

**Draft Scrutiny Inquiry Final report  
Fees and Charges  
21<sup>st</sup> December 2015**



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# Desired Outcomes and Recommendations

**Desired Outcome** – To have in place a fees and charges policy that will help disadvantaged groups access services that they might otherwise be unable to use. To have a policy which encourages services to look at how their pricing structures and subsidies might be targeted at priority groups in order to help achieve specific council objectives

**Recommendation 1** – That Executive Board agree the proposed changes to The Fees and Charges Policy and Best Practice Guidance

**Desired Outcome** – To ensure fees to do not fall behind market expectations

**Recommendation 2** – That all fees are reviewed annually and the normal expectation is that they would increase by at least the rate of inflation and be implemented on 1<sup>st</sup> January.

**Desired Outcome** – To ensure that the Council does not behind market expectations

**Recommendation 3** – That Directorates review and look at refreshing policies or charging frameworks on an annual basis.

**Desired Outcome** – To ensure a consistent and robust accounting structure for calculating the true cost of services.

**Recommendation 4** – That Directorates ensure that all possible costs in line with CIPFA's Service Reporting Code of Practice for Local Authorities are accounted for in relation to those services where legislation states that fees can only recover costs.

**Desired Outcome** – To encourage a robust debate on the services provided, the subsidies they attract and the level of fees charged

**Recommendation 5** – That the Executive Board actively consider the list of potential new fee areas drawn up by this Scrutiny Board and where appropriate request that officers undertaken a full cost benefit analysis.

**Desired Outcome** – To maintain a sustainable Care Service

**Recommendation 6** – That in relation to Non-Residential Adult Social Care Services, the Executive Board considers either increasing of removing the current cap on the amount anyone pays for their services per week.

**Desired Outcome** – To provide a central support on marketing, communications and business acumen to fully maximise income potential

**Recommendation 7** – That Executive Board look at providing a budget to fund work/resources to generate income.



# Introduction and Scope

## Introduction

1 At the Board's July meeting, Members agreed to undertake an Inquiry into income generation. The agreed terms of reference provided the rationale behind the Inquiry. These focused on the belief that a critical examination of fees and charges may be an effective way to help ease budget pressures and focus spend and subsidy on the highest priorities and therefore help deliver the Council's Best Council Plan by

**Targeting subsidy at top priorities** -by recovering more of the cost of lower priority services, resources become available for higher priorities

**Targeting subsidy at those groups in greatest need** – well designed charges can help ensure that those least able to pay can still access services

**Improving services** – Additional income can be used for investment in improving facilities

**Delivering corporate priorities** - charges can help to deliver corporate priorities, for example, leisure charging can support strategies to improve health and well being

**Generating income** – additional income can be generated by varying fees and charges. The council can also review the extent to which discretionary services should continue to be provided free of charge

**Managing demand for services** – Well designed charges can improve access to services for key target groups

**Changing behaviours** – charges can be used to influence behaviour in order to meet council objectives e.g. varying charges for sport participation to support our public health priorities.

## Scope of the Inquiry

2 It was agreed by the Board that the purpose of the Inquiry was to make an assessment of and, where appropriate, make recommendations on the following areas:

- Current principles for charging and a review of the Fees and Charges Policy
- Current levels of charging and/or subsidy for discretionary services
- Options for increased levels or new sources of income

3 It was further agreed by Members that the focus of their work would be around income and fees rather than trading services. As a general principle a traded charge is one that is made to an organisation whereas a fee/charge is one made against an individual. However, having said that, we do make a number of comments and observations regarding trading services particularly within Children's Services.

## Best Council Plan

4 The application of a good fees and charging policy can help disadvantaged groups' access services that they might otherwise be unable to use. A revised fees strategy



# Introduction and Scope

encourages services to look at how any subsidy might be targeted at priority groups in order to achieve specific council policies within the Best Council Plan.

## Desired Outcomes, Added Value and Anticipated Service Impact

- 5 Our recommendations are designed to recognise that fees and charges are becoming an increasingly important source of income for the Council and that a serious debate needs to take place to encourage services to look at how fee structures and subsidies might be targeted at priority groups to help achieve specific council objects.

## Equality and Diversity

- 6 Equality and diversity issues have been considered throughout this Scrutiny Inquiry.
- 7 Where a Scrutiny Board has made recommendations and these are agreed, the individual, organisation or group responsible for implementation or delivery should give due regard to equality and diversity and where appropriate an equality impact assessment will be carried out.



