

CABINET

Date of Meeting	Tuesday, 14 th July 2020
Report Subject	Annual Review of Fees and Charges
Cabinet Member	Cabinet Member for Corporate Management and Assets
Report Author	Chief Officer (Streetscene and Transport)
Type of Report	Strategic

EXECUTIVE SUMMARY

In line with the Council's Income Generation Policy, which sets the rationale for charging and calls for an annual review of fees and charges, the 2020 review of fees and charges has been completed. The outcome of this review is set out in Appendix A.

This report also outlines work to date on the recommendations, in relation to income generation and fees and charges, which were endorsed by Cabinet in July 2019, including:

- Applying an inflation uplift to applicable fees and charges as part of the 2020 review using either the Consumer Price Index including owner occupier Housing costs (CPIH), market rate comparison or the local/Council's rate (as part of the work to ensure full cost recovery by 2022);
- Work undertaken to assess whether fees and charges are achieving full cost recovery where permitted to do so and the development of a template to enable service areas to calculate this; and
- A review and update of the Income Generation Policy to ensure a framework for income generation, including consistent charging and cost recovery structure.

Applying the principles contained within the Council's Income Generation Policy, and those agreed by Cabinet in July 2019, to the 2020 annual review of fees and charges has ensured that any increases are appropriately managed to prevent large or unexpected changes to fees and charges from 1st October 2020.

RECOMMENDATIONS

1	That Cabinet approves the schedule of fees and charges documented in Appendix A for implementation on 1 st October 2020.
2	That Cabinet notes the work undertaken to implement the recommendations and criteria endorsed by Cabinet in July 2019 for the annual review of fees and charges and ensuring these are set to enable full cost recovery or market rate comparison wherever possible.
3	That Cabinet approves the updated Income Generation Policy provided as Appendix B to this report.

REPORT DETAILS

1.00	EXPLAINING THE LATEST POSITION ON FEES AND CHARGES AND THE COUNCIL'S UPDATED INCOME GENERATION POLICY
1.01	Background The Council provides a wide range of services, some of which customers are required to pay a fee or charge for. The income generated from these fees and charges forms part of the strategy of options to meet the challenge of the Medium Term Financial Strategy.
1.02	The Council's rationale for charging is set out in its Income Generation Policy, version 1 of which was endorsed by Cabinet in 2017.
1.03	The Policy identifies the role income generation plays in contributing to and supporting the continuation of frontline services and calls for an annual review of fees and charges.
1.04	The first annual review of fees and charges was conducted in 2019 and reported to both the Corporate Resources and Overview Scrutiny Committee and Cabinet in July 2019. In addition, a number of recommendations to inform the process of future reviews, further work around establishing full cost recovery and ensuring a consistent charging structure were made and endorsed.
1.05	This report presents the 2020 annual review of fees and charges and outlines work to date on implementing the recommendations endorsed by Cabinet in July 2019, including presenting an updated version of the Income Generation Policy for approval.
1.06	Annual Review of Fees and Charges 2020 The 2020 annual review of fees and charges has been completed and the results of this review are presented in a collated schedule of fees and charges applicable from 1 st October 2020, which can be found at Appendix A.

1.07	<p>The recommendations and criteria for annual reviews of fees and charges, as endorsed by Cabinet in July 2019, have been applied to the 2020 review of fees and charges. In summary:</p> <ul style="list-style-type: none"> • All fees and charges have been reviewed, confirmed and collated to form a schedule of fees and charges to be applied by the Council from 1st October 2020; • All applicable fees and charges have been subject to an annual inflation uplift using one of the agreed inflation indices; • Fees and charges where an inflation uplift can be made but which are too low to warrant an annual uplift/change will not increase on 1st October 2020. Annual inflation rates are proposed to be applied every three years for these fees/charges, with the first uplift recommended in October 2022; and • The approved annual review format, including reporting to Cabinet in July of each year, has been followed. <p>The application of these principles, and those contained within the Council's Income Generation Policy, has ensured that any increases to fees and charges resulting from the 2020 review have been appropriately managed to prevent large or unexpected changes to fees and charges from 1st October 2020.</p>
1.08	<p>Full Cost Recovery</p> <p>In addition to the criteria for the annual review of fees and charges, Cabinet endorsed further work be completed to establish whether full cost recovery is being achieved for all services fees and charges, where it is permissible for them to do so.</p>
1.09	<p>To undertake this work a cost recovery template was developed, which was tested by a service area, with support from their Finance Business Partner, in each Portfolio. The outcome was a finalised and tested cost recovery template.</p>
1.10	<p>The cost recovery template was distributed to all service areas as part of the 2020 review of fees and charges for them to use, should they need, to assess if the fees and charges applied by their service are set at a level that enables full cost recovery, where permissible.</p>
1.11	<p>It is pertinent to note that some services operate in a more commercial market and may have selected to set fees and charges in line with the market rate. Doing so prevents adverse impact on service demand, and thus associated income, and is consistent with the objectives and principles of the Council's Income Generation Policy.</p>
1.12	<p>Updated Income Generation Policy</p> <p>In line with recommendations endorsed by Cabinet in July 2019, and to ensure a consistent charging structure across all service areas, the Council's Income Generation Policy has been updated. A copy of the updated Policy (version 2) can be found at Appendix B.</p>

