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To Member of the Value and
Performance Scrutiny Committee

07 September 2011

Our ref:

Your ref:

Dear Councillor

VALUE AND PERFORMANCE SCRUTINY COMMITTEE - MONDAY 12 SEPTEMBER 2011

I attach the following reports which were not available when the main agenda was dispatched. Please bring these documents to the meeting.

Agenda No Item

5. **Trading Strategy (Pages 1 - 6)**

This report replaces pages 11-15 of the main agenda as the previous draft has been updated.

7. **Briefing on Park and Ride Operation and Management (Pages 7 - 14)**

The attached report is the report that will be considered by the City Executive Board on 21 September 2011. It has been made available to this Committee for pre-decision scrutiny.

Yours sincerely

Alec Dubberley
Democratic Services Officer
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To: City Executive Board

Date: 21st September 2011 **Item No:** x

Report of: Executive Director City Services

Title of Report: Income Generation through service supplies to public sector bodies and Charging for Discretionary Services

Summary and Recommendations

Purpose of report: To provide an update on the approach proposed to take forward the proposal contained in the Council 2012 strategy that the Council seeks to optimise income, thereby reducing net costs to the Council through trading.

Key decision? No

Executive lead member: Cllr Bob Price

Policy Framework: Efficient, Effective Council

Recommendation(s):

City Executive Board is recommended to:

(a) Approve the overall framework for charging third parties for discretionary services as outlined in this report;

(b) Approve the overall framework for the supply of goods and services to other public bodies as outlined in this report;

(c) Delegate the decision on whether to enter into arrangements with private sector bodies under which the Council would charge for services provided within or outside the City to the relevant director, provided that the value of such arrangements do not exceed £100,000.

(d) Delegate the decision on whether to enter into arrangements with other public bodies under which the Council would provide goods and/or services to such other public bodies within or outside the city but within Oxfordshire to the relevant director, provided that the value of such arrangements do not exceed £100,000.;

Appendix 1	Legal implications of Charging and Trading.
Appendix 2	Risk Assessment
Appendix 3	Equalities Impact Assessment
Appendix 4	Charging & Trading Hierarchy of Risk diagram

1 Introduction

The Council has been charging for discretionary services, quite legitimately, for many years. Obvious examples include trade waste collections, pest control and more recently charging for planning advice.

What is proposed in the “Council 2012” strategy sees this rather opportunistic largely historically based approach being developed into a focused strategy determined to raise income for the Council to offset the current cost of services. With this switch and increased opportunity comes increased risk.

This report sets out how officers intend to minimise and manage that risk and make the most of the opportunities to increase income.

Whilst it is unlikely that the “Localism Bill” will provide any relaxation of the rules around trading, the intent is to derive income within the existing powers and legal constraints without setting up an “arms length” company specifically to trade.

This means that our focus will be on charging for discretionary services on a cost recovery basis but charging on a cost recovery plus basis with other public sector bodies.

2 Legal implications

The Corporate Management Team recently reviewed the legal implications of trading with the attached paper from the Head of Law and Governance (Appendix 1). This shows that we need to be careful when using the term trading as what we are intending, at least in the short to medium term, is to extend our charging for discretionary services and provision of services to other public sector bodies.

3 Financial implications

No specific sum has been placed in the budget to be attained through trading. However, the expectation clearly exists.

The overall intent is to maximise the benefit to the Council and residents by generating income predominantly from the use of surplus capacity thus reducing unit overhead costs and therefore the cost of services.

Raising income does bring with it risk. The main risks are not covering costs in prices charged and contractual risks.

It is therefore proposed that charging only takes place where:-

- There is a clear understanding of direct costs
- Proposed charges cover direct costs and make a contribution to overheads
- Proposals to enter into contracts for the provision of services have a sound business case which has had input from Finance and Legal and been approved by the relevant director and, for major projects (i.e. over £100k), CEB.