# Conclusions and Recommendations

## Introduction

- 8 The Medium Term Financial Strategy 2016/17 – 2019/20 clearly sets out the impact of the anticipated reductions in government funding coupled with rising demand for many services, with a forecast that the Council will need to generate savings of £146m by 2019/20 (although this is dependent on the exact level of future core funding from government). This will require the Council to take difficult decisions in order to reduce the Council's net spend. These decisions are very likely to include reducing and ceasing services and also generating additional income through increasing fees and charges for services, potentially based on the ability to pay.
- 9 Members of this Scrutiny Board have recognised this and have discussed in great detail current charges made by Directorates. The Board has also explored with Directorates the principles around charging including; policies for non-Leeds residents, the use of subsidy and differential charges and new areas of fees, and overall review of policies that currently may provide barriers to generating income. This is discussed more fully later in our report.
- 10 We also believe it timely for Members to have a dialogue around those services we have traditionally undertaken but cannot be regarded as a core activity. An example for illustrative purposes would be music centres which were subsidised at a cost of £130K pa in 2014/15. If full costs cannot be recovered, should the authority be looking at different delivery models, for example, via the

Third Sector or indeed ceasing altogether? We recognise that these are unpalatable conversations but are needed in the current economic climate.

## Background Information and Context

- 11 By way of context, the table below shows the level of budgeted income from sales, fees and charges by directorate. These figures include assessed contributions to adult social care services.



# Conclusions and Recommendations

## Income by Directorate

Source of Income	Sales, fees and other income 15/16 (£)
Adult Social Care	28,165,200
Children's Services	20,428,760
Citizens and Communities	4,738,840
City Development	27,057,770
Civic Enterprise Leeds	2,888,620
Environment & Housing	23,374,540
Public Health	1,680
Strategy and Resources	851,040
Strategic and Central Accounts	666,000
<b>General Fund Sub Total</b>	<b>108,172,450</b>

average £210 php). This is an improvement on our previous position of 8<sup>th</sup> in 2012/13.

- Fees and charges income relating to early years and schools is significantly lower than average. £28 php

compared with average of £36 php.

12 We also received a comparative analysis of the Core Cities fees and charges using 2013/14 'Value for Money' profile data.

Some key facts include:

- Leeds is ranked 5<sup>th</sup> in terms of all income from fees and charges per head of population (php). (£207 php compared with highest £262 php and



# Conclusions and Recommendations

- Leeds is ranked 7<sup>th</sup> for income from SEN, learner support (including home to school transport), access (including music and outdoor education) and LEA functions.
  - Leeds ranks 6<sup>th</sup> out of 8 for Adult Social Care income from fees and charges (£36php) but does not vary significantly from the average (£37 php).
  - Leeds is ranked 1<sup>st</sup> for fees and charges income from children's social care (£17 php).
  - Parking services income is significantly lower than average. £16 php compared with £29 php.
  - Housing services income ranks 5<sup>th</sup> at £2 php compared with average £5 php.
  - Leeds has the highest fees and charges income from all cultural services out of all the core cities (£28 php). The only area below average is libraries.
  - Leeds ranks 8<sup>th</sup> for environmental and regulatory services fees and charges income and varies very significantly from the core city average - £13 php compared with an average of £21 php
- 13 As well as charging levels it is important to have a clear understanding of costs and subsidy.
- 14 Where full costs are not recovered we effectively subsidise the service or arguably local tax payers subsidise it. We only have limited money to provide subsidies and we should ensure that this is targeted at the highest priority areas.
- 15 Our analysis suggests that the level to which we subsidise individual services as well as cumulative subsidy is poorly understood and not very transparent. There is limited evidence of explicit decisions being made about the level of subsidy that is appropriate or to which services a subsidy should be applied.
- 16 Another potential reason for our lower comparative income from fees and charges is that we choose not to make charges for services that some other local authorities charge for i.e. we provide a 100% subsidy. Examples of such services are: bulky collections; replacement wheelie bins; garden refuse collection; residents parking permits; and parking at district centres and visitor attractions.
- 17 Overall, the Councils' income per head of population is £3 lower than the average, which equates to £2.25m per annum. Every 1% increase in fees and charges equates in theory to £1m additional income.

