

12 December 2017		ITEM: 12
Children's Services Overview and Scrutiny Committee		
Fees & Charges Pricing Strategy 2018/19		
Wards and communities affected: All		Key Decision: Non-Key
Report of: Andrew Austin, Commercial Manager		
Accountable Assistant Directors: Sheila Murphy, Assistant Director for Children's Care & Targeted Outcomes		
Accountable Directors: Rory Patterson, Corporate Director for Children's Services		
This report is Public		

Executive Summary

Local Authorities are involved in a wide range of services and the ability to charge for some of these services has always been a key funding source to Councils.

This report specifically sets out the charges in relation to services within the remit of this Overview and Scrutiny Committee. Charges will take effect from the 1 April 2018 unless otherwise stated. In preparing the proposed fees and charges, Directorates have worked within the charging framework and commercial principles set out in the report.

Further director delegated authority will be sought via Cabinet to allow Fees and Charges to be varied within financial year in response to legal, regulatory or commercial requirements.

The full list of proposed charges is detailed in Appendix 1 to this report. The proposed deletion of current fees and charges are detailed in Appendix 2 to this report.

1. Recommendations

- 1.1 That Childrens Services Overview and Scrutiny Committee note the revised fees and charges proposals including those no longer applicable**
- 1.2 That Childrens Services Overview and Scrutiny Committee comment on the proposals currently being considered within the remit of this committee**

1.3 That Children's Services Overview and Scrutiny Committee note that it may be necessary to adjust the relevant fees and charges during the year to reflect a change to their cost recoverability calculation, as

- legally prescribed statutory fees and charges may be subject to prescribed variation during the year, and that
- discretionary services provided on a traded basis for profit may be subject to commercial operational considerations

2. Introduction and Background

2.1 The paper describes the fees and charges approach for the services within the Childrens Services Overview and Scrutiny Committee remit for 2018/19 and will set a platform for certain pricing principles moving forward into future financial years.

2.2 The paper provides narrative for the following areas:

- Placement
- Brighter Futures
- Admissions & Welfare
- Early Years Education and Childcare
- Learning & Skills – Grangewaters
- Music services

2.3 The fees & charges that are proposed are underpinned in some instances by a detailed sales and marketing plans for each area. This will ensure delivery of the income targets for 2018/19, for ease these are summarised below for the Childrens Services covering all fees and charges income codes.

2.4 Overall Childrens Services Figures

Service	Last Year Outturn 16/17	Revised Budget 17/18	Forecast Outturn 17/18	Proposed Budget 18/19
Childrens Services	(1,236,463)	(1,175,131)	(1,122,597)	(1,248,131)

2.5 Individual Service Streams

Service	Last Year Outturn 16/17	Revised Budget 17/18	Forecast Outturn 17/18	Proposed Budget 18/19
Placement Support	(7,165)	(6,000)	(7,555)	(6,000)
Brighter Futures - Prevention Service	(16,099)	(799)	(16,000)	(15,799)
Admissions and Welfare	(13,395)	(42,586)	(13,008)	(42,586)
Adult College	(191,511)	(202,823)	(202,823)	(202,823)
Day Nurseries	(240,152)	(263,758)	(224,046)	(321,758)
Learning & Skills	(437,486)	(313,665)	(313,665)	(313,665)

Music Services	(330,655)	(345,500)	(345,500)	(345,500)
Childrens Services Total	(1,236,463)	(1,175,131)	(1,122,597)	(1,248,131)

3. Thurrock Charging Policy

- 3.1 The strategic ambition for Thurrock is to adopt a policy on fees and charges that is aligned to the wider commercial strategy and ensures that all discretionary services cost recover.
- 3.2 Furthermore, for future years, while reviewing charges, services will also consider the level of demand for the service, the market dynamics and how the charging policy helps to meet other service objectives.
- 3.3 When considering the pricing strategy for 2018/19 some key questions were considered.
- Where can we apply a tiered/premium pricing structure
 - How sensitive are customers to price (are there areas where a price freeze is relevant)
 - What new charges might we want to introduce for this financial year
 - How do our charges compare with neighbouring boroughs
 - How do our charges compare to neighbouring boroughs and private sector competitors (particularly in those instances where customers have choice)
 - How can we influence channel shift
 - Can we set charges to recover costs
 - What do our competitors charges
 - How sensitive is demand to price
 - Statutory services may have discretionary elements that we can influence
 - Do we take deposits, charge cancellation fees, charge an admin fee for duplicate services (e.g. lost certificates.)

