



Flintshire County Council

Income Generation Policy

DRAFT 02

February 2017

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DRAFT 02

1 Objectives and Approach

1.1 Objectives

The objectives of this policy are as follows:

- Maximise revenue generation with full cost recovery wherever possible;
- Ensure that charges reflect the ability to pay;
- Comparability with our own sector and market;
- Adopt differential pricing for some specific services where warranted;
- Put in place a consistent process and governance structure;
- Ensure that a clear and consistent set of principles and criteria underpin all decision making;
- Take into account any competition to deliver the service from the public, private or voluntary sectors;
- Set prices as part of the approach to marketing the service;
- Ensure that fees and charges are set in a way that complements the Council's wider policy goals; and
- Collected as efficiently as possible, in advance of the point of delivery and provides customers with as many ways as possible to pay.

1.2 Approach

The Council provides a range of services to residents, the community and visitors for which it can levy a fee or charge and generate income accordingly.

It establishes the process by which fees and charges will be set and the key principles that should be used in setting them.

The Council's high level aim is to maximise income generation wherever possible. This will contribute towards and support the delivery of key front line services. Setting fees and charges must be linked to the Council annual budget planning and the Councils medium term financial planning process in order to create a strategic and coherent approach.

Any approach to income generation will by necessity need to be flexible, as this is a complex area. For example, maximising income generation may not always involve increasing fees and charges. In areas where there is competition for council services, it may be more appropriate to reduce fees and charges to gain a greater share of the market.

The Council may choose to offer subsidies to promote access to services for those who otherwise could not afford the service. Such subsidies must be transparent, properly understood and have a clear rationale. As each time a service user is not paying the full cost of a service, the council tax payer is providing a subsidy.

By strategically using charging and concessions, councils can influence the behavior of its residents in line with wider Council policy goals. The Council can also demonstrate the value of its services and discourage the abuse of such services.

This document aims to support Council Members and Officers to strike the appropriate balance between these conflicting pressures and priorities.

2 Principles

This section sets out the overarching principles that should be applied when setting fees and charges across the Council.

Flintshire County Council fees and charges should:

- Maximise the level of income generated from the service within the appropriate legal framework which governs those charges;
- Ensure charges are transparent and communicated to users with reasonable notice;
- Take into account the nature of demand for the service and any market intelligence available;
- Complement the Council's wider policy goals and objectives;
- As a minimum, increase in line with inflation each year, unless there is a clear rationale for not doing so or for reducing the level of the fee in real terms;
- Take into account equality and diversity issues;

It is acknowledged that a number of these principles are contradictory in nature and that there should be a clear mechanism for deciding the prevailing priorities for each instance where conflicts arise.

3 Process for setting fees and charges

3.1 Overview

This section of the policy sets out the process for the setting of fees and charges across the Council.

It aims to put in place a transparent process that will take place annually or where necessary more frequently based on changed circumstances, ensuring that all areas of the Council are taking into account the same principles and criteria in making decisions on the level of fees and charges.

3.2 Monitoring Income and Governance

Most importantly, a governance structure is required to standardise the process of setting fees and charges and ensure that service areas are consistently basing their decisions on the appropriate criteria.

For this purpose income generation will be monitored through current portfolio programme boards.

Specifically in relation to income management the programme board will:

- Receive proposals for adjusting fees and charges on an annual basis. This may be undertaken as part of the budget setting process or at any other appropriate time during the year. Whenever it takes place the process will be considered in light of the Councils overarching Medium Term Financial Strategy (MTFS);
- Review these proposals to ensure that the appropriate criteria underpin the proposals; and
- Recommend the appropriate process for approval.

Programme Boards will not have the authority to approve the setting of fees and charges. The responsibility for this will lie with individual Chief Officers in consultation with their respective Cabinet Member under the process of delegated powers and or Cabinet, Full Council, where necessary.

The Board will also monitor the income generation performance of services against preset targets.

The Board should also be used as a gateway to review income-related business case investment and new proposals to introduce fees and charges.

3.3 Process

The process for setting fees and charges will consist of the following steps.

As a minimum each portfolio service area will undertake the process on an annual basis.

Step 1

In conjunction with the budget planning cycle, service areas will be required to review current levels of fees and charges for all chargeable services.

The output of this review should be an Income Statement outlining the service's proposals for adjusting fees and charges and introducing any new charges for the next financial year.

The Income Statement should demonstrate how the service has taken into account the following checklist of important areas for consideration:

- Intelligence on the nature and elasticity of demand;
- Benchmarking with other local authorities;
- An understanding of the market for the provision of the service, including alternative service providers from the private, public and voluntary sectors;
- An appreciation of the full costs of providing the service, including overheads;
- The implications of the level of fees and charges on the total income generated by the service, and the impact of this on the service and Council budget;
- The impact of any increase on service users;
- Whether a concession to service users should be continued, including:
 - The rationale for providing a concession to service users;
 - Evidence that the concession is promoting take up of the service and benefitting service users most in need and at risk; and
 - The financial implications of any concession
- The Council's wider policy goals, aims and objectives;
- The impact on communities; and
- Equality and diversity issues.

