



Flintshire County Council

Income Generation Policy

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1. Approach and Objectives

1.1 Approach

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

Good practice suggests that local authorities should have a clear rationale for charging, which should include what services are charged for, how much is charged and how charging supports the delivery of corporate priorities¹.

This policy outlines the Council's rationale for fees and charges. It establishes the process by which fees and charges will be set and reviewed, sets out the key principles that should be used in setting them and outlines how charging for services supports the Council to deliver its corporate priorities.

The Council's high level aim is to maximise income generation wherever possible to contribute towards the delivery of key frontline services. Achieving full cost recovery for discretionary services, where the Council has a power but not a duty to provide the service, is a necessity for service sustainability. As, where the charge applied for these services does not cover the cost of service delivery, or it is not permitted to, this raises strategic questions for the Council to consider, such as if and how the services should be funded.

The setting of fees and charges must be linked to the Council's annual budget planning and Medium Term Financial Strategy (MTFS) planning process 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 and maximising income generation is not just about increasing fees and charges. For example, increasing fees/charges for services that operate in a commercial market to above the market rate may reduce demand for services, negatively impacting on income. Raising fees/charges to a level where customers can no longer afford them is likely to have a similar effect. Therefore, in some instances, 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 them. Such subsidies (often referred to as concessions) must

¹ Wales Audit Office (2016) Charging for services and generating income by local authorities. Available from: <https://www.audit.wales/system/files/publications/income-generation-2016-eng.pdf>

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, the Council can influence the behaviour of 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 policy document aims to support Council Members and Officers to strike the appropriate balance between these conflicting pressures and priorities.

1.2 Objectives

The objectives of this policy are to ensure that the Council:

- Maximises revenue generation through full cost recovery wherever possible;
- Ensures that a clear and consistent set of principles and criteria underpin all decision making;
- Ensures that fees and charges are set in a way that complements the Council's wider policy goals;
- Sets prices as part of the approach to marketing the service, setting fees and charges that are comparable with our own and/or broader commercial market and which reflect the ability of customers to pay for them;
- Adopts differential pricing for some specific services where warranted;
- Puts in place a consistent process and governance structures;
- Takes into account any competition to deliver the service from the public, private or voluntary/third sectors; and
- Collects payment of fees and charges as efficiently as possible, utilising digital mechanisms and in advance of the point of delivery where possible whilst providing alternative options for customers to make payment where needed.

2. Principles

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

Flintshire County Council's fees and charges should:

- Maximise the level of income generated from the service within the appropriate legal framework that governs those fees/charges;
- Ensure charges are transparent and communicated to customers 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;
- Be reviewed annually, overseen by Programme Boards, and reported to Cabinet in July of each year prior to implementation of any changes on 1st October;
- Achieve full cost recovery or market rate comparison wherever possible, with a phased approach to achieving by October 2022 for those not already operating at full cost recovery;
- As a minimum increase in line with inflation each year, where permitted, using one of the agreed inflation indices, unless there is a clear rationale for not doing so, or for reducing the level of the fee in real terms; and
- 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 reviewing and 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, 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 and governance

A governance and oversight 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 and the annual review of fees and charges reported to Cabinet in July each year prior to any changes being implemented on 1st October.

Changes to fees and charges at other times during the year can be made in some circumstances, such as statutory fee changes, which are set by government/in legislation and in other extenuating circumstances.

In relation to income management Programme Boards will:

- Receive proposals for adjusting fees and charges on an annual basis, which must be considered in light of the Council's overarching MTFS;
- Review income related business case investment proposals and proposals to introduce new fees or charges;
- Review these proposals to ensure that the appropriate criteria underpin the proposals;
- Recommend the appropriate process for approval for new fees/charges and changes to existing fees/charges where changes are not aligned to the agreed process and principles outlined in this policy and accompanying guidance; and
- Monitor the income generation performance of services against set targets.

3.3 Approval of fees and charges

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

3.4 Process for annual review of fees and charges

Step 1

Fees and charges should be reviewed annually and this review will commence in April each year, instigated and overseen by the Council's Corporate Finance Team. Service areas will be required to review current levels of fees and charges for all chargeable services.

When reviewing and setting fees and charges the service should ensure it understands the full cost of providing the service, including overheads (indirect costs), and the demand for the service. Services should be prepared to provide supporting information to demonstrate full cost recovery or market rate comparison is being achieved, where permitted.

Services should also take into consideration the following when reviewing and setting fees and charges:

- Intelligence on the nature and elasticity of demand;
- Benchmarking with other local authorities or alternative suppliers in more commercial markets;
- An understanding of the market in which the service operates, including alternative service providers in the private, public and voluntary sectors;
- Any applicable income targets for the service;
- 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 increases on customers;
- Whether concessions should be offered/continued, including :
 - The rationale for providing a concession to customers
 - Evidence that the concession is promoting take up of the service and benefiting customers most in need and at risk
 - The financial implications of offering concessions
- The Council's wider policy goals, aims and objectives;
- The impact on communities; and
- Equality and diversity issues.

Step 2

Having reviewed and updated their fees and charges accordingly, service areas will need to report these to their Programme Board.

