

**Report of: Chief Officer – Financial Services**

**Report to: Scrutiny Board (Strategy & Resources)**

**Date: Monday 20<sup>th</sup> March 2017**

**Subject: Implementation of the Council’s Fees & Charges Policy**

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> <b>No</b>
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> <b>No</b>
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> <b>No</b>
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> <b>No</b>

### Summary of main issues

1. In February 2016, following this Scrutiny Board’s inquiry report into Fees and Charges, Executive Board agreed a new Fees and Charges Policy for the Council in conjunction with a number of other recommendations intended to optimise income generation and ensure the Council consistently and transparently identifies and agrees service subsidies.
2. This report considers how far the policy has been implemented to date and what further action is required in order to ensure the Council continues to optimise income generation whilst ensuring service subsidies are both justified and targeted at the Council’s priorities.

### Recommendations

The 2017/18 budget setting process provides a good foundation from which to further develop the Council’s policy and strategies for optimising income from fees and charges. Moving forward into the 2017/18 financial year and in preparation for the next budget setting cycle for 2018/19, it is suggested that the following areas are developed further:

- ensure that all potential income-generating , non-statutory services (see para. 3.9) are identified within the ‘subsidised services statement’

- ensure that the estimated costs associated with any statutory elements of traded and potentially traded services are calculated and excluded from the subsidised services statement
- develop and implement a standard business case template for those services that require a subsidy, whilst ensuring that the level of detail required is commensurate with the scale of activity/subsidy.

## 1 Purpose of this report

- 1.1 In February 2016, following this Scrutiny Board's inquiry report into Fees and Charges, Executive Board agreed a new Fees and Charges Policy for the Council in conjunction with a number of other recommendations intended to optimise income generation and ensure the Council consistently and transparently identifies and agrees service subsidies.
- 1.2 This report considers how far the policy has been implemented to date and what further action is required in order to ensure the Council continues to optimise income generation whilst ensuring service subsidies are both justified and targeted at the Council's priorities.

## 2 Background information

- 2.1 The new Fees and Charges Policy sets out a number of key recommendations across 4 policy areas as follows:

<b>Review</b>	All charges and scope for charging will be reviewed at least annually (at budget preparation time) and will include services which could be charged for but which are currently provided free of charge
<b>Charge Setting</b>	Decisions to vary or introduce charges should take into account the Council's priorities, financial objectives and a range of factors including (but not limited to) the potential impact on user demand, competition, benchmarking/comparator data and wider policy objectives A directory of all charges shall be maintained and published on the Leeds City Council website
<b>Subsidy</b>	Where legislation allows, fees and charges should generally aim to recover the full cost of services including relevant overheads as set out within Cipfa's Service Reporting Code of practice (SeRCOP) A business case should be created for all services that require a subsidy from the Council All subsidies should be explicitly identified during annual budget setting Approval for the level of subsidy should be obtained from the relevant director/chief officer in consultation with the S151 Officer and relevant Executive Member All Trading activities and services will be charged for unless prevented by statute or under exceptional circumstances agreed as exempt
<b>Concessions</b>	All concessions should be fully justified in terms of achieving the Council's priorities and should be approved by the relevant director in consultaion with the Executive member

- 2.2 This Scrutiny Board also set out a number of areas where it may be feasible to implement new fees and charges and these areas are set out in the table at Appendix 1. The Table indicates whether the relevant directorate is planning to introduce the new charge and the main rationale underpinning the decision.

- 2.3 The remainder of this report examines how far directorates have adhered to the policy as part of the 2017/18 budget setting process and what further action is needed to ensure the Council continues to optimise income generation. In both these respects, the conclusions and recommendations of the report have been informed through consultation with the Heads of Finance from local financial management teams.