Proposals for income targets for future financial years should also be included.

These targets should include income generated from statutory fees and charges.

A template for the Income Statement is set out at section 5 of this policy. This seeks to ensure that all of the above items on the checklist are taken into account when fees and charges are reviewed.

The Income Statement will then be sent to the relevant Programme Board for consideration.

Step 2

The Programme Board will assess whether the right balance between competing interests has been struck given the wider financial context and will advise the service area on any changes that may be required.

The Programme Board will then determine whether the proposals should be sent for approval. In particular the Programme Board will expect that:

- As a minimum, the value of fees and charges should be maintained in real terms over time and increased annually in line with inflation;
- Any discretionary services that are not achieving full cost recovery will explain why they are operating at a deficit and more importantly how they will achieve full cost recovery with a plan for doing so; and
- All concessions will be justified, with evidence that the concession is benefitting the target community, and the financial implications of the concession for the wider service budget made clear.

Step 3

When proposals have been supported in principle by the Programme Board, the Board will recommend whether the proposals should be sent for approval under the process of delegated powers.

The following principles and guidelines will apply here:

- The presumption should be that the proposal will be sent for approval under delegated powers as outlined in the Council's Constitution.
- If the proposal raises concerns that it will be politically controversial, it should, in the first instance, be referred to the Cabinet Member with responsibility for the Service in conjunction with the Chief Officer for further consideration and approval, who may choose subsequently to refer to Cabinet for approval.

All proposals will be sent for approval using the methods supported by the Programme Board and, if approved, will be enacted by services.

Income targets should be passed to Corporate Finance, agreed and factored into the final budget setting process/Medium Term Financial Strategy.

Step 4

The service areas should put in place arrangements to communicate clearly any changes in fees and charges to service users.

A segmented approach should be used to ensure that the right messages are communicated to the right stakeholders, which should include, where applicable:

- Council staff;
- Service users;
- Taxpayers;
- The media;
- Local businesses; and
- Community groups.

A corporate approach will be taken to managing and approving these communications, where considered necessary, in order to ensure consistency of message across the Council. This approach will include the following principles:

- All communications issued should make clear the reason for the change in the fee or charge (e.g. in line with inflation, increased costs).
- Where there is an increased fee or charge, communications should provide clear advice to service users on the concessions available (if any) to make sure those who are entitled to discounts receive them.
- The timing of communications should be coordinated in line with when the change is implemented. For example, changes to school meal prices will be best communicated in the months preceding the start of the school academic year.

Any communications proposed to be issued out in respect to this should be cleared by the respective portfolio Cabinet Member before being sent.

Step 5

It is vital that the Council receives payment for its chargeable services. Wherever possible, customers should be required to pay charges in advance of the delivery of services or at the point of delivery to minimise the risk of non-payment and to assist customers to manage their own liabilities to the Council.

To facilitate payment and provide a customer centered service, multiple payment methods should be available to the customer. E-payments and the setting up of direct debits should be promoted as the preferred method.

Each year a review should also be undertaken of the means by which payments are made to all services. Services should demonstrate every year as part of the Income Statement how payment is currently collected, and then set out clearly how it proposes to make the collection process more efficient using less expensive channels of payment, how it intends to promote and signpost. This work should be consistent with the objectives set out within the Councils Digital Strategy.

Step 6

Each year the Members, Chief Officers and Service Managers from across the Council should actively consider new opportunities for income generation, however, this process should not simply be viewed as an annual activity and opportunities to generate additional income should be explored proactively throughout the year.

The purpose of these reviews should be to go beyond the usual paradigms of service delivery and create a more commercial culture within the organisation, testing the boundaries of what is possible, and exploring new ideas. They should discuss individual services in turn, assess latest developments and best practice in income generation nationally, consider new ideas, and establish whether any can be taken forward.

If ideas are identified, Chief Officers and Service Managers will be tasked with their exploration, development and implementation.

In year changes

As noted above, the Council's Constitution provides Chief Officers, in conjunction with their respective Portfolio Cabinet Members, a mechanism to set fees and charges in accordance with any policy or strategy approved by the Cabinet or Council (i.e. this policy).

With prior approval charges can be varied on an in year basis to manage demand

by raising or lowering prices, ensuring active demand management.

4 Concessions

A concession is applied when a local authority chooses to set a charge below the actual cost of service provision.