4. Proposals and Issues

- 4.1 The fees and charges for each service area have been considered and the main considerations are set out below.
- 4.2 A council wide target of £7.039m has been proposed within the MTFS for additional income generation in respect of fees and charges income for 2018/19
- 4.3 For Children's Services the increase equates to a target of £1.248m to be secured through increased fees and charges in 2018/19. The increased fees and charges are challenging and represent our commercial ambitions as a Council.

4.4 To allow the Council services to better respond to changes in legal, regulatory or commercial challenges; delegated authority will be sought through Cabinet to permit the Director of the Service Area jointly with the Director of Commercial Services to vary these charges within financial year to comply with:

- legally prescribed statutory fees and charges which may be subject to prescribed variation during the year, and that it may be necessary to adjust the relevant fees and charges during the year to reflect a change to their cost recoverability calculation; and that
- discretionary services provided on an traded basis for profit may be subject commercial operational considerations, and that it may be necessary to adjust the relevant fees and charges during the year to reflect a change to their cost recoverability calculation

4.5 School Improvement

With the move to academy status for the majority of schools, this is now covered under the Councils Traded Services model to schools and does not form part of this fees and charges report.

4.6 School Meals

With the move to academy status for the majority of schools, this is now covered under the Councils Traded Services model to schools and does not form part of this fees and charges report.

4.7 Placement

This area does not provide any services and as a result would not be included in any fees and charges to the Local Authority

4.8 Brighter Futures

Is our newly launched prevention service, and does not have any traded services currently

4.9 Admissions and Welfare

We have sought to increase opportunities this year to secure traded income from schools around our EWS service this has not been realised; as a result we will reduce spend to cover any income that had been projected.

4.10 Adult College

Is funded from the ESFA – this funding is attached to individual learners, the ongoing work linked to the business plan is looking to identify ways in which we could provide a range of courses that we could charge for. And whilst we have some small income returns this year, we have increased these fees and charges

by 3% to recognise the market trends and will seek further opportunities to grow this traded part of the business in the next academic year.

4.11 Music Services

Has various strands of work subject to different charging models, key areas are:

- Individual and small group tuition is currently based on £30 hour. The actual charge depends therefore on the length of the session and the number of children involved in it. This charge covers on average on the cost of the tutor, on costs and travel. It is the expectation of the Grant and the Music Education Plan that access and affordability are key to the activities of the HUB. Under the model we operate, pupils on free school meals (KS2 upwards) and Pupil Premium attract a 50% reduction in the fees.
- First Access Whole Class programmes - a set of charges are published to schools leading up to the annual sign up for new programmes each September.
- Variants for the Wider Opportunities, which is part subsidised by the grant, include the number of classes in a year group (hence the number of groups to be sent each week); 1 Music Tutor or 2; 1 term or a whole year programme.
- Variants for the Further Opportunities programme, which is not subsidised as such, are equally 'bespoke'.

Main fee areas:

- Instrument Loan/Hire: £21 per term for most instruments and £10 for some of the less expensive instruments such as guitars. We have a comprehensive all risks insurance of the instruments with Allianz. Some of the grant is assigned to instrument repairs/maintenance. The first term of loan/hire of the first instrument learned is free. Again, those that qualify get a no-cost loan.
- Exams: The fees are set by the National examining Boards such as ABRSM. A small administrative fee and accompaniment costs (50% covered by the grant) are added.
- Ensembles: currently these are free to pupils, covered by the grant.

Whilst access is key, the Music HUB needs to be in a position to review these charges and the service offerings to respond appropriately to the requirements of the Grant and the National Plan for Music Education, in order to keep the operation commercially viable.

4.12 Early Years Education and Childcare

Fees and Charges

The Nursery Service is facing a challenging period, and the service is expecting to make a maximum loss on its financial year 2017-18 period of circa £54k.

This challenge will only increase with the introduction in 2017 of new Government Statutory Early Education and Childcare 30 Hour provisions for 3 & 4 years have been introduced which will increase the demand for the lower paying service.

This policy introduces extremely high income threshold for eligibility on the new scheme. Meaning that the additional 15 hours of free childcare is available for families where both parents are working and each earns less than £100,000 a year; and the expectation is this will probable result in significant increase in demand whilst reducing private sector client base and income levels.

In addition, a basic comparison with surrounding private sector businesses show that the service is already at the higher end for the private paying clients, and significant increases will reduce demand even further. Therefore, in light of the above a 3% rise is considered the maximum viable level for the FY18/19 period.

Service Development

The nursery service has a significant cost overhead, with staff making up 80% of service costs and at rates which are not competitive to those paid in the private sector i.e. Council is paying higher basic salary levels.