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 also 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 one of the agreed inflation indices;
- 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 an accompanying 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 they can be returned to Corporate Finance who will collate returns from service areas/Portfolios.

The output of this review will be a collated schedule of all fees and charges applied by the Council which will be reported to Cabinet in July for approval prior to any changes being implemented on 1st October.

Changes to fees and charges at other times of the year are permitted for statutory fee changes and under other extenuating circumstances. However, the processes, principles and approvals outlined in this policy should still be followed and adhered.

Estimates of additional income from increases to fees and charges should be passed to Corporate Finance, agreed and factored into the final budget setting process/MTFS.

Further information and supporting guidance for the annual review of fees and charges will be circulated to service areas at commencement of the annual review.

3.5 Annual inflation uplift

The normative annual inflation index to be used as part of the annual review of fees and charges is the Consumer Prices Index, including owner occupiers' housing costs (CPIH) 12 month inflation rate, as of March in the calendar year of the review. However, the local or Council's inflation rate, which requires a calculation of the annual increases in

direct and indirect costs for each service where a fee/charge is applied, or a market rate comparison inflation rate can be used.

Where the Council has the power to alter fees and charges it is assumed that one of these inflation indices will be used to apply an annual inflation uplift.

3.6 Timescales and responsibilities

The annual review of fees and charges will commence in April each year, instigated by Corporate Finance.

Service areas/Portfolios will be responsible for reviewing their fees and charges in consultation with their Finance Business Partner and for submitting these to Programme Boards for consideration, in line with the process detailed in this policy.

Portfolios should return their fees and charges to Corporate Finance by early June. Corporate Finance will then collate the schedule of fees and charges ready to circulate to Cabinet, with an accompanying report, for approval at their July meeting.

Any changes to fees and charges resulting from the annual review will be implemented on 1st October, allowing adequate time for service areas to communicate changes to customers and other stakeholders in advance of their implementation.

Service areas are responsible for setting any new fees and charges, ensuring these fully recover costs wherever permitted, apply VAT where applicable and go through the appropriate approval processes, as detailed in this policy.

3.7 In year changes

As noted earlier in this policy, 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, i.e. to manage demand as part of demand management, or ensure costs are fully recovered if these increase significantly in year.

3.8 New opportunities for income generation and the process for introducing new fees or charges

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 development 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.

The process and considerations for introducing any associated new fees or charges is broadly the same as that for the review of fees and charges outlined in section 3.4 above. That is fees and charges should be set to achieve full cost recovery and the Council has developed a cost recovery template to assist service areas with this. In addition, intelligence should be gathered about anticipated demand and the market more broadly to understand the market in which the service will operate, benchmarking against other local authorities and/or the wider market should be undertaken, and the ability of customers to pay, including the use of concession should be considered, alongside the fit with the Council's wider policy goals, aims and objectives. An Integrated Impact Assessment (IIA) should also be completed for any new fees/charges, which will incorporate considerations around equality and diversity issues.

Service areas should seek support from their Finance Business Partner when looking to calculate new fees and charges and should seek advice regarding the VAT status of any new proposed fees or charges, i.e. if they are standard rated, exempt, etc.

As outlined in section 3.2 above, Programme Boards should consider any proposals for new fees and charges. When agreement in principle is sought from Programme Boards, the Board will recommend whether the proposals should be sent for approval under the process of delegated powers/authority.

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.

Estimates of additional income from the introduction of new fees and charges should be passed to Corporate Finance, agreed and factored into the final budget setting process/MTFS.

3.9 Communications

The schedule of fees and charges resulting from the annual review will be published. However, service areas should, put in place arrangements to communicate clearly any changes in fees and charges, or the introduction of new fees/charges, to customers.

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;
- Customers/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 charges (e.g. in line with inflation, increases costs, etc.);
- Where there is an increased fee or charge, communications should provide clear advice to customers on the concessions available (if any) to make sure those who are entitled to discounts receive them; and
- The timing of communications should be co-ordinated in line with when the change is implemented.

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

4. Payments

It is vital that the Council receives payment for its chargeable services. Wherever possible customers should be required to pay charges in advance of 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 centred service, multiple payment methods should be available to the customer. However, online and direct debits should be promoted as preferred methods.

Each year a review should also be undertaken of the means by which payments are made to all services. As part of the annual review of fees and charges, and when setting new fees and charges, services should consider how payment is collected and how this can be made (more) efficient, using less expensive channels of payment collection and how this will be promoted and signposted to. This work should be consistent with the objectives set out in within the Council's Digital Strategy.

5. 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 a specific group 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 customer 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 customers 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 the full fee/charge for a service;
- Concessions should not be applied to services which are 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 customers; and
- 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, along with an assessment of whether services proposals for concessions should be supported.

In order to this the Board will:

- Collect information available on subsidies provided for chargeable services;

- 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 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 services? (in which case the service is free to customers/service users)
 - Or should the service user pay for the service? (in which case there will be no subsidy and the customer will pay the full cost of the service)
 - 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 for approval.

The Council will undertake this process on an annual cycle.