

<b>4 December 2018</b>		<b>ITEM: 12</b>
<b>Children's Services Overview and Scrutiny Committee</b>		
<b>Fees and Charges Pricing Strategy 2019/20</b>		
<b>Wards and communities affected:</b> All	<b>Key Decision:</b> Key	
<b>Report of:</b> Andrew Austin, Commercial Manager		
<b>Accountable Assistant Director:</b> Sheila Murphy, Assistant Director for Children's Care and Targeted Outcomes and Michelle Lucas, Interim Assistant Director for Learning, Inclusion & Skills		
<b>Accountable Director:</b> Rory Patterson, Corporate Director of Children's Services		
<b>This report is</b> Public		

## **Executive Summary**

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 2019 unless otherwise stated. In preparing the proposed fees and charges, Directorates have worked within the charging framework and commercial principles set out Section Three of 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, and the proposed deletion of current fees and charges are detailed in Appendix 2 to this report

- 1. Recommendation(s)**
  - 1.1 That Children's Services Overview and Scrutiny Committee note the revised fees and charges proposals including those no longer applicable**
  - 1.2 That Children's Services Overview and Scrutiny Committee note that director delegated authority will be sought via Cabinet to allow Fees & Charges to be varied within a financial year in response to commercial requirements**
- 2. Introduction and Background**

2.1 The paper describes the fees and charges approach for the services within the Children’s Services Overview and Scrutiny Committee remit for 2019/20 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 Support- Oaktree
- Summer Playscheme for Disabled Children
- 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 2019/20, for ease these are summarised below for the Children’s Services covering all fees and charges income codes.

2.4 Overall Children’s Services Figures

<b>Service</b>	<b>Last Year Outturn 17/18</b>	<b>Revised Budget 18/19</b>	<b>Forecast Outturn 18/19</b>	<b>Proposed Budget 19/20</b>
Children’s Services	<b>(958,691)</b>	<b>(1,173,877)</b>	<b>(1,067,531)</b>	<b>(1,088,040)</b>

2.5 Individual Service Streams

<b>Service</b>	<b>Last Year Outturn 17/18</b>	<b>Revised Budget 18/19</b>	<b>Forecast Outturn 18/19</b>	<b>Proposed Budget 19/20</b>
Placement Support -	(6,442)	(7,555)	(7,705)	(7,555)
Summer Playscheme for Disabled Children	(10,829)	(16,000)	(24,534)	(24,534)
Education Welfare Service	(40,284)	(42,586)	(60,000)	(60,000)
Adult College	(213,687)	(219,350)	(219,350)	(219,350)
Children Centres	(0)	(250)	(766)	(3,500)
Day Nurseries	(186,475)	(262,000)	(176,531)	(176,000)
Learning & Skills - Grangewaters	(156,900)	(289,636)	(239,207)	(260,601)
Music Services	(344,074)	(336,500)	(339,438)	(336,500)
<b>Children’s Services</b>	<b>(958,691)</b>	<b>(1,173,877)</b>	<b>(1,067,531)</b>	<b>(1,088,040)</b>

Note – Forecasted Outturn position is as of August 2018

### 3. Thurrock Charging Policy

- 3.1 The strategic ambition for Thurrock is to adopt a policy on fees and a charge 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 2019/20 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.)
- 3.4 For Children's Services charges are tiered depending on the service area:
- Grangewaters – have tiered charges based on the number of activities, length of stay, accommodation, catering, and the number/age of people taking part in the activities.
  - Nurseries – charges are tiered around the ages of the children, and the times the children are in attendance.
- 3.5 The following key changes occurred for 2019/20 fees and charges:
- Certain nursery place charges have in some cases increased above inflation to take account of the actual costs of service delivery, which are dependent on the ages involved and corresponding staffing ratios.
  - New nursery place charges for 0-2 years and babies have been introduced.
  - Nursery after school charges have been removed as this is no longer economically viable to provide, due to market competition.
  - Grangewaters charges have increased in line with inflation.

#### **4. Issues, Options and Analysis of Options**

- 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 £8.912m has been proposed within the MTFS for additional income generation in respect of fees and charges income for 2019/20. This represents a 7.5% increase on the previous year income generation target and takes into consideration actual performance during the financial year 18/19.
- 4.3 For Children's Services the increase equates to a target of £1.088m to be secured through a blend of demand increase from residents and businesses, and an increase in fees and charges for 2019/20.
- 4.4 To allow the Council services to better respond to changes in the commercial environment for fees and charges; delegated authority will be sought through Cabinet to permit the Director of the Service Area jointly with the Director of Commercial Services to vary service charges within financial year due to commercial considerations.

- This will allow service areas, providing services on a traded basis to vary their fees and charges to reflect commercial and operational considerations that impact the cost recoverability calculations.
- Any changes to Fees and Charges due to commercial considerations will require the consultation with, and agreement of, the relevant Portfolio Holder.

4.5 Placement Support – Oaktree

Whilst there is an income line showing for this service, this is a legacy financial reporting item. The service does have some capacity to hire rooms, however the income has been very small and no income has been accrued in recent years.

4.6 Summer Playscheme for Disabled Children

The Short Break and Outreach Service has been operating a Summer Playscheme for Disabled Children for many years. The service provides activities for children that cannot access mainstream holiday clubs due their complex and special needs. The service runs for 4 days per week for 4 weeks of the summer holidays and accommodates 50 children every day. Parents are charged a fee to assist with the high cost of the scheme, which is used to fund towards the high level/ ratio of staff needed to provide a safe service. The fees do not cover the overall cost of the service and the deficit is covered by the Directorate. Sponsorship of the service is being considered to cover the shortfall for 2019/2020 as recommended by the recent Children's Service reviews.