1.13	The updated Policy provides more detail around the process for the annual review of fees and charges and incorporates the criteria, as approved by Cabinet in July 2019, for the review of existing, and introduction of new, fees and charges.
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2.00	RESOURCE IMPLICATIONS
2.01	The generation of additional income, including that from fees and charges, is part of the strategy of options to meet the challenge of the Medium Term Financial Strategy (MTFS).
2.02	Income estimations from the application of fees and charges, and any increases to them, will be monitored and factored into the budget setting process and MTFS.
2.03	The specific revenue, capital, human resources and other resource implications for fees and charges is likely to vary by fee or charge and as such should be considered by service areas for the fees and charges they apply and are responsible for.

3.00	IMPACT ASSESSMENT AND RISK MANAGEMENT
3.01	In line with the Council's Income Generation Policy, and as approved by Cabinet in July 2019, applicable fees and charges have been subject to an annual inflation uplift using one of the three agreed inflation indices: the Consumer Prices Index including owner occupier housing costs (CPIH) 12 month rate as of March (1.5% for March 2020); market rate comparison or Council's inflation rate.
3.02	As endorsed by Cabinet the Council, as part of its annual review of fees and charges, is seeking to ensure all fees and charges operate at full cost recovery or market rate comparison wherever possible. For fees and charges which are not currently achieving full cost recovery or market rate comparison which are permitted to do so, a phased approach to raising them to this level is being applied. This is to ensure services remain affordable and increases in price do not detriment demand for services and thus income generated.
3.03	Whilst it is not the purpose of this report to outline the impact of the Covid-19 pandemic on income generation, including from fees and charges, it is pertinent to acknowledge that the pandemic is anticipated to have an adverse effect. Demand for services has/is likely to drop in some areas and some Council services and/or fees and charges have been temporarily suspended during the pandemic. Service provision and charging may therefore be subject to review as part of Covid-19 recovery phase work. As such, changes to charging, including the level of fee/charge or potentially ceasing charging for some services, may need to be made prior to October and/or in advance of the next review of fees and charges.

3.04	<p>Ways of Working (Sustainable Development) Principles Impact</p> <table border="1"> <tr> <td data-bbox="320 197 571 600">Long-term</td> <td data-bbox="577 197 1375 600"> <p>Positive</p> <p>The annual review of fees and charges in line with the criteria and principles outlined in the Income Generation Policy supports service sustainability. This is particularly the case for valued discretionary services as achieving full cost recovery wherever possible will support financial stability and protect service longevity during financially challenging times. This is balanced against considerations of affordability with options for discretionary charging.</p> </td> </tr> <tr> <td data-bbox="320 609 571 855">Prevention</td> <td data-bbox="577 609 1375 855"> <p>Positive</p> <p>Setting fees and charges at full cost recovery wherever possible minimises the subsidy required to continue delivery of discretionary services, ensuring service longevity and supporting the Council to continue to deliver services which fulfil its duties and objectives.</p> </td> </tr> <tr> <td data-bbox="320 864 571 931">Integration</td> <td data-bbox="577 864 1375 931"> <p>Neutral</p> </td> </tr> <tr> <td data-bbox="320 940 571 1164">Collaboration</td> <td data-bbox="577 940 1375 1164"> <p>Positive</p> <p>The process and principles of the annual review of fees and charges requires service areas to work with support services and communicate with stakeholders when reviewing fees and charges.</p> </td> </tr> <tr> <td data-bbox="320 1173 571 1209">Involvement</td> <td data-bbox="577 1173 1375 1209"> <p>Neutral</p> </td> </tr> </table>	Long-term	<p>Positive</p> <p>The annual review of fees and charges in line with the criteria and principles outlined in the Income Generation Policy supports service sustainability. This is particularly the case for valued discretionary services as achieving full cost recovery wherever possible will support financial stability and protect service longevity during financially challenging times. This is balanced against considerations of affordability with options for discretionary charging.</p>	Prevention	<p>Positive</p> <p>Setting fees and charges at full cost recovery wherever possible minimises the subsidy required to continue delivery of discretionary services, ensuring service longevity and supporting the Council to continue to deliver services which fulfil its duties and objectives.</p>	Integration	<p>Neutral</p>	Collaboration	<p>Positive</p> <p>The process and principles of the annual review of fees and charges requires service areas to work with support services and communicate with stakeholders when reviewing fees and charges.</p>	Involvement	<p>Neutral</p>
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	Healthier Wales	Neutral
	More equal Wales	Neutral
	Cohesive Wales	Neutral
	Vibrant Wales	Positive Culture, heritage and recreation services are largely discretionary services. By applying charges for some of these services the Council can generate income to help fund them, ensuring they continue to be available for local residents and visitors.
	Globally responsible Wales	Neutral
3.05	<p>Flintshire County Council's Well-being Objectives</p> <p><i>Ambitious Council:</i> Positive (as captured under Prosperous Wales in paragraph 3.04 above)</p> <p><i>Achieving Council:</i> Positive – the Income Generation Policy and review of fees and charges is part of the Council's strategy to maintain high quality, accessible, responsive and cost effective public services.</p> <p><i>Caring Council:</i> Neutral</p> <p><i>Connected Council:</i> Positive – generating income from fees and charges and operating at full cost recovery wherever possible is part of a resilient service model which will assist in sustaining local public services.</p> <p><i>Green Council:</i> Neutral</p> <p><i>Learning Council:</i> Neutral</p>	

