



Draft Report
Scrutiny Review of Income Generation
By Scrutiny (Audit and Value for Money Council Services) Committee

Background:

In the Revenue and Capital Outturn Report Quarter 3 2016/17 it was highlighted that there were three significant budget pressures which all relate to fluctuations in relation to our income levels are a key risk area highlighted within the Council's approved medium term financial strategy.

The three areas were:

- Recycling Income
- Markets Income
- Planning Income

In the Quarter 4 Revenue and Capital Outturn Report the same three areas were highlighted as having a negative impact on the Council's finances...

- A reduction in recycling income levels of £109k, largely as a result of lower market prices;
- Planning fee income was also lower than budget following the adoption of the local plan (£99k);
- There was also a negative variation (£230k) in relation to markets activities, largely arising from Income being lower than budgeted.

At its meeting on the 14th June 2017, the Scrutiny (Audit and Value for Money Council Services) Committee agreed to review the Council's current income streams to identify the current position and how we compare to other Councils in terms of the income we bring in.

The following Members were assigned to the sub group:

- Councillor Mick Fitzpatrick (Lead)
- Councillor Andjelkovic
- Councillor Bowering
- Councillor Fletcher

The sub group met on six occasions between November 2017 and September 2018.

Scrutiny Review Scope

The following questions were suggested and agreed by the sub group in order to provide a focus for this review.

1. Gain a clear understanding of the Council's current means of income generation.

A fees and Charges Policy was adopted by the Cabinet in 2016.

2. What is the process for setting fees and charges?

The main principles of this policy are as follows:

- The Council will consider making a charge for all discretionary services, whereby doing so accords with its corporate priorities;
- Existing fees and charges will be kept under review and these will be structured to support the council's priorities;
- The scale of fees and charges will normally be based on full cost recovery, except where:
 - *There is an opportunity to maximise income; or*
 - *Members agree specific concessions in line with corporate priorities or discounts due to market conditions.*
- The basis of charging (the charging model) and the underlying reasons for this will be clear and transparent.

3. How does our income generation compare with that of other Councils?

A comprehensive review of the discretionary fees and charges for each service is undertaken at least once every electoral administrative cycle. These are undertaken within sufficient time to feed into the process for approving the Medium Term Financial Strategy.

Relevant data is collected and analysed in relation to pricing information for similar services provided by other local authorities, preferably those in our nearest neighbour comparator group, together with any relevant local market competitor information. This

is used to benchmark our current and proposed pricing structure. It is important that any significant differences are explained.

Appendix A

Programme of Fees and Charges Reviews

Electoral Year	First Cycle	Service Fees and Charges	Approved by:	Current Budgeted Fee Income £'000
4	2018/19	Building Consultancy	October 17	245
		Cemeteries		146
		Land Charges		160
1	2019/20	Taxi Licensing	October 18	147
		Planning – Pre-application fees		40
2	2020/21	Industrial Estates/Wider Review	October 19	699
		Car Parking and Enforcement		1,297
		Indoor Leisure*		1,889
		Outdoor Leisure*		261
		Burton Town Hall*		166
		Roundabout Sponsorship		23
		Green Waste		0
3	2021/22	Trade/Bulky Waste	October 20	202
		Markets*		329
		Brewhouse and Arts Development*		178
		Revenues – Court Costs Recovered		388
			Total	6,170

*Subject to the Leisure and Cultural Services Delivery Review

4. What services the Council is able to charge for and how this compares with other councils.

Statutory and discretionary charges legislation

Statutory services are those services that an authority is mandated to or has a duty to provide, fees and charges in respect of these services are either set centrally or based on full cost recovery.

The Local Government Act 2003 provides a general power to charge for discretionary services (services that an authority has the power, but is not obliged to, provide). Additions or enhancements to mandatory services above the standard that an authority has a duty to provide may be provided as discretionary services.

The Council may generate income from the public through charging and trading for services that exceed the statutory requirements or are added value optional services, such as pre-application planning advice.