It is important that the risk is understood and managed and a risk analysis is given in Appendix 2. However, it is also important to give service managers sufficient scope within an appropriate framework to set charges to meet the particular circumstances and therefore key delegations are sought to enable officers to operate effectively.

4 Approach to Income Generation

There is a clear hierarchy of complexity and risk associated with trading which is represented in the diagram at Appendix 4.

This starts with the lowest risk – ensuring that where the Council has competency and capacity all internal work is carried out by the Council's own workforce. This though must be subject to a test that such internal supply provides value for money in the same way that it applies to all of the Council's services. Essentially this is achieved through benchmarking, market intelligence and service reviews..

The second level is recovering costs from the “public” for the provision of discretionary services. This is an area where we are currently expanding income generation eg green waste, and pest control. Areas where we might want to expand further include, tree maintenance for the public, gas servicing and electrical testing in the private rented sector. This work would be carried out under the provisions of s93 Local Government Act 2003. Services provided under these provisions must comply with fairly strict accounting provisions, under which income should equal expenditure over a three year period..

The third area is “trading” with other public sector bodies. This work would be carried out under the provisions of s1 Local Authorities (Goods and Services) Act 1970. At one extreme this is trivial eg the one off servicing of a vehicle for the County Council. At the other is a complex business proposition regarding taking on additional resources or transfer of assets and staff. Such a proposition would need careful evaluation of the business case and proper approval in accordance with our constitution and financial regulations.

At this stage we are not proposing to move into the more risky and costly to set up “commercial” trading area which would necessitate the Council setting up an arms length trading company (n.b. activities where we have a duty to provide services to the private sector e.g. trade waste do not require this

separate trading entity to continue). This approach requires a formal business case in a format set by Government to be approved. The intention being to ensure that as the arms length company is essentially owned by the Council there is a proper appreciation of the risks as well of the potential benefits of the trading envisaged. There are mechanisms available to limit financial liability however these do not deal with reputation and operational risks.

To minimise risks one option is to cause to be set up or contract direct with an existing non profit distributing organisation. This isolates the Council from the risk but the construction of such entities ensures that the Council would have no control over this type of independent organisation. The Council may place a minority of Members of the board of the organisation however those members then face a conflict of interest as they would be under a duty to act in the interests of the organisation, not the Council, when acting in that capacity.

This is a complex area and it is important that an in depth options appraisal is carried out to fully understand the implications of any proposals to deliver services through arms length or non profit distributing organisations and to weigh these against the tried and tested route of charging for discretionary services.

Management control over legal, financial and commercial risks would be exerted primarily through an assessment matrix. See Appendix 5. For “trading” to proceed this would need to be authorised in accordance with the Council’s constitution and financial regulations.

5 Geographical Constraints

The intent is that the overwhelming majority of services are provided inside the City boundaries, but in certain circumstances it may be that working or partnering with other public bodies who are outside the City is desirable. Equally there could be very practical reasons where provision outside City boundaries (e.g. Trade Waste route optimisation) is sensible. It is therefore recommended that this geographic constraint is removed..

6 Staffing implications

The intent is that chargeable services are provided initially predominantly from the surplus capacity that exists inside the current infrastructure and management capacity. A requirement to increase resources to satisfy demand would be subject to scrutiny by the Corporate Management Team through the Employment Control Form process and via the business case. However, if this strategy is successful it may well provide opportunities for the expansion of employment opportunities including apprenticeships and work experience.

Surplus capacity within the organisation would only be maintained where direct costs could be covered and a contribution to overheads achieved, otherwise surplus capacity would be reduced.

7 Climate Change / Environmental Impact

It is not expected that provision of additional chargeable services by the council would have a negative environmental impact as these services would in any event have been demanded but satisfied by other providers.

If we expanded operations significantly, this might have a notable impact on Oxford City Council's overall carbon footprint. This would have to be considered in the business case.