4.00	CONSULTATIONS REQUIRED/CARRIED OUT	
4.01	Income generation, including the review of fees and charges and introduction of new fees and charges, is overseen and monitored by Portfolio Programme Boards.	
4.02	New discretionary fees and charges are approved under Delegated Powers/Authority processes, prior to which an Integrated Impact Assessment (IIA) should have been completed considering the Sustainable Development Principles, Wellbeing Goals and Council's Wellbeing Objectives, along with any potential equality and/or diversity issues.	

4.03	For the purposes of transparency, any changes to fees and charges are published and communicated to customers, as outlined in the Income Generation Policy v2.
4.04	The principles and process for the annual review of fees and charges were considered and endorsed by the Corporate Resources and Overview Scrutiny Committee and Cabinet in July 2019.

5.00	APPENDICES
5.01	Appendix A: 2020 Schedule of Fees and Charges
5.02	Appendix B: Income Generation Policy v2

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	The 2019 Fees and Charges Report to Cabinet, along with recommendations and decisions, can be accessed online: http://committeemeetings.flintshire.gov.uk/ielssueDetails.aspx?IId=27693&PlanId=0&Opt=3#AI19191&LLL=0
6.02	The original Income Generation Policy, as endorsed by Cabinet in October 2017, can be accessed online: https://www.flintshire.gov.uk/en/PDFFiles/Digital-Customer-and-Community-Resilience/Income-Generation-Policy.pdf
6.03	An Integrated Impact Assessment (IIA) for the Income Generation Policy version 2 has commenced and can be found on the Council's CAMMS system, project reference number: PR530

7.00	CONTACT OFFICER DETAILS
7.01	<p>Contact Officer: Kelly Oldham-Jones – Income Generation and Marketing Manager</p> <p>Telephone: 01352 702143</p> <p>E-mail: kelly.oldham-jones@flintshire.gov.uk</p>

8.00	GLOSSARY OF TERMS
8.01	<p>Differential charging: charging different prices for the same product or service. For example, offering concessions (a reduced price) for people in receipt of certain benefits.</p> <p>Discretionary services: services which the authority has the power but not the duty to provide.</p>

Full cost recovery: the fees and charges applied for services cover both the direct and indirect costs of service delivery/provision.

- **Direct costs:** costs that are completely associated with the delivery of a service or production of a product. They include things like employee costs, transport and supplies and materials.
- **Indirect costs:** these are also known as overheads and are the costs that are incurred by organisations as part of their operations but which are not directly attributable to a specific service or product. For example, premises costs such as utilities (water, lighting, heating).

Income Generation Policy: the Council's Policy which sets the rationale for income generation, including the setting and review of fees and charges

Inflation index: is a tool that measures the rate of inflation (rises in prices).

Inflation uplift: increase in price based on an inflation index

Integrated Impact Assessment (IIA): systematic analysis of a service or policy to identify the potential effects on different groups and/or the environment with an aim to then minimise any negative impacts and enhance any positive impacts.

Market rate: is the usual price charged for goods and services.

Medium Term Financial Strategy (MTFS): a written strategy which gives a forecast of the financial resources which will be available to a Council for a given period, and sets out plans for how best to deploy those resources to meet its priorities, duties and obligations.