

Agenda Item	12
Report No	HC/51/23

Committee: The Highland Council

Date: 14 December 2023

Report Title: Income Generation (Fees and Charges and Tourism)

Report By: Executive Chief Officer Communities and Place
Executive Chief Officer, Infrastructure, Environment & Economy

1. Purpose/Executive Summary

- 1.1 The Highland Council Programme (2022 – 2027) commits to “helping our communities to be prosperous, sustainable and resilient, making a positive difference to the lives of people.”
- 1.2 There are considerable opportunities to derive more income to support the overall work of Highland Council to sustain both communities and also important services to people. This paper describes a number of ways in which this can be achieved by reviewing the rates of existing fees and charges; introducing new fees and charges; and considering mechanisms to derive more income from tourism. Opportunities to raise revenues from renewable energy and new technologies are also briefly discussed with the main report as a separate item to today’s agenda.
- 1.3 In setting income rates, we need to reflect current legislation and to anticipate forthcoming planned legislative developments. We also need to consider the burden that income generation places on partners. In relation to tourism and energy, incomes raised will contribute to the overall council planning to sustain critical infrastructure for these sectors.
- 1.4 Members are asked to approve the steps being planned in these areas so that they can be incorporated into the base budget assumptions of the council in advance of the finalisation of budget planning for 2024 – 2025. The proposals are supported by the Redesign Board (5 December 2023) and agreed to recommend to Council.

2. Recommendations

- 2.1 Members are asked to:
 - i. **Note** the work done to consider mechanisms to generate income as part of wider budget considerations;
 - ii. **Agree** that these propositions will be considered by council in relation to the upcoming three year budget setting process;

- iii. **Reflect** on any other areas of income generation they would like officers to consider within our available powers;
- iv. **Agree** that the Income Generation Board described in the paper be established; and
- v. **Note** that these proposals are supported and recommended to Council by the Redesign Board.

3. Implications

3.1 Resource

It is anticipated that there may need to be a small and dedicated project team which will focus solely on ensuring that income generation is prioritised across all teams. The team will be established within Communities and Place and will be established on an initial 23 month secondment basis. It will focus on achieving the objectives outlined in this paper.

3.2 Legal

3.2.1 The income generation activity discussed here is all within the existing powers available to Highland Council.

3.2.2 Strictly, Highland Council can only do what the law expressly empowers it to do (the Ultra Vires principle). In practice the 'incidental rule' relaxes the Ultra Vires principle. The incidental rule permits activities, that while not expressly permitted in law are 'incidental' to other statutory powers and duties.

3.2.3 Further The Local Government in Scotland Act 2003 ('2003 Act') created a 'power of well-being'. The power of well-being gives THC the power to do anything which they consider would promote or improve the well-being of its area and persons within it. The power of well-being is not however a general power of competence, with the result that the Ultra Vires Principle has not been abolished. The 2003 Act contains considerable limitations and the Scottish courts have interpreted the power narrowly.

3.2.4 Section 15 Local Government and Planning (Scotland) Act 1982 (the 1982 Act) empowers the Council to provide recreational, cultural, and social activities, and Section 16 permits a charge for such activities. The trading element proposed in this report may be seen as 'incidental' to the Council's powers in the 1982 Act and therefore permitted.

3.2.5 The absence of express statutory powers to trade as described in this report is not without risk. Reliance on 'the incidental rule' and/or the power of wellbeing are not total legal solutions. However, the economic reality is that the Council must operate in an environment that pushes councils towards more commercial operations with their attendant risks.

3.2.6 Therefore, the Council should have clear, explicit reasons for commercial trading, which justify the associated balance of risks and rewards. The below reasons are considered legitimate reasons to engage in trading activity according to the Scottish Government's Best Value task force in 2004:

- reduced costs to partners;
- reduces cost to the Council by sharing of overheads;
- provides contribution to the local economy which contributes to sustainable development; and

- contributes to the Council's corporate goals in a way which cannot be better provided by an alternative provider.

3.2.7 It is also worth noting that the Power of General Competence currently available for English local authorities to utilise, is an aspiration of COSLA within the negotiations with Scottish Government in the Verity House process.