## Fees and Charges Policy

- 17 The Fees and Charges Policy and Best Practice Guidance were last updated in 2008 and clearly in





# Conclusions and Recommendations

need of revision. The Board is of the view that developing clear principles for charging would help decision makers to overcome the barriers and controversies that tend to dominate charging debates.

18 The Board has critically reviewed the policy and best practice guidance and has recommended a number of important revisions. These are detailed below.

- **Removal of all outdated references** to CPA scores/Audit Commission and old legislation.
- The requirement to produce and **publish a directory of all fees and charges made by the Council** should be strengthened. The main reasons for this are in the interests of transparency and openness although there may also be small efficiency savings in terms of having to deal with reduced numbers phone calls enquiring about fees and charges. As it currently stands the Council does not publish all fees and charges and those that are, are published in a multitude of different places, making it very difficult for customers to find pricing information. It is recommended that a full list of fees and charges is published prominently on the Council website and that it is updated as and when prices change. Other channels should also be used to promote the existence of the Council's fees and charges list, including, for example, One Stop Shops, social media and the YEP. Consistency of message is crucial.
- Where no charges are made or **where charges do not recover full costs, the council tax payer/business rates payer subsidises users.** The guidance regarding subsidy should be strengthened to ensure that decisions about subsidy are made in a more transparent way with reference to all key facts. The new policy should require a **business case** to be approved for all services where there is a subsidy and additionally that all these **subsidised services are identified in the budget.** There is also a recommendation that consideration should be given to avoiding subsidisation of **non-Leeds residents.** It is acknowledged that this may be difficult to achieve in some circumstances.
- The revised policy and guidance should provide clear advice on how to calculate the true costs of providing services. Up to now various different ways of calculating full costs (particularly overheads costs) have been used. These revisions are aimed at getting **greater consistency and a more realistic assessment of the true costs of providing services.** The guidance stipulates that **CIPFA's Service Reporting Code of Practice for Local Authorities (SeRCOP)** should be followed when calculating full costs and determining what level of overheads to apportion to charged for services. Overhead charges are a particularly difficult area and the new guidelines should seek to simplify the situation by annually setting a fixed percentage to be applied to direct costs to cover



# Conclusions and Recommendations

overheads. This percentage will be calculated using SeRCOP guidance. Different fixed percentages might be applied to reflect differences in the way services are provided. These changes should ensure greater transparency over price setting and the level of subsidy for each service.

- **A recommendation that concessions may be used to provide a discount from the standard charge for specific groups** for certain services. This is particularly useful when trying to achieve certain policy objectives. The guidance should be revised to **allow concessions to be provided to target groups or on a geographical basis** i.e. to allow differential charging across the city, where it would assist the council in achieving a specific policy outcome. **Regular reviews of take up should be undertaken.** It is recommended that consideration be given to not granting **concessions to non-Leeds residents.**
- The section on **waivers should be removed** because the council has other policies in place that cover this eventuality (debt recovery policies).

- 19 We are also of the view that the policy should be flexible enough to allow the Council to compete within a changing and competitive market.

**Recommendation 1 – That Executive Board agree the proposed changes to The Fees and Charges Policy and Best Practice Guidance**

## Current Fees and New Charges

- 20 It is the Board's view that two issues require debate; how much should existing fees be raised and what new ones should be introduced. In terms of existing fees we would recommend that all fees are reviewed annually and the normal expectation is that they would increase by at least the rate of inflation and be implemented on 1<sup>st</sup> January. The Board recognises that in some circumstances that may not be possible or desirable and accept that there needs to be flexibility to vary from this norm.

**Recommendation 2 – That all fees are reviewed annually and the normal expectation is that they would increase by at least the rate of inflation and be implemented on 1<sup>st</sup> January.**

- 21 Whilst we acknowledge that comparing levels of fees and charges income is notoriously difficult because of the varying treatment of income in council accounts and the wide variety of charges made, we are concerned that in comparison to other Core Cities we have fallen behind in fees charge levels. To address this we recommend that all Directorates review and look at refreshing policies



# Conclusions and Recommendations

or charging frameworks on an annual basis.

**Recommendation 3 – That Directorates review and look at refreshing policies or charging frameworks on an annual basis.**

- 22 We have already recommended changes in the Charging Policy which will provide clear advice on how to calculate the true costs of providing services. This is especially important in those service areas where legislation states that fees can only recover costs. (For example, Private Hire and Taxi licensing). We recommend therefore that in those service areas a full review is undertaken to ensure all possible costs are recovered using CIPFA's Service Reporting Code of Practice for Local Authorities.

