

## Community Engagement - Wellbeing Fees & Charges 2011/12

15<sup>th</sup> February 2011

### Report of Head of Community Engagement

#### PURPOSE OF REPORT

This report has been prepared as part of the 2011/12 estimate procedure and sets out options for increasing the level of fees and charges at Salt Ayre Sports Centre, Community Pools and Platform.

Key Decision	<input checked="" type="checkbox"/>	Non-Key Decision	<input type="checkbox"/>	Referral from Cabinet Member	<input type="checkbox"/>
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Date Included in Forward Plan	02 February 2011
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This report is public.

#### RECOMMENDATIONS OF COUNCILLOR ASHWORTH

- (1) That the charges for Salt Ayre Sports Centre, Community Pools, Williamson Park, Parks and Recreation Grounds and the Platform are increased in line with the proposed percentages (rounded to nearest £0.10) as set out in Appendix 1 with effect from 1<sup>st</sup> March 2011, generating additional income of £14,400 over and above the minimum budgetary requirement to cover inflation and VAT increases.
- (2) That the Overview & Scrutiny Chairman be consulted with a view to waiving call in, in accordance with Overview & Scrutiny Procedure Rule 17, to enable the decision to be implemented immediately.

#### 1.0 Introduction

Figures for income generation are set each year as part of the budget process. This report sets out to demonstrate possible increases to revenue across Salt Ayre Sports Centre, Community Swimming Pools, Williamson Park, Parks and Recreation Grounds and the Platform from 1<sup>st</sup> March 2011.

#### 2.0 Proposal Details

- 2.1 Appendix 1 details the current charges and the options for increases. The charges are rounded to the nearest 10p.

## 2.2 Increasing Charges

The setting of charges within each facility is very much led by customer demand and as such is not always easily addressed by simply applying one percentage increase across the board. Some competitors within the industry apply different strategies and in some cases opt not to increase charges on the basis that customer resistance would result in dramatic reduction in throughput and therefore a decrease in income.

2.2 This report sets out increases to key charges (activities which generate majority of total income) with varying percentage increases based on officers knowledge of market demand and supply, factors such as inflation and VAT and the need for the Council to operate services which provide value for money.

## 2.3 Monitoring

Officers within Wellbeing and Finance have improved the ability to monitor performance of each facility. Monthly monitoring of performance against all cost centres will enable officers to pick up on trend analysis and make adjustments in order to help address under performance. Similarly, information will be retained which will help influence future price increases.

Formal monitoring will continue to be reported via the Performance Review Team (PRT) process on a quarterly basis.

## 3.0 Options and Options Analysis

	<b>Option 1</b> To approve the increase in fees as recommended in the report	<b>Option 2</b> To approve a different percentage increase.	<b>Option 3</b> To do nothing and retain the existing fees and charges.
Advantages	This option makes a small additional contribution to the 2011/12 budget process, whilst retaining fees at competitive levels.  This therefore takes into account inflation and the implications of the increase in VAT.	This option potentially allows for a greater increase in revenue if an increase of greater than the recommended percentage is approved, therefore making a greater contribution to the 2011/12 budget process.	This option would mean no price increases for customers.  This could have a positive effect on income generation should the trend for throughput increase significantly as a result of no increases.
Disadvantages	Any increase in fees is likely to be unpopular with customers.	An increase in fees above the recommended amount is likely to meet with customer resistance.  This could result in reduction in income generation and as such customer dissatisfaction that may be difficult to respond to.	No opportunity to raise additional revenue through fees and charges in areas that may stand an increase.  This option will not meet the current budget requirements, requiring additional income or savings to be generated from other activities / services undertaken by

			the council.
Risks	There is always a risk that customers will choose not to access services with any increase in charges.	There is always a risk that customers will choose not to access services if fees are too high or move to one of the key competitors in the district.  There is a risk that even current income levels will fail to be achieved if fees are perceived to be too high.	This option increases the difficulties of securing a viable budget at a time when additional income and savings are required.  There is no increase in throughput and the Council suffers loss of income.

#### 4.0 Officer Preferred Options

- 4.1 The officer preferred option is Option 1. This option allows for increased revenue whilst retaining fees at affordable and competitive levels. The flexibility for the Head of Community Engagement to set maximum prices in line with particular promotions for activities would help to respond to changes in market demand throughout the year and this is noted on the Appendix.
- 4.2 For future years, it is anticipated that there will be changes to introduce a clearer policy for the setting of fees and charges generally, supported by updates to the Scheme of Delegation. This is currently being developed for consideration by Members in due course and this will be considered as part of a review of the Scheme of Delegation.