In general terms, the Council may not make a profit on its charging activities, or subsidise other services and cannot charge for services that customers do not choose to use. A profit may be defined as a surplus received in excess of the full cost of delivering the service. Full cost includes all direct costs, such as pay and materials, and also indirect costs including overheads such as finance, accommodation, HR and IT.

In accordance with the Localism Act 2011 and 'general powers of competence' contained within it, the Council may trade in any eligible service permitted by the Council's constitution. But if the council wants to make a profit it must conduct this commercial activity via a separate company. Any such company must comply with competition law and standard trading legislation; however, services can be traded within the public sector environment, without resorting to a company.

5. Identify areas of the Council's work where there could be potential to introduce charges.

In June 2013 a report was tabled before Cabinet to outline an approach to investigate the potential for sponsorship and advertising in the Council.

In September 2015 a Sponsorship & Advertising Policy was adopted by Cabinet Roundabout Sponsorship and Hanging Baskets. The table below identifies the income for this area between 2015/16 and 2017/18

2015/16 Actuals	2016/17 Actuals	2017/18 to Date
24,321	34,151	32,360
8,431	8,773	10,620
32,752	42,924	42,980

Scrutiny Review Findings

At the first meeting of the sub group, Members requested to receive information on fees and charges and other income across all Council service areas for the years 2015/16 and 2016/17.

This was considered by Members and the feeling was that the scope needed to be narrowed down to the "big ticket items" where income has not met the budgeted amount i.e. in excess of £10,000. It was agreed to omit services included in the Leisure Options Project.

The Fees and Charges Income areas that the Sub Group looked at were:

- Planning Delivery

- Land Charges
- Waste Collection
- Building Consultancy
- Housing Standards

The other income areas which did not include associated costs such as Sales/Rents/Interest/Other Grants, Reimbursements and Contributions that were looked at were:

- Waste Collection
- Markets
- Industrial Units
- Street Cleaning
- Customer Contacts

The Sub Group discussed the above areas and agreed it would be beneficial to see the cost of running the service e.g. staff costs, NNDR etc. as well as these costs against the income to ascertain the 'net' running cost e.g. "true cost" of running the industrial units.

Observations and conclusions of the sub group to the Audit & FVM Scrutiny committee.

The sub group having only four members presented a problem when one or more members were unable to attend.

If the Audit & VFM Scrutiny committee were minded to continue with a sub group approach to Scrutiny, then this sub group recommends that the membership [of a sub group] should consist of eight members.

When first presented with the many income streams from council activity and services it was clear that the majority of these income streams were very small and would not merit scrutiny at all.

Having decided to focus attention on the larger income streams but excluding the areas in the Cultural Services review, it became apparent that the task was enormous if a proper detailed review was carried out on each income stream. Each area would warrant an individual review to do the scrutiny process justice and gain a meaningful understanding of performance, true costs of providing the service or activity, comparisons with other local authorities, satisfaction with services, value for money and even whether the service is needed or necessary.

The sub group having looked briefly at the larger income streams would suggest that none of these areas were currently showing any cause for concern and income levels were satisfactory or performing on budget and in some cases above budget.

That said, the sub group would recommend that one area of the larger income streams should be selected for the detailed scrutiny mentioned above, possibly moving to a second when the first is complete.

Additionally, consideration should be given to commence a scrutiny review should a service area or activity show a significantly below budget income forecast in any of the quarterly outturn reports presented to the Scrutiny (Audit and Value for Money Council Services) Committee.

Recommendations

1. Future scrutiny sub groups should have a minimum membership of 8 elected members.
2. A single, larger, income stream should be selected for a more detailed scrutiny review, possibly moving to a second when the first is complete.
3. Commence a scrutiny review should a service area or activity show a significantly below budget income forecast in any of the quarterly outturn reports presented to the Scrutiny (Audit and Value for Money Council Services) Committee.