**Recommendation 4 – That Directorates ensure that all possible costs in line with CIPFA's Service Reporting Code of Practice for Local Authorities are accounted for in relation to those services where legislation states that fees can only recover costs.**

- 23 Moving on to new fee areas, the Board is of the view that a number of new fees could be introduced without too much difficulty. These include;
- Charging landlords for referring tenants onto them

Charges for pest control, e.g. rats in homes

Charges of relevant costs to private landlords where enforcement action is successfully taken.

Introducing a fee for credit card payments

- 24 There are however a whole raft of other potential charges that could, in theory be introduced. A list of these was drawn up by the Board and officers were asked to give a calculation as to the potential income. These calculations, where made, should be seen as initial 'guesstimates' and more work would be required if a business case for adoption was to be drawn up. Similarly in drawing up a business case a view would need to be taken on any unintended consequences of introducing a charge and whether it would have a negative impact on other Council objectives. For example increased fly tipping if garden waste fees were introduced. Elasticity of demand is also a key factor. Consideration will need to be taken as to whether price increases or the introduction of new fees will ultimately result in reduced demand. The introduction of museum charges was cited as an example where footfall may decrease if fees were introduced.

- 25 Areas considered by the Board were;

- **Implementation of car parking charges at visitor attractions in the city e.g. Roundhay Park.**



# Conclusions and Recommendations

From the initial work undertaken it is suggested that in a full year around **£250k** could be realised if say a £2 flat charge per car was introduced at car parks at Roundhay Park, Temple Newsam, Golden Acre, Kirkstall Abbey and Otley Chevin.

- **Charging an entrance fee to see the bonfires and firework displays put on by the Council.**

On the basis that the annual cost of annual bonfires and firework displays is **100k** then any charging structure would have to be designed to recover this cost.

**Total sponsorship and voluntary donations was also considered**

- **Charging for replacement wheeled bins.**

Simplistically based on a £20 charge for the cost of the bin, and then assuming that there is a reduction in the demand to replace broken and stolen bins is maintained, which is currently £25k per annum then around **£100k** per annum might be realised.

- **Implement a charge for the kerbside Garden Waste collection.**

With the introduction of a charge combined with collection savings resulting from the same level of reduced participation that has been experienced by other Local Authorities that have introduced charges for kerbside garden

collection then a budget saving of between **£1m to £1.3m** could be realised.

- **Charging the public for depositing inert wastes (soil/rubble) and plasterboard at Household Waste Sites.**

No work has been done to estimate how much could be realised for charging members of the public for disposing of this waste type, although it is noted that North Yorkshire County Council have introduced this charge and saved over £400k. Leeds City Council disposal budget for this type of waste is much lower at around £140k, so savings need to be considered against this amount.

- **Implement fees for parking at District shopping centres.**

No detailed work has been undertaken in calculating how much income could be realised but initial thoughts would suggest **£100k** per annum.

- **Charging for Bulky Waste Collection**

Based on the current number of collections and factoring in a reduction due to customers not using a service that is now charged for then it is estimated that as a minimum it isn't unreasonable to assume that around **£100k** in income would be generated. As highlighted



# Conclusions and Recommendations

at Scrutiny this may have to be set against any additional costs associated with dealing with an increase in fly tipping, Most Council's now charge for this service

- **Review charges for pest control and implement a charge where no charges currently exists i.e. charge house owners for the dealing with a rat in their property.**

Currently only landlords are charged for removing rats from a property. If this charging arrangement was extended to all domestic properties then it is estimated that circa **£40k** per annum would be realised.

- **Where enforcement action is being undertaken against private landlords then relevant costs could be charged to the persons to whom action is being taken against.**

The level of income realised would depend on which costs are identified as chargeable to the landlord but working on the basis of legal costs and a proportion of staff time then **£70k - £100k** could be charged on each year,

- **Charge landlords for referring tenants onto them.**

No figure has been calculated as to how much could be realised by implementing a charge for this service.

- **Resident Parking Permits**

A charge of £25 per permit would cover costs and it is projected that this would result in approximately £300k of additional income per annum.

- **Work based parking charge**

Difficult to estimate income from introducing as there are so many uncertain variables. Some further work could be done to look at some possible options.

