms not of service outsourcing but in terms of local choice particularly in trade waste where there is private operator competition and unlicensed operators too.

Key service areas, in terms of income generation and cost recovery levels, for consideration are:

- Bulky waste collection
- Trade Waste collection.

Other Services

Planning income is constrained by national guidance around the level of fees that can be set. However, fee regulations are currently under review and the potential for a 20% increase in fees has been proposed, subject to the additional income being ringfenced to the Planning Service. This is designed to increase the Council's capacity to progress planning applications which should, in turn lead to increased income overall. There is more flexibility around fee setting for pre-application work.

More limited income streams could be expanded by appropriate fee-setting regimes. These include:

- Room letting at Council-owned facilities
- Housing - Licence fees
- Building Control fees.

5. The Price Cycle

Designing the charge

Improved information will allow Members to evaluate the impact of charges and develop a better understanding of both customers and the market place. When setting the charge the following approach shows the points of the price cycle that help the charge to be designed. Annual reviews of charging will follow "the charging decision" process – how the decision is made and what factors are taken into account; "an informed approach" – what market intelligence and other management data are used to inform the decision; and "designing the charge" – considering if proper account taken of market intelligence and management information.

(1) **Establish the principles** – this is why there is a charge for a service, and if market rate would be charged, or if this is a priority service for subsidy, e.g. a charge for the hire of a football pitch is made as this is a service used out of choice by some residents, not everyone, it is not a service the Authority **has** to provide. Equally Central Government does not legislate for free access; but the charge does not recover the full cost of providing the pitch because the Council wants to support people to be physically active, and stay healthy supporting the delivery of the City Plan objective of a Healthy and Active City.

(2) **Join up objectives with charging** – match the reason for charging a market rate; achieving full cost recovery or subsidising activities with Council objectives, e.g. a charge for the fixed penalty notices for environmental enforcement delivers the Council's objective of a Heritage City for the 21st Century. The nature of Council services means that setting objectives for charging is complicated by competing priorities e.g. cost recovery against health benefits.

(3) **Set targets for the charges** – setting targets for the amount of the cost of a service to be recovered from a charge, e.g. if it costs the Council £60 per hour to provide a football pitch, a charge of £31.50 to aim to recover 50% of the true cost.

(4) **Design the charges** – research or benchmarking through comparisons² what customers will pay, what they pay elsewhere. Understand stakeholder and service user information through participation; satisfaction; and views about value. Set charges for members to agree, e.g. other local authorities charge up to £40 for a football pitch of high quality, with some charging as little as £25, Worcester may recommend a charge in line with the target for cost recovery within the service area.

(5) **Make the charging decision** – the range of charges is recommended to Members to agree any recommended changes.

(6) **Monitor and evaluate** – participation in activities is monitored with satisfaction surveys and income levels against targets, to evaluate if the charge is working, e.g. football participation is maintained or increases, and footballers respond that value for money is good, or that the reasons for booking cancellations is not related to charges - the charge is likely to be correct.

(7) **Feedback to strategic principles following annual review** - if there is a need to improve facilities or services income from fees and charges can be used, if supported, e.g. football pitches need better drainage to stop matches being cancelled, clubs are surveyed to see if they will pay an additional £5 per hire to cover this work being done during the off-season. If this approach is supported and a proposal is agreed with Members, income generated to improve facilities, above and beyond the normal maintenance that is provided.

At each point in charge design the following should be established:

- **Clear objectives** – what the charge is expected to achieve
- **Clarity over objectives review** – a framework for reviews to understand subsidies

² Benchmarking comparisons of charges between similar authorities; similar services; or neighbouring areas

- **Joining up charges** – avoiding unintentional significant inconsistencies across the City
- **Exemptions and concession clarity and consistency** – ensuring that where services are free these have been considered, that any reduction in charges are properly targeted
- **Monitoring of the impact of charges** – checking that participation changes, or low usage are not in the main due to charges, by conducting regular surveys of customers and those electing to not to purchase these services (where possible)

6. The Worcester Approach – Strategy Deployment

Service managers will deploy the strategy using a standard template (**Annex A**) for annual completion and the following approach for key elements:

Market Intelligence

- Do we know the users? – Who is using the service and why, established through surveys, and who is not using services and why
- Are user and non-user reactions to charges and marketing assessed? – Understanding through research why customers start and stop using services, through regular surveys
- Are target groups identified and monitored? – Checking that services are used by the Council's priority groups from surveys or user information, and that this then influences programming and marketing
- Are competitors identified? – Do we regularly record pricing for other similar organisations?
- Is their behaviour monitored?