Concession setting is a careful balancing act. The Council may wish to target certain services at specific groups of residents and in doing so it may decide to apply a concession. For example, it may wish to offer assistance to the elderly, or those on benefits. However, every time a service user is not paying the full cost of a service, the council tax payer is in effect providing a subsidy. It is therefore important that efforts are made to ensure that subsidies are targeted at those service users whom the Council has made a conscious policy decision to help.

Certain principles are therefore important when determining the need for a concession:

- The Council should be wary of extending concessions to those who may be able or willing to pay more for a service.
- Concessions should not be applied to services which are a lower priority for the Council.
- Concessions should be focused on those groups most in need and at risk.
- Concessions must be transparent, properly understood and have a clear rationale for their application.
- The implications of each concession for the Council's overall financial position must be understood.
- There should be evidence that the concession is promoting take up of the service and benefitting service users.
- Concessions should be non-discriminatory in nature and effect

Concessions are likely to exist on a service specific level. It is therefore important that when reviewing concessions a consistent approach has been taken. Programme Boards will undertake this role as a part of the process outlined in section 3 of this policy above.

As part of Step 2 of the process outlined in Section 3 above, Programme Boards will assess whether service proposals for concessions should be supported.

In order to do this the Board will:

- Collect the information available on subsidies provided for chargeable services from Income Statements.
- Ask Finance staff to map the overall financial consequences of current subsidies for the Council's budget.
- Assess the information provided by service areas and consider the financial consequences for the Council's budget submitted by Finance. The Board's presumption will be that all concessions need to be justified, and the financial implications of the concession for the wider service budget must be made clear.
- As part of this process the Board should compare the need for and cost of subsidies that exist in different services. To do this the Board should rate the chargeable services prioritising who should pay for the service by asking the following questions:
 - Should the council tax payer pay for the service (in which case the service is free to service users)?
 - Or should the service user pay for the service (in which case there will be no subsidy and the service user will be paying the full cost of the services)?
 - How much will each of these options cost the taxpayer?

Based on the above, the Board can decide which service proposals and subsidies should be approved.

- This process will enable the prioritisation of subsidies within a clear financial context, to feed into the Board's decision as to whether to send service proposals in Income Statements for approval.

The Council will undertake this process on an annual cycle.

5 Income Statement template

Each service area will be required to fill in the template below on an annual basis.

INCOME STATEMENT TEMPLATE

Please note the following:

- All sections must be completed fully.
- Please feel free to expand the size of each text box if you need more space.
- Please submit this document to *(insert staff name here)* by *(insert date here)*.
- If you have any questions about the process please contact *(insert staff name here)*.

SERVICE AREA NAME AND CONTACT DETAILS	
CURRENT FEES AND CHARGES	PROPOSED NEW FEES AND CHARGES FOR 2017/18 (including inflationary uplift) <i>Please make clear the % change figure above inflation and explain rationale for new charge level.</i>
PERFORMANCE AGAINST SERVICE INCOME TARGET IN 2016/17	PROPOSED SERVICE INCOME TARGET FOR 2017/18 <i>Please provide rationale for the target set.</i>
COSTS OF SERVICE	% OF COSTS RECOVERED THROUGH CHARGES <i>If this is less than 100%, please provide rationale, and outline the implications for the service budget and wider Council budget, e.g. will efficiencies and cost reductions make up for the shortfall in income.</i>
NATURE OF DEMAND FOR SERVICE	
<i>Please provide latest activity / demand figures with an indication of recent trends in the market.</i>	
BENCHMARKING WITH OTHER LOCAL AUTHORITIES	
<i>Please provide evidence of comparable prices charged by other local authorities both regionally and nationally.</i>	
INFORMATION ON ALTERNATIVE PROVIDERS	
<i>Please provide an indication of any competition to provide the service in the local area, with information on prices offered and share of the market if available.</i>	
FIT WITH COUNCIL'S POLICY GOALS	
<i>Please provide information on how the level of the charge supports any Council policy goals.</i>	

CONCESSIONS

Please provide information on any proposed or existing concessions; including:

- *The rationale for providing a concession;*
- *Evidence that the concession is promoting take up of the service and benefitting service users most in need and at risk, and that people who may be able or willing to pay are not receiving a concession; and*
- *The financial implications of any concession provided for the Council's overall position.*

IMPACT ANALYSIS

Please indicate how the changed level of charge will impact on:

- *Service users;*
- *Communities; and*
- *Equality and diversity issues.*

METHOD OF COLLECTION

Please indicate the channels by which fees are currently paid, and outline how this can be made more efficient in the upcoming year.

COMMUNICATION STRATEGY

Please indicate how any change in fees and charges will be communicated to key stakeholders, including service users, local businesses, staff, and the taxpayer.

PROGRAMME BOARD DECISION AND NEXT STEPS

After the Income Statement has been considered by the Programme Board, please record the final decision here, along with the recommended next steps in terms of approval or any requests for further work.