- **Charging at the City Museum and Leeds Art Gallery.**

It is more difficult to quantify the impact of charging at the City Museum and Leeds Art Gallery. The Directorate has identified a significant number of concerns, risks and barriers to introducing such charges. Potential income.

	Annual Visits	Assume reduction of 70% for paying visits	Estimated income Assume £2.50 average charge (allowing for various discounts) and less additional
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# Conclusions and Recommendations

			costs
Leeds Art Gallery	453,088	136,00	£3000,000
Leeds City Museum	268,352	80,500	£160,000

- 26 Other ideas discussed by the Board but not costed include introducing a private landlord registration scheme (beyond HMOs). (A similar model has been adopted in Liverpool.

**Recommendation 5 - That the Executive Board actively consider the list of potential new fee areas drawn up by this Scrutiny Board and where appropriate request that officers undertaken a full cost benefit analysis.**

- 27 In addition to the above potential new income sources, the Board considered the current review of the charging arrangements for non-residential Adult Social care services. Whilst the Board did not resolve to make any specific recommendations in this area, we again noted the Council's position in this area in comparison to Core Cities (6<sup>th</sup> out of 8 for Adult Social care income). Notwithstanding the current period of consultation taking place on this matter, the Board believes it is important that Executive Board considers either increasing of removing the current cap on the amount anyone pays for their services per week.

**Recommendation 6 - That in relation to Non-Residential Adult Social Care Services, the Executive Board considers either increasing of removing the current cap on the amount anyone pays for their services per week.**

- 28 Whilst this inquiry has focused on fees to individuals rather than 'trading services', we did briefly discuss this area with a number of Directorates. We feel there is considerable scope to do more 'business' in a number of areas. A particular area is school improvement services within Children's Services. We are of the view that we are not making the most of our trading offer in this area with schools, clusters and other local authorities. (This was alluded to in a report by Scrutiny Board (Children and Families) in April 2012. We are also of the view that it is now timely to re-evaluate our overall charges to schools to ensure we are not subsidising their services at a time when schools surpluses grow and our own resources diminish.

- 29 The marketing of hot meals is another example where we are not fully utilising the potential for income. Similarly we do not feel we are fully capitalising on the enormous success of Lineham Farm and Herd Farm, which receives considerable subsidy from the Council.

- 30 Finally we are of course mindful that income received from traded services needs at a minimum to cover the cost of resources used to generate that income. We also acknowledge that commercial activity is alien to some





# Conclusions and Recommendations

Directorates and that they do not necessarily have the right skills set to operate in a commercial environment or indeed have the necessary capacity. We would therefore look towards the expertise within Civic Enterprise Leeds and PPPU to provide a central support on marketing, communications and business acumen to fully maximise our income potential.

**Recommendation 7 - That Executive Board look at providing a budget to fund work/resources to generate income.**



## **Monitoring arrangements**

Standard arrangements for monitoring the outcome of the Board's recommendations will apply.

The decision-makers to whom the recommendations are addressed will be asked to submit a formal response to the recommendations, including an action plan and timetable, normally within two months.

Following this the Scrutiny Board will determine any further detailed monitoring, over and above the standard quarterly monitoring of all scrutiny recommendations.

## **Reports and Publications Submitted**

- Fees and Charges Policy and Best Practice Guidance
- Fees and Charges Summary of Current Charges – All Directorates
- Charging for Non-Residential Adult Social care Services
- Summary Costs for Community Centres
- Returned questionnaires from Directorates
- Fees and Charges 2014/15 – Analysis of Core Cities

## **Witnesses Heard**

Doug Meeson – Chief Officer (Financial Services)  
Steve Clough – Head of Revenues Saving Programme  
Martin Farrington – Director of City Development  
Richard Ellis – Head of Finance, Environment & Housing  
Simon Criddle - Head of Finance, City Development  
John Mulcahy - Citizens and Community  
Nigel Richardson - Director of Children's Services  
Tim Pouncey – Chief Office (Audit and Investment)  
Ann Hill – Head of Finance, Adult Social care

## **Dates of Scrutiny**

20<sup>th</sup> July 2015  
28<sup>th</sup> September 2015  
26<sup>th</sup> October 2015  
23<sup>rd</sup> November 2015  
21<sup>st</sup> December 2015



**Scrutiny Board (Strategy and Resources)  
Fees and Charges  
21<sup>st</sup> December 2015  
Peter Marrington  
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