#### RELATIONSHIP TO POLICY FRAMEWORK

Fees and charges form an integral part of the budget setting process, which in turn relates to the Council's priorities.

#### CONCLUSION OF IMPACT ASSESSMENT

**(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)**

The proposed increases are considered to be fair and reasonable.

#### FINANCIAL IMPLICATIONS

The report recommends that the proposed price increases take effect from 1<sup>st</sup> March rather than 1<sup>st</sup> April 2011 to avoid setting new fees more than once in a relatively short time period, i.e. once for VAT and then again to cover future inflationary increases. This will also offset income currently being lost since 4<sup>th</sup> January when the new VAT rate came into force. Should Members resolve to implement the new prices from 1<sup>st</sup> April instead, it is not expected that variances will be significant, however.

The 2011/12 draft budget assumes that throughput for all areas will continue at similar levels as has been projected for 2010/11. An inflationary increase of 2.4% in respect of fees and charges totalling £39,400 for all areas included within this report has been added in line with the council's policy on fees and charges. The increase in the standard VAT rate from 17.5% to

20% from 4<sup>th</sup> January 2011 totalling £23,900 for all areas has also been taken into account in developing the options included within this report. It should be further noted that some areas are non-vatable, i.e. hall and pool hire and educational classes and this has also been accounted for in the projections shown in the table below.

The report sets out a number of options for Members consideration, which not only meet the draft budget but also gives the flexibility to consider setting fees and charges over and above those currently projected.

Option 1 as set out in the table below is expected to not only meet the budgetary requirement of £63,300, but also provide an additional £14,400 over and above that currently included within the draft budget. This option has an inherent risk associated with it as any increases could potentially impact on usage, although is mitigated to some extent as is based on managers current experience of their respective areas.

	<b>2.4% Inflation included in 2011/12 Draft Budget</b>	<b>2.5% Add'l VAT included in 2011/12 Draft Budget</b>	<b>Total Inflation + VAT</b>	<b>Proposed Additional Income</b>
<b>Budgetary Requirement (Inflation/VAT Shortfall)</b>	<b>(39,400)</b>	<b>(23,900)</b>	<b>(63,300)</b>	<b>14,400</b>
SASC	22,500	11,800	34,300	(2,600)
Community Pools	7,400	3,900	11,300	(7,200)
The Platform	1,400	0	1,400	(4,300)
Williamson Park	7,700	8,200	15,900	0
Recreation Grounds/Parks	400	0	400	(300)
<b>Total Budget Shortfall/(Surplus)</b>	<b>39,400</b>	<b>23,900</b>	<b>63,300</b>	<b>(14,400)</b>

Should Members approve a different percentage increase as set out in the report for option 2, the impact on the draft budget cannot be properly quantified at this stage until the financial implications are further analysed based on the new percentage proposed. The Head of Community Engagement would need the flexibility to choose a range of fee increases where appropriate that will not only meet the current budget requirement of £63,300, but also allow an additional contribution to be made to the 2011/12 draft budget in line with any increased percentage as agreed by Members. Depending on the percentage increase chosen, this option has significantly increased risks however, i.e. associated with increased customer resistance and any differing trend in activities undertaken which will inevitably impact on the actual income raised.

Under option 3 there is no strong evidence to suggest that throughput would increase, therefore there is a high risk that income would be very similar to 2010/11, therefore not meet the budget requirement currently included in the 2011/12 draft budget. This could result in a potential shortfall of £63,300 (split £39,400 inflation and £23,900 VAT). In effect, the VAT increase from 4<sup>th</sup> January reduces further the flexibility to meet the current target through alternative means other than increasing fees and charges in line with option 1 and 2.

Members are reminded that, if option 3 is taken forward, then as it falls outside of the current budget framework and it will impact on the need to make more savings in other areas of activity, then it would need to be referred onto Full Council for further consideration as part of the overall budget process.

#### **SECTION 151 OFFICER'S COMMENTS**

The s151 Officer would advise that the proposals be considered in context of the Council's priorities and its future financial prospects, as well as the need to be fair to service users, balanced against Council Tax payers more generally.

#### **LEGAL IMPLICATIONS**

There are legal implications associated with this report

#### **MONITORING OFFICER'S COMMENTS**

The Monitoring Officer has been consulted and has no further comment

#### **BACKGROUND PAPERS**

Fees & Charges 2010/11 report to Cabinet

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