Therefore, to develop the service the area will need to fully analyse the following options:

- Operational hours will need to be reviewed around core 30 hours; which will allow the service to charge parents for periods normally used by commuters and working parents
- Consultation with major local employers to align working hours
- Developing a tiered service model, linked to above
- Changing some staff patterns to accommodate a wider operational window
- Increase use of apprentices and trainee staff as vacancies arise
- Development/Expansion of 0 year to 2 year childcare services as potential income stream (in progress and planned for Spring opening)

4.13 Learning & Skills – Grangewaters

Fees and Charges

The service is expecting to achieve target for FY17/18 and remain cost neutral to the Council, and has contingency measures to reduce spend if income targets are unable to be met.

Supporting this is marketing and sales activities to develop the quieter winter months, which has already identified approximately £30k and Grangewaters are anticipating that this will rise.

Grangewaters has undertaken a benchmarking exercise and considers that an increase of 5% will not adversely impact on our current market share. Having looked at our nearest competitor Grangewater is still within the cost base and as such will be looking to increase our charges by 5% across our programme areas.

We also offer a number of incentives for early bookings and repeat bookings that will be taken into account within our 5% increase.

Service Development

Grangewater have developed a number of plans around increasing our income targets – recognising that Grangewaters needs to remain cost neutral.

Our training facilities are being used by the Councils training and development team, and we are developing further ideas linking with colleagues from health around how we can increase business opportunities over the coming year.

In addition, a Business Development proposal has also been submitted for consideration by management on the future development of the site, including expansion of facilities, improved access, accommodation and business centres.

5. Reasons for Recommendations

- 5.1 The setting of appropriate fees and charges will enable the Council to generate essential income for the funding of Council services. The approval of reviewed fees and charges will also ensure that the Council is competitive with other service providers and neighbouring councils. The ability to vary charges within financial year will enable services to more flexibly adapt to changing economic conditions.
- 5.2 The granting of delegated authority to vary these charges within financial year will allow the Council to better respond to the needs of the communities, legal requirements, regulatory changes and commercial challenges.

6. Consultation (including Overview and Scrutiny, if applicable)

- 6.1 Consultations will be progressed where there is specific need. However, with regard to all other items, the proposals in this report do not affect any specific parts of the borough. Fees and charges are known to customers before they make use of the services they are buying.

7. Impact on Childrens Services policies, priorities, performance and community impact

- 7.1 The changes in these fees and charges may impact the community; however it must be taken into consideration that these price rises include inflation and no profit will be made on the running of these discretionary services.

8. Implications

8.1 Financial

Implications verified by: **Carl Tomlinson**
Finance Manager

Additional income will be generated from increases but this is variable as it is also dependent on demand for the services. Increases to income budgets have been built into the MTFS.

8.2 Legal

Implications verified by: **David Lawson**
Monitoring Officer

Fees and charges generally fall into three categories – Statutory, Regulatory and Discretionary. Statutory charges are set in statute and cannot be altered by law since the charges have been determined by Central government and all authorities will be applying the same charge.

Regulatory charges relate to services where, if the Council provides the service, it is obliged to set a fee which the Council can determine itself in accordance with a regulatory framework. Charges have to be reasonable and must be applied across the borough.

Discretionary charges relate to services which the Council can provide if they choose to do so. This is a local policy decision. The Local Government Act 2003 gives the Council power to charge for discretionary services, with some limited exceptions. This may include charges for new and innovative services utilising the power to promote environmental, social and economic well-being under section 2 of the Local Government Act 2000. The income from charges, taking one financial year with another, must not exceed the cost of provision. A clear and justifiable framework of principles should be followed in terms of deciding when to charge and how much, and the process for reviewing charges.

A service may wish to consider whether they may utilise this power to provide a service that may benefit residents, businesses and other service users, meet the Council priorities and generate income.

Decisions on setting charges and fees are subject to the Council's decision making structures. Most charging decisions are the responsibility of Cabinet, where there are key decisions. Some fees are set by full Council.

8.3 Diversity and Equality

Implications verified by: **Rebecca Price**
Community Development Officer

The Council is responsible for promoting equality of opportunity in the provision of services and employment as set out in the Equality Act 2010 and Public Sector Equality Duty. Decisions on setting charges and fees are subject to Community Equality Impact Assessment process and the Council's wider decision making structures to determine impact on protected groups and related concessions that may be available.

8.4 Other implications (where significant) – i.e. Staff, Health, Sustainability, Crime and Disorder)

- None

9. Background papers used in preparing the report (including their location on the Council's website or identification whether any are exempt or protected by copyright):

- None

10. Appendices to the report

- Appendix 1 – Schedule of Proposed Fees and Charges for 2018/19
- Appendix 2 – Schedule of Fees and Charges no longer applicable

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Commercial Services and Commissioning