4.7 Education Welfare Service

The EWS provides support for schools and academies that are able to refer cases of poor student attendance. This then is case managed by the EWS to return students to regular attendance, or take statutory action through the criminal court.

In order to attract greater business the service costs were set at a lower level for 2017-18 academic year, and as a result of this the service has secured £14k of additional business (under Traded Service to Schools). These costs remain unchanged for the next academic year, and the service anticipates the same level of service take-up.

In addition, the service issues penalty notices upon the request of the schools, or at its own discretion. The income from the penalty notices is received by the local authority; however the local authority is prohibited from making a profit from this income. The local authority may legitimately use this income to offset the cost of managing the process. In 2017-18 academic year income was £62k, and whilst poor attendance cannot be predicted or controlled as an income target, the service anticipates a similar level of penalty notice income for 2018-19 academic year.

It should be noted that this is a Traded Service to schools and the charges are not included within the published fees and charges report.

#### 4.8 Adult College

Is funded from the Education and Skills Funding Agency (ESFA) and this funding is attached to individual learners. Ongoing work linked to the business plan continually looks to identify ways in which the college could provide additional course ranges that can be charged for. Further it is a requirement of the funding source that any excess income generated must be used to subsidise courses for residents, which meet and contribute too, the Thurrock Council priorities for vulnerable groups.

#### 4.9 Music Service

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

- Individual and small group tuition is currently based on £31.80 hour (2018-2019), and will increase to £32.70 for 2019/20. The actual charge depends therefore on the length of the session and the number of children involved in it. This charge covers on average 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 and Instrument Hire charges.

- 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. In some cases, mixed year groups access this provision.
- Variants for the Further Opportunities programme, which is not subsidised as such, are equally 'bespoke'.

#### Main fee areas:

- Instrument Loan/Hire: From January 2019 will be £25 per term for most instruments and £12.50 for some of the less expensive instruments (such as guitars) for pupils learning through the Music HUB. From September 2018 a new scale of charges will be offered to pupils studying with alternative providers, more closely aligned to commercial options, and these will range from £20 - £100 per term depending on the instrument. This strand of income will potentially enable the instrument maintenance programme to be enhanced; currently a proportion of the music services grant funding is assigned to instrument repairs/maintenance. The first term of loan/hire of the first instrument learned is free, and again those that qualify receive a no-cost loan. The Council has comprehensive all risks insurance of the instruments with Allianz.
  - 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.

#### 4.10 Music Services – Whole Class Provision

Options offered for the whole class provision range from one term with one Music Tutor at no cost to schools (funded by the ACE Grant) to a whole year with two Music Tutors (including the one term, one Music Tutor grant funded element). There are indications that pressures on school budgets are likely to result in some changes to the pattern of engagement with the whole class provision leading to a reduction in income generation from this strand. The picture for 2018-2019 will become clearer once the current sign up process is completed in September.

It is a requirement of the ACE Grant agreement that all income generated as a consequence of the Grant Contribution is earmarked and ring-fenced to the Music HUB. There is currently an earmarked Music HUB reserve of £36,568.

## 4.11 Early Years Education and Childcare

### Fees and Charges

The Nursery Service faced a challenging period, and the service expected to make a maximum loss on its financial year 2017-18 period of circa £54k. This loss did not occur, with the nurseries actually making a small underspend of £7,636. There is the expectation that the service will come in on budget for 2018-19 also.

This challenge will only continue to increase, due to the introduction in 2017 of new Government Statutory Early Education and Childcare 30 Hour provisions for 3 & 4 years; which will increase the demand for the lower paying service and therefore reduce the parental fees and charges income.

This policy introduces an extremely high income threshold for eligibility on the new scheme. Meaning that the additional 15 hours of funded 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.

### 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)

## 4.12 Learning & Skills – Grangewaters

### Fees and Charges

The service is expecting to achieve target for FY18/19 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, this is continuing to identify further income potential and Grangewaters are anticipating that this will continue to improve Grangewaters financial income position in coming years.

Grangewaters undertook a benchmarking exercise in 2017, and increased its charges for 2018/19 to reflect this. Increases for 2019/20 will be in line with RPI indexation of 2.9% (subject to rounding) to ensure continued cost model recovery, and Grangewaters considers that this increase will not adversely impact on current market share.

We also offer a number of incentives for early bookings and repeat bookings, and these are taken into account within the financial reporting model. These are adapted within year to reflect and incentivise uptake of services during quiet and off-peak periods.

#### Service Development

Grangewaters continues to develop a number of business plans to increase our income revenue – recognising that Grangewaters needs to remain cost neutral.

Our training facilities are being used by the Councils training and development teams; and we are developing further ideas linking these in with a variety of council services, to increase business opportunities over the coming years. Capital funding has also been secured to enhance the current training facilities.

In addition, a Business Development proposal is being submitted for consideration by management on the future investment and development of the site; this will include the expansion of general facilities, improved access, accommodation, dedicated training centre and increasing the small business start-up area.

## **5. Reasons for Recommendation**

- 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 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 corporate 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 2019/20
- Appendix 2 – Schedule of Fees and Charges no longer applicable

#### **Report Author:**

Andrew Austin  
Commercial Manager  
Commercial Services