8 Equalities Impact

No significant impacts have been identified. An Equalities Impact Assessment is attached as appendix 3. However, in increasing employment opportunities we would take the opportunity to attempt to enhance the ethnic mix of our workforce to match the community we serve and provide opportunities through apprenticeships and the like. We would also reflect on the Council's charging strategy in setting fees and charges and consider whether concessions are appropriate for particular services when provided direct to individuals.

9 Financial Summary

The aim of the Council 2012 strategy in this respect is to increase income and therefore reduce the overall cost of services provided by the Council. We would seek to ensure financial performance through approval and monitoring of business cases. The majority of activities are likely to fall within the remit of the Direct Services Board who will review contracts and financial performance. The officers intend to review the financial regulations to ensure that they reflect the approach recommended in this report and give adequate guidance and protection to officers and the Council.

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Version number: 3.0

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To: City Executive Board

Date: 21 September 2011

Report of: Executive Director City Services

Title of Report: Future Arrangements for the Management of the City Council's Park and Ride Sites

Summary and Recommendations

Purpose of report: To set out proposals for changes to the management of the Council's three Park and Ride sites in a way that meets the requirements of the City Council's Medium Term Financial Strategy

Key decision: Yes

Executive lead member: Councillor Colin Cook

Policy Framework: Corporate Plan and Medium Term Financial Strategy

Recommendation(s):

1. That taking into account the requirements of the Council's Medium Term Financial Strategy and the savings provided by different working arrangements the Board agrees that a parking charge of £1.50 per day is appropriate at the three Park and Ride Sites within the City of Oxford.
2. To note that the necessary steps are being taken to produce a variation Order to give effect to the changes in the method of payment as set out in paragraphs 10 – 12 and to season tickets and other concessions that might be agreed by the Director for City Services in consultation with the Board Member.
3. To RECOMMEND that Council agree a capital budget in the order of £264k for the purchase of equipment required to operate the service, financed as far as possible from Section 106 receipts and the residual from the redirection and virement of Direct Services budgets.

Appendices to report – Appendix 1 - Table showing impact of a range of fees in balancing the Council's budget position.

Background

1. Budget pressures faced by Oxford City Council and Oxfordshire County Council have led to changes in the way the City Council's Park and Ride services are to be delivered.
2. Three years ago the County Council took over the running of the City Council's three Park and Ride sites - Peartree, Redbridge and Seacourt - subsidising the City Council's costs and loss of income. The Thornhill and Water Eaton sites are outside the City boundary, managed by the County Council and are not the subject of this report.
3. Budget pressures mean that this subsidy (circa £1m) can no longer be afforded by the County Council And, as a consequence, the three Park and Ride sites in the City will return to the management of the City Council, as provided for in the original transfer agreement.
4. It remains the City Council's aspiration to provide a free Park and Ride service for people coming into the City in recognition of the economic and environmental benefits that this brings. However, it is not possible to achieve this in the context of the Council's Medium Term Financial Plan as it would require an additional £1million of savings to the current Council budget savings target of circa £10 million over the next 4 years .
5. In view of this, officers have examined the scope for making substantial savings in the operation of the park and ride sites in order to minimise the financial impact and the level of fees that have to be levied to cover costs.

Park and Ride Operation

6. The three Park and Ride sites in the City are extensive, providing parking to around 1 million commuters, shoppers and visitors a year. The extensive nature of the provision brings with it substantial operational and maintenance costs including a high staffing cost. New operational models have been examined which use new technologies and best practice from other authorities and the private sector.
7. Reflecting the innovative opportunities that these present, the management of the sites will in future be handled through a combination of automatic vehicle recognition and mobile security/enforcement patrols integrated with the rest of the Council's car parks patrol service.
8. This approach will make a significant saving in running costs and enable a lower fee to be charged than would otherwise have been necessary to meet the requirements of the Council's Medium Term Financial Strategy.
9. Reflecting best practice in the industry the charging mechanism should meet the following tests:-

- a. It should not involve pay and display which requires the motorists to purchase a ticket on foot and return to their vehicle to display the ticket;
- b. The charge should be in round numbers and involve no more than 2 coins;
- c. There should be methods of automatic payment by telephone and the internet.