3.3 Community (Equality, Poverty, Rural and Island)

The setting of fees and charges needs to be weighed up in terms of the costs to be borne by the public. Increasing income will allow services to be sustained in local communities. The appropriate levels of uplifts in costs need to be set as part of a balanced budget. The work done through the budget simulator to support public engagement and feedback in the budget setting process of the council has been used to gauge what might be possible to achieve.

3.4 Climate Change / Carbon Clever

Some of the specific proposals brought forward in this paper are clearly designed to mobilise Highland Council's activity towards net zero. This is coherent with the Net Zero Strategy and the work of the Climate Change Committee.

3.5 Risk

The main risk in the proposals is the failure to deliver. For each proposed element a risk aware approach has been taken and appropriate mitigation planned. If approved all such risks will be managed by an Income Generation Board, led by the Executive Chief Officer, Communities and Place, to marshal the cross-Council planning and delivery. Reports on progress will be brought to future Council meetings through the Corporate Resources Committee.

3.6 Health and Safety (risks arising from changes to plant, equipment, process, or people)
As with 3.5, risks of this type have been factored into the project planning for key elements and will be managed as part of implementation and on-going delivery.

3.7 Gaelic

Considerations of how we promote the Gaelic language and, in particular, create routes for economic opportunity for career paths in Gaelic are being factored into the planning for specific developments where appropriate.

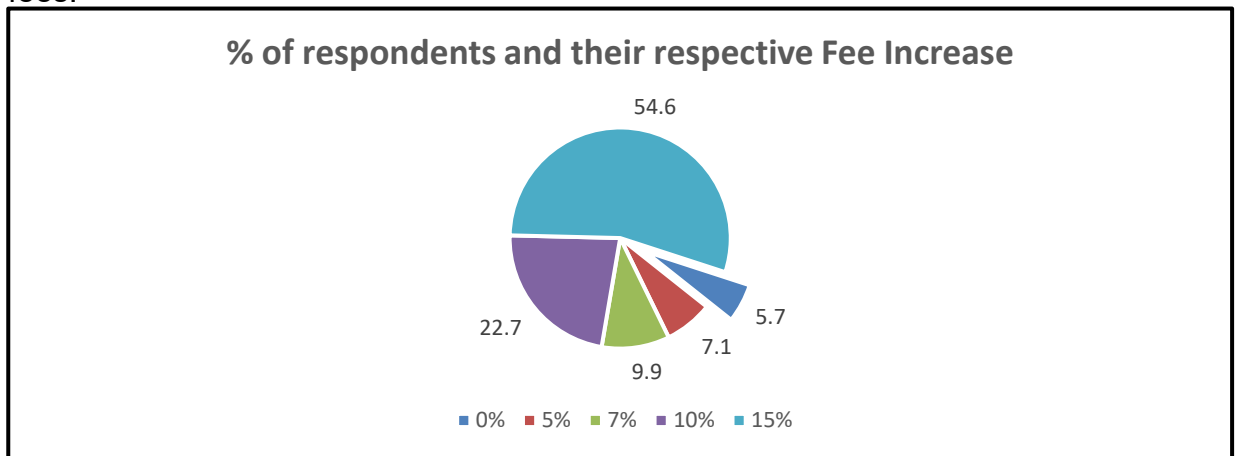
4. Context of Income Generation

4.1 Members will recognise that specific proposals to generate increases in income to Highland Council are being brought forward in the context of significant budget challenges. There is an anticipated budget gap of £61.7 million projected for 2024 – 2025 and of £108.3 million over the next three years. The current levels of income equate to 8% of our budget. It is expected that a strategy to increase this is required to sustain levels of service and support essential redesign activity.

4.2 There are three key areas in which income generation can grow: increasing existing fees and charges; raising new incomes in relation to tourist activity in the Highland area; and generating additional sources of income from energy related developments. The latter of these is covered in a separate, but related, paper to Full Council. What follows in this report unpacks the ways in which each of these might be progressed. Recommendations are set for members which can be further considered as part of the final budget setting process.