Benchmarking

The CIPFA benchmarking service is in place with 28 authorities currently subscribed. Other benchmarking services such as APSE and Housemark may be available.

Within Charge Design

- Is the charge design used to its full potential?
- Are there missed opportunities?
- Is charge design based on good use of market intelligence?

Payment Methods

In relation to methods of payment and convenience fees and charges for public services are being paid increasingly online or by phone. Some examples in Worcester include:

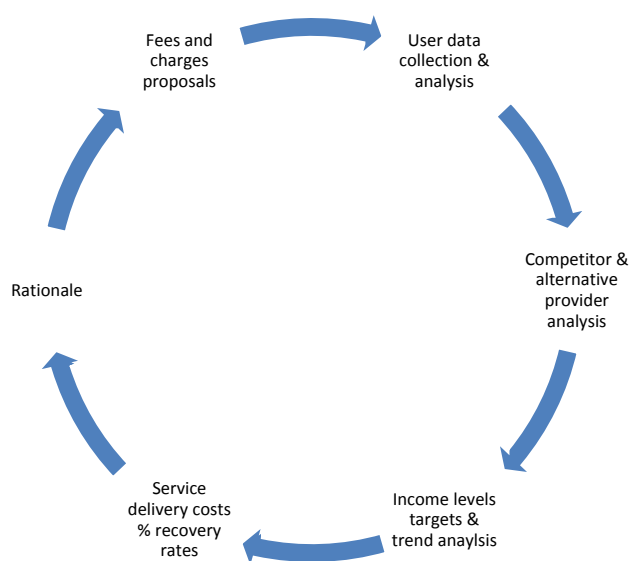
- Ringo – apps and direct phone payment for car parking
- Garden waste – online payment by debit card
- Leisure Centre Membership – direct debits.

The services will continue to investigate modernisation of payment methods offered over the coming three year period to respond to customer requirements; competition and feedback; through annual service plans and transformation reviews.

Financial Context

- Are subsidy levels set?
- Which services provide the income?
- What are the trends for charges?
- What informs the decision?
- Is benchmarking available and in place

The percentage recovery rates vary considerably among services, and are reflected below where there is a calculation available. It is recognised that there is further work required over the coming three year period to better understand cost recovery across service areas and ensure that expenditure and income budgets are set up to allow accurate analysis of cost recovery to be achieved.



Fees and Charges Setting Service Specific Rationale 2018/19

Service Area		Document Control	Created By:
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Last Updates:		Version	

Section 1	Introduction – Enter Service Area Here	
	<p>This rationale is in line with Council policy for charging, in that the Council aims to optimise income through the annual review of fees and charges, in line with what the market will bear, what is considered can reasonably be borne by users of the facilities and where necessary the costs associated with providing that service.</p> <p>Xxx Service Area approach to fees and charges is that this is a discretionary / statutory service, which delivers the City Council Plan through:</p> <ul style="list-style-type: none"> • List City Council plan area here with 1 sentence to explain how delivered • List City Council plan area here if there is a further area of delivery <p>The charging objective is to be in the upper/median/lower area of charging for the service, based on:</p> <ul style="list-style-type: none"> • Quality of service – is there a quality standard in place – externally verified? • Market demand - are we sole supplier or is this a very competitive market • Do we aim to deliver a significant range of service or capital improvements or have we recently (last 5 	

years) invested heavily in the service area

Competition in this service area is xxxx add here headlines such as the following providers also deliver this service in Worcester City:

- Private sector – how many providers deliver – 1 or 10+ put actual number
- Educational sector – again put number
- Public or Third Sector – again total number of charities or not for profit delivering this service in the area