### **3 Main issues**

#### **COMPLIANCE**

##### **Review of charges**

- 3.1 In line with the policy, all directorates have reviewed their charges and scope for charging as part of the 2017/18 budget planning process. A review of the Council's existing fees and charges and consideration of scope for introducing new charges was a key element of the Council's Service & Policy Options review which commenced in March 2016 and culminated in the Council's Initial budget proposals being considered by the Executive Board in December 2016.
- 3.2 Directorates plan to introduce a range of new charges which are expected to generate approximately £735K of additional income from fees and charges next year. The majority of this income (£580K) will come from those potential areas of charging suggested by this Scrutiny Board as part of their original inquiry (**see Appendix 1**).
- 3.3 A list of various other planned new charges/sources of trading income is attached at **Appendix 2**.
- 3.4 Several of the new charges relate to universal services that were previously available to all Leeds residents free of charge, including the collection of bulky waste from domestic properties, provision of replacement wheeled bins and the depositing of inert wastes (e.g. soil, rubble and plasterboard) at household waste sites.
- 3.5 A number of the potential new charges put forward by Scrutiny Board were discounted including the introduction of charging at the City Museum and Art Gallery, additional income from the kerb-side collection of garden waste (£1.0M), introduction of resident parking permits (£0.30M) and the implementation of new car parking charges at a range of visitor attractions (£0.25M). The rationale for discounting all of these potential these new charges is again given at Appendix 1.

##### **Charge Setting & Subsidy**

- 3.6 As directed by the Fees and Charges Policy, each directorate calculated the full cost of relevant services, including both departmental and corporate overheads and capital charges, as part of the annual budget setting process.
- 3.7 The policy also requires that directorates identify the extent to which any activities are subsidised by the General Fund. Directorates complied with this requirement and a list of subsidised services was included as an appendix to the 2017/18 budget report to Full Council (see **Appendix 3**).

- 3.8 Closer inspection of the list of subsidised services at Appendix 3 reveals a small inconsistency in terms of the treatment and costing of statutory services and, for example, the net cost of some services (e.g. Building Control) includes the cost of statutory functions which cannot be charged for. This means that the subsidised element of the service is potentially overstated and for this reason, the Children & Families directorate estimated the cost of the statutory elements of their services and then excluded them from the subsidised services statement.
- 3.9 The subsidised services statement rightly includes some services that are currently universally available to the public free of charge, for example the Museums and Art Galleries service which has an estimated net cost of approximately £5M. However, other similar 'universal' services do not appear within the list, for example, the Libraries Service. We therefore need to make sure that we are consistent and capture all potentially income-generating universal (non-statutory) services within future statements.
- 3.10 As stated in paragraph 3.1 above, directorate fees/charges and subsidised services were a key element of the Service & Policy Options reviews which commenced in March 2016 and continued throughout the budget setting process. In conjunction with the challenge/support provided through themed CLT sessions, the policy reviews helped to ensure that a rigorous approach was applied to numerous charged for/subsidised services in addition to several potential areas for new charging.
- 3.11 Again, as directed by the Fees and Charges Policy, a directory of all fees and charges was created in March 2016 and will be updated to reflect the latest position during March 2017.

## **Concessions**

- 3.12 With the exception of concessions attributable to Leeds Card and Breeze Card holders, no further concessions have been agreed for 2017/18.

## **4 Corporate Considerations**

### **4.1 Consultation and Engagement**

- 4.1.1 No significant impact on communities identified within the scope of this report.

### **4.2 Equality and Diversity / Cohesion and Integration**

The Fees and Charges Policy aims to deliver greater consistency in the Council's approach to towards service subsidies and concessions and encourages services to look at how fee structures and subsidies might be targeted at priority groups to help achieve specific council objectives.

### **4.3 Council policies and the Best Council Plan**

- 4.4 Effective implementation of a good fees and charges policy can help disadvantaged groups' access services that they might otherwise be unable to use and how subsidies might be targeted to help manage demand and change behaviours.

### **4.5 Resources and value for money**

4.5.1 Critical review of fees and charges helps to mitigate budget pressures, focus spend and subsidy on the Council' highest priorities and facilitates delivery of the Council's Best Council Plan.

#### **4.6 Risk Management**

4.6.1 No significant risks identified within the scope of this report.

### **5 Conclusions**

5.1 The 2017/18 budget setting process provides a good foundation from which to further develop the Council's policy and strategies for optimising income from fees and charges.

### **6 Recommendations**

Moving forward into the 2017/18 financial year and in preparation for the next budget setting cycle for 2018/19, it is suggested that the following areas are developed further:

- ensure that all potential income-generating, non-statutory services are identified within the 'subsidised services statement.'
- ensure that the estimated costs associated with any statutory elements of traded and potentially traded services are calculated and excluded from the subsidised services statement.
- develop and implement a standard business case template for those services that require a subsidy, whilst ensuring that the level of detail required is commensurate with the scale of activity/subsidy.

### **7 Background documents<sup>1</sup>**

None used

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<sup>1</sup> The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.