5. Review of Existing Fees and Charges

- 5.1 The high level list of existing charges is provided in **Appendix 1**. It should be noted that a number of fees and charges levied by Highland Council are under its jurisdiction to decide. There are others which are set nationally such as Planning and Registration (e.g. weddings set by the National Records of Scotland). Work is currently ongoing to provide a total value to fees and charges where the Council determines such fees. Clearly, the current fees and charges set by the Council are subject to historic decisions made by the council and are fundamental base budget assumptions. Work is also ongoing to compile a complete list of each individual fee / charge within each heading shown at **Appendix 1**.
- 5.2 Services already have specific income targets from such fees and charges, all informed by Member decisions from previous budget processes. Some of these targets (e.g car parking) are reportedly under pressure as per the recent revenue budget monitoring to strategic committees and it is important that cognisance is taken of that when finalising updated income targets, if changes to existing fees and charges are agreed.
- 5.3 It is worth noting that in the current consultation exercise to gauge the public's views of what the council should do to set its budget, a specific question is asked about the potential of the council to raises its fees and charges by different levels. Importantly, initial feedback from the simulator exercise shows that members of the public, who have completed the budget simulator tool, have, on average, been prepared to raise fees and charges by 11.5% with 94.3% of all respondents prepared to increase such fees.



5.4 Potential future changes to these fees and charges are illustrated in the table shown below. The income generated below is an estimate at this stage. Final figures will be known once the completion of the work to identify values for fees and charges that are set by the Council as discussed at 5.1. Members are asked to reflect on these and note the potential consequence of raising charges in relation to budget setting processes.

Increase/Year	%	24/25 (£'m)
Simulator responses	11.50%	4.600
CPI (Oct 23) + 5%	9.60%	3.840
CPI (Oct 23) + 4%	8.60%	3.440
CPI (Oct 23) + 3%	7.60%	3.040
CPI (Oct 23) + 2%	6.60%	2.640
CPI (Oct 23) + 1%	5.60%	2.240
CPI	4.60%	1.840

5.5 As part of the overall approach to setting fees and charges, cognisance must also be taken for a range of other factors including price elasticity. There may be therefore exceptions to general increase outlined above. Services, working closely with Finance colleagues, will undertake a critical review of any charges where the recommendations are for a fee increase different to the universal uplift.

6. Generating new Sources of Income from Tourism

6.1 Members will be aware of the success Highland Council has had in developing unique visitor experiences at such places as the Storr where visitor numbers can be as high 270,000 per annum. The anticipated revenue consequence of this one venture is anticipated to be £0.300 million per annum. This profit will be shared between Highland Council and the local area committee so that there can be benefits locally and corporately. It may be possible to replicate this model in other sites and areas.

6.2 The capital secured for the Storr project is shown below.

	Source	Amount	Use
Finance Secured	Place Based Investment Fund	£57,000	Staff Salaries Y1
	Coastal Communities Fund	£57,000	Staff Salaries Y2
	Coastal Communities Fund	£20,000	Staff Cabin
	S&R Ward Match Funding	£60,000	Storr Centre
	Islands Infrastructure Fund	£420,000	Storr Centre
	Islands Infrastructure Fund	£20,000	EV Connections
	Community Regeneration Fund	£51,162	EV Chargers
	Total	£685,162	

Investment of time and resource by the Skye and Raasay Area committee as was also essential as is engaging with local communities. A staff welfare cabin has been established and EV car parking and a visitor centre are being established at an integrated site along with the existing toilet provision. Trademarked merchandise has been developed for sale supported by its own dedicated website which will offer eCommerce. 5fte new posts will also be created supporting the local economy.

- 6.3 It is anticipated that a reserve is earmarked to allow local areas to come forward with proposed sites for future development. It should be understood that the business case for developing any future sites would be evaluated for consideration in relation to a number of strategic prioritisation factors, which are:
- the capacity of the site to raise revenues to justify investment;
 - the ability of the site to maximise the tourist experience;
 - the availability of land owned by Highland Council, or which can be owned at low cost;
 - the capacity of the site to contribute to a wider tourism development strategy for the area; and
 - the opportunity to leverage match funding.
- 6.4 The Storr project also provides an excellent template for replication. Thus, notwithstanding planning permission timelines for example, it is possible that at least 2 further sites become operational during 25/26 and 26/27. Thus by 26/27, generating new income of £0.900 million after running costs from the three sites that would be shared equally with the respective areas.
- 6.5 It is proposed that Members consider setting aside an earmarked reserve of £1.5 million in order to allow developments such as Storr to become more widespread. It is also proposed that Members set a future income target for a return on this investment, so that unique visitor experiences can become an on-going source of revenue development.
- 6.6 Estimates indicate that there are more than 210,000 campervans / motor homes that visit within Highland every year. The income generation proposals could include:
- to charge where we are not currently charging for those parking on Council land;
 - create new pitches (on council-owner land) (and provide waste disposal facilities);
 - consider providing EV Charging Points;
 - review the policy to only allow some overnight parking, and extend as appropriate

Thereafter, a further option could be to ultimately introduce a Loyalty Scheme.