10. It is proposed that the Council's successful mobile phone access to parking payments through the Ringo system should be extended to the Park and Ride sites. This system already accounts for around 120,000 payments a year and is very popular. In addition a web based system to allow single, multiple and season ticket purchases will be introduced.

11. Purchase on foot will be managed through a ticket machine which records the vehicle registration number and does not require a ticket to be displayed on the vehicle.

12. Enforcement will be carried out using Automatic Number Plate Recognition (APNR) units, fitted to patrol vehicles; these units are linked to the charging mechanisms and provide real time information on payments.

13. With these proposals to minimise the management costs of the sites the requirements of the Council's Medium Term Financial Strategy will be met through a daily parking charge of £1.50. This is very competitive with the cost of City centre parking and maintains the gradient in parking charges which falls from the City centre to the park and ride sites at the edges of the City.

Level of risk

14. With appropriate mitigation the risk is assessed as low.

No.	Risk Description Link to Corporate Objectives	Mitigation	Likelihood	Impact	Score	H= High, M= Medium L= Low
1.	Income levels not achieved leading to future budget pressures	Set fee with knowledge of "market". Include resistance in budget calculations. Careful budget monitoring.	3	3	9	M
2.	Legal impediment to charging.	Land and property and car parking law issues dealt with.	3	3	9	M
3	Conflict with bus main operator.	Consult with bus company on proposals.	1	2	2	L

4	Failure to implement new operating module leads to employment law issues.	Ensure TUPE law complied with and employment policies.	2	2	4	L
5	Encourage more use of city centre car parks and cause congestion.	Take great care in balancing budget needs of Council with wider implications. Monitoring after charges introduced.	2	2	4	L
6	Discourage economic activity through change.	Take great care in balancing budget needs of Council with wider implications. Monitoring after charges introduced.	2	2	4	L
7	Changes to operational model leads to increased crime.	Ensure sufficient randomly distributed patrols to deter crime. Enhance surveillance using modernized CCTV. Liaise with police re charges. Monitor crime levels and respond accordingly.	2	2	4	L

Financial Implications

15. The table set out in Appendix A compares the full year effect of a range of potential fee levels compared with the Council's budget and the requirements of the Medium Term Financial Strategy. The Strategy provides for an additional £250k above the amount (£250k) that is included in the base budget that was to have been received from the County Council with effect from 1st April 2012. Hence if no charge is made for parking the deficit to the Council against its Medium Term Financial Plan would be in the order of £1.2million ie. the £500k lost income from the County Council plus the estimated additional cost of operating the services of £674k. A charge of £1 or £1.20 leaves a deficit of around £492k and £357k respectively. A charge of £2 would more than cover the impact on the Council's Medium Term Financial Plan. A charge of £1.50 does not fully recover all costs (of providing the service) but meets the Medium Term Financial Plan requirement, as the costs not being recovered are essentially corporate and departmental overheads which are already borne by the Council; the residual balance of approximately £65k for 2012/13 and the £30k for 2011/12 can be funded through Section 106 income and dilapidations chargeable through the lease to the County Council. A fee of £1.50 would be the lowest level of charging at a convenient round number which will deliver the requirements of the Medium Term Financial Plan and is therefore recommended as the optimum price to be charged.

