

TITLE OF PAPER: BUSINESS CASE FOR RETENTION OF SURPLUS OF CANNON HILL PARKING SCHEME WITHIN THE PARKS SERVICE**DATE: APRIL 2017****Background:**

The Commercialism Board agreed on 27 March 2017 a series of principles associated with the use and retention of financial benefits realised through commercial schemes. The principles are attached in Appendix 1 of this note.

A scheme to introduce car parking charges within major city parks was approved by Commercialism Board on 23 January 2017 and by Trusts and Charities Committee on 1 March 2017. The business case for this approach outlined an intention to reinvest any surplus income after the achievement of the savings target to improve parking facilities and infrastructure within parks and also invest in the wider parks service.

Alongside the introduction of the scheme to introduce car parking charges a 10% reduction (£1.2m) of the parks service budget has been consulted on and agreed as part of the budget for 2017/18, which will have a significant impact on services and capacity to create, implement and test new schemes and initiatives.

The longer term approach for the parks service is to move towards a model of self-sustainability – where income streams are created and maximised. As part of this a commercial and strategic business plan is being developed for each major park within the city, to sit alongside a plan for the entire service.

Proposal to Retain Surplus:

The first scheme associated with implementing car parking charges in parks is scheduled to take place in Cannon Hill Park. It is anticipated that after costs and investment in infrastructure there will be in the region of £30k surplus income at Cannon Hill Park. After the agreed savings target has been achieved across the service it is proposed that this income is fully retained within the parks service to:

1. Fund delivery of future parking schemes in other parks
2. Enable feasibility analysis to take place for other commercial schemes within Cannon Hill Park
3. Fund the exploration of improvement to services/infrastructure in the services to the park.

The proposed uses of the income above fit with the 2nd principle of the paper agreed at Commercialism on 27 March 2017 – *‘As additional resource for the service delivering the income to invest in service improvements (including the identification and implementation of further opportunities to generate additional income)’*.

The level of anticipated surplus also falls within the £100k guideline, for which it was anticipated that the service would retain the benefit.

Next Steps:

It is planned to implement the scheme on 23 June 2017 and that the performance of the scheme (financial and otherwise) is reported to Commercialism Board on a quarterly basis.

The retention of income for future schemes will be considered on a case by case basis in line with the principles agreed at Commercialism Board.

Appendix 1 - Report to Commercialism Board – 27 March 2017

Framework for Allocation of Surpluses from Commercialism Projects

Background

As the Council seeks to pursue an increasingly commercial approach, it is important to ensure that services are suitably incentivised to act in the wider financial interests of the Council. It is acknowledged that each “commercialism project” undertaken will have its own specific drivers, and that different approaches may be necessary for different projects, which may be very different in scale and impact.

The approach to be taken is therefore to set out a framework for the treatment of additional income arising as a result of commercialism projects, with the detailed application of the framework required to form a part of the Business Case for the individual project.

The Framework – Key Principles

The framework to be adopted consists of a small number of key principles / priorities for the application of any additional income generated. Any additional income generated should first be top-sliced for two purposes (ensuring that the service generating the income is not penalised or incentivised to act perversely):

1. To meet any costs incurred in delivering the additional income, including a contribution to the costs of the Commercialism Team
2. To deliver any approved savings proposals relating to the specific project

Remaining income then represents genuine additionality for the Council’s overall financial resources and offers a range of opportunities to be considered on a case by case basis:

1. As a contingency / mitigation against any non-delivery of other savings proposals – whether within the service generating the income or otherwise
2. As additional resource for the service delivering the income to invest in service improvements (including the identification and implementation of further opportunities to generate additional income)
3. As a more general corporate resource to be made available to direct towards Council priorities

Any retention of surpluses by the service must be supported by a business case for retention / investment, with the allocation of resources (after top-slicing as set out above) dependent on the level of annual surplus generated. The allocation of resources will vary from case to case, but a typical approach may reflect the following principles:

1. The first £100,000 of surplus – 100% retention by the service
2. Surplus between £100,000 and £400,000 – split 50/50 between the service and corporate priorities
3. Surplus above £400,000 – available to meet corporate priorities

This approach ensures that the service has a direct financial incentive to generate surpluses (capped at £250,000 per annum for each initiative subject to a business case), whilst also allowing resources to be directed to meet corporate priorities.

Recommendation

The Commercialism Board is recommended to endorse the benefits allocation framework as set out above.