- 6.7 Work continues on developing this proposal with the indicative gross sums exceeding £0.5 million per annum in 24/25 and a further increase of £0.5 million in 25/26, with the potential for further growth from the Loyalty Scheme. Some set-up costs/funding may be required and these will also form part of the final proposal for Members consideration. Further research will also be undertaken including learning from other Councils across the UK.

7. Generating Additional Sources of Income from Energy Related Activity

- 7.1 There is a separate paper to Council relating to energy developments, which updates on our strategy relating to achieving a Just Transition to Net Zero. This paper highlights a number of specific actions which relate to how Highland Council can generate revenues from energy related developments.

7.2 The developments relate to generating income from a number of sources of renewable energy, mechanisms to generate improvements in energy efficiencies that can reduce costs and future partnerships with the private sector that can release new streams of revenue.

8. Next Steps

8.1 Further work will be done by officers in advance of budget setting to clarify these revenue streams and other possible areas of activity.

8.2 An Income Generation Board will be established under the sponsorship of the Executive Chief Officer, Communities and Place.

8.3 The Board will operate under an approved Terms of Reference (TOR) and will provide proactive and responsive governance for the initiation and successful delivery of Projects and their related outcomes and benefits, with a key responsibility for decision-making, risk management, and oversight of the in-scope Projects.

8.4 The TOR will include the following and will be a key control document for ensuring the consistent focus and workings of the Board within the wider context of work to deliver improvements, savings and income:

- **Purpose** – what is the Board established to do, set in the context of responding to the significant budget challenges
- **Scope** – projects and related activities for which the Board has a remit and authority
- **Governance & Support** – setting out where the Board sits within wider Governance (e.g. Council, Strategic Committees), and how the Board will be supported, such as the collation and presentation of update reports (including exceptions), Board meeting frequency and organisation, facilitation and management.
- **Membership** – detailing the Board roles, including Sponsor, Lead, and key stakeholder group representatives (including Services), with roles fulfilled by the people who have the necessary authority to direct and take decisions in line with the Board's TOR
- **Responsibilities** – to include the following:
 - approve Project Business Cases and related delivery plans
 - be forward looking and lead with purpose, taking decisions to maintain pace and momentum to ensure the successful delivery of expected Project outcomes and benefits
 - ensure the required resources are available to deliver the Project outcomes and benefits
 - manage and respond to risks and issues that could lead to the non-achievement of outcomes and benefits, making decisions on the required remedial action
 - resolve any exceptional matters escalated to the Board
 - apply change controls and authorise (where applicable) any major deviations from the approved Business Cases and related plans
 - communicate information about the Projects across stakeholder groups

- provide overall strategic direction for the Income Generation Programme, within the wider context of the work to deliver improvements, savings and income.

8.5 Work will also be done to develop the financial system required to enable the maximum productivity of income generation, including a review of budget codings and existing savings.

Designation: Executive Chief Officer, Communities and Place
Executive Chief Officer, Infrastructure, Environment and Economy

Date: 6 Dec 23

Appendices: Appendix 1: High level list of fees and charges

Appendix 1: High level list of fees and charges

Description
Marine Fuel
Ferry Dues
Planning Fees
Commercial Refuse Collection
Building Warrant Income
Car Park Dues
Rent - Hostels
School Meals Income
Burial Fees
Uplift of Green Waste
Pier / Harbour Dues
Cremations
Sale Of Lairs
Other Civic Govt Licenses
Liquor Licenses
3rd Party Trade Waste
Lettings
Registration Fees
Fines
Misc Amenity Charges - Housing
On Street Parking Income
Taxi & Private Hire Licenses
Waste - Tipping Fees
Planning Fees Advertising
School Meals
Sale of Wheelie Bins
Scrap Metal
Monthly Parking Ticket Income
Travelling People Site Rents
Function Catering Income
Fish Export Certificate
Domestic Bulky Uplifts
Residents Parking Income
Private Water Supply Fees