Annual Income				
Section 2		<p>Enter here a bar chart with the service areas' last 3 years total gross income – include a split if needed:</p> <p>E.g. Parking could be PCN; On Street and Off Street</p> <p>Work with finance if needed</p>		
	Income Target 2018/19			
Section 3		For example list here		Assumptions
		Total service income plus RPI at 2% for 2018/19		
		E.G. Car Parking Income 2018/19 plus 2%	£	
		Additional income - transformation prog target 2018/19	£	
	Total target 2018/19			

Income v Expenditure 2017/18				
Section	Enter in table here total costs allocated against this income – it may not be possible for 2017/18 –Finance will be able to help			Notes
	Expenditure	£	Notes	
	Total			

% Recovery Rate 2017/18			
Section 5		This is only possible to calculate if we are able to allocate service expenditure against income	Notes
User Data 2017/18			
Section 6		<p>Annual survey results re. satisfaction</p> <p>Annual survey results re. value for money</p> <p>View survey for Worcester if covering your service area</p> <p>National participation e.g. for sport / leisure</p> <p>Mention survey source for each figure with survey base (i.e. number of people responding to survey)</p>	<p>Note here also if there are waiting lists e.g. for allotments; trade waste etc</p> <p>Mention if we have over provision of facilities e.g. parks or sports remember to count educational and voluntary sector provision and commercial</p> <p>Competition level or travel times if known from national data</p>



Rationale

Section 7

This service area rationale is aligned to Council policy, in that the Council aims to optimise income through the annual review of fees and charges, in line with what the market will bear, what is considered can reasonably be borne by users of the facilities and where necessary the costs associated with providing that service.

Enter overall rationale in 1 or 2 sentences maximum for charging – our Corporate rationale is to be left in.

Any charges here which are varying over the prevailing RPI for 2018/19 – 3.5%

List any new charges here too

Name of Fee/Charge	2017/18	Proposed 2018/19	Notes / New Charge
			Change approach e.g. £x April 1 then £y Sept 1 2018



Risk assessment for investment proposals

Property investments will be reviewed according to criteria set out in an evaluation spreadsheet which seeks to take into account all income and expenditure cashflows. Only projects which meet the following criteria will be actively considered:

- The projected cash flows result in a positive outcome over the lifetime of the project under all recognised scenarios
- There is a positive return to the MTFP over the lifetime of the project
- There is a positive return, including use of contingencies, over the first five years.

Non-financial risks will be assessed in accordance with the Council's risk assessment procedures and a risk register compiled for each viable project that meets the qualification criteria established above.

Following the above assessment six weighted criteria will be used as shown overleaf. Each opportunity will be assessed against these criteria and the highest ranking opportunities will be targeted for investment.

Two overarching criteria are also to be applied:

- Does the proposal include opportunities for local regeneration or enhanced services for target areas?
- Does the project generate secondary income for Worcester, such as business rates?

These will be given a score of 5 in line with the maximum score for the preferred options in the table.

Property investment selection criteria

Criteria	Scoring				
	5	4	3	2	1
Location	Within City boundary	Within Worcestershire	Other city area	Other area	
Tenant	Multiple tenants with strong financial covenant Lease between 75 & 125 years	Multiple tenants with good financial covenant Lease between 10 & 75 years	Single tenant with strong financial covenant Freehold	Single tenant with good financial covenant Lease 125 years plus	Tenants with poor financial covenant strength Lease less than 10 years
Income (Net yield after borrowing costs)	2%+	2%	1.5%	1%	
Sector	Mix of sectors on site	Commercial	Residential	Entertainment	Retail
Building Quality/ Obsolescence	Newly Built	Recently Refurbished	Average condition and likely to continue to be fit for current use for 25+ years	Aged property with redevelopment potential	Nearing end of useful life/ use unlikely to continue when lease expires
Investment size	Between £2m & £5m	Between £5m & £10m	Between £10m & £15m	Between £250k & £2m	Less than £250k

Role of the Income Generation Co-ordinator