The £1.50 fee derives from modelling costs and income and relies on the following key assumptions:-

- The costs allow for changes in the method of operation which is likely to lead to a reduction in staffing and subsequent redundancy cost of up to £100k which could be met from the severance budget head.
- The revised method of operation uses Automatic Number Plate Recognition (ANPR) and CCTV technology. With new pay and display machines the estimated capital costs will be around £264k which is not currently included within the Council's Capital Programme. This will be funded via the S106 Monies as these items are Improvements to the Park and Ride Facilities
- The County Council currently hold Section 106 receipts which were previously transferred from the City Council when the car parks were transferred. The estimated amount is likely to be in the region of £788k. It may be possible to use some of these receipts to mitigate running costs such as repairs and maintenance that have been identified to deal with water pooling problems and drainage.
- If the new methods of operation are to be brought into effect there are still a number of employee consultations which need to be undertaken which will take time to complete. Should these not be completed before December then the existing staff structure would continue leading to a financial pressure on the 2011/12 budget of around £50k. Officers would need to mitigate this pressure in other areas of the budget .

Given these uncertainties Council officers will need to review the budget position and consider appropriate action as necessary. .

Climate change / environmental impact

16. The introduction of a charge may result in a minority of people to travel into the City centre or parking on street adjacent to park and ride sites or transferring to public transport rather than paying to park at the park and ride sites. This is difficult to estimate however but the adverse effects are judged to be minimal.

Equalities impact

17. As with all of our parking facilities disabled persons parking will continue to be available. It is not anticipated that there will be any differential impact based on race, gender, disability, sex, age, or religion due to this policy.

Action taken under officer delegated powers

18. There is a Parking Place Order already in force for the sites as the Order was not cancelled when the sites were transferred to the County Council. Car park charges can be altered by issuing a 21 day 'notice of intent' to change the charge. Acting under delegated authority, officers have issued a notice of intent to change the existing charge from zero to £1.50 (and a

related charge of £100 reduced to £50 for prompt payment in respect of non-display of a ticket or overstaying the time purchased. Whilst we have set out the proposed methods of payment in paragraphs 10 – 12, the current Order (which was made in 1998) does not provide for those methods of payment. It simply requires the motorist to purchase a ticket from the ticket machine and to display it on the vehicle. Alterations need therefore to be made to the Order. These alterations cannot be made by notice of intent. Again acting under delegated authority officers have advertised the variation to the Order to introduce the changes in the method of payment.

Legal Implications

19. There is no impediment in the lease or covenants relating to this land which would prevent the introduction of the changes to car park controls referred to in this report.

20. TUPE legislation will apply to the transfer of staff to the City Council. Relevant legislation and Council policy in respect of such matters will be followed and the proposed changes can be accommodated within those.

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List of background papers: The City of Oxford (Park and Ride Parking Places) Order 1998

Version number: 4

Appendix 1

Table showing impact of a range of fees in balancing the Council's budget position in a full year based on 2012/13

PARK & RIDE

Charging Options	@ £1.00	@ £1.20	@ £1.50	@ £2.00
Income				
Charge incl VAT	1.00	1.20	1.50	2.00
Charge Net of VAT	0.83	1.00	1.25	1.67
Total Income (£)	681,287	816,704	973,665	1,189,102
Expenditure (£)				
Direct Costs (employee, premises, transport, supplies)	539,551	539,551	539,551	539,551
Support services and other overheads	134,031	134,031	134,031	134,031
Sub Total Direct Costs	673,582	673,582	673,582	673,582
Lost Income	500,000	500,000	500,000	500,000
Net Position Compared to MTFS Deficit/(Surplus)	492,295	356,877	199,916	(15,521)

Table Showing impact of range of fees in balancing council's budget position for 2011/12

Park & Ride

Charging Options	@ £1.00	@ £1.20	@ £1.50	@ £2.00
Income				
Charge incl VAT	1.00	1.20	1.50	2.00
Charge Net of VAT	0.83	1.00	1.25	1.67
Total Income (£)	336,105	402,486	479,428	585,034
Expenditure (£)				
Direct Costs (employee, premises, transport, supplies)	382,917	382,917	382,917	382,917
Support services and other overheads	67,015	67,015	67,015	67,015
Sub Total Direct Costs	449,932	449,932	449,932	449,932
Lost Income	125,000	125,000	125,000	125,000
Net Position Compared to MTFS Deficit/(Surplus)	238,827	172,445	95,504	(10,102)

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