

## **FEES AND CHARGES DECISION-MAKING PROCESS 2020-21**

Cabinet	<b>13 June 2019</b>
Report Author	<b>Tim Willis, Deputy Chief Executive &amp; S151 Officer</b>
Portfolio Holder	<b>Cllr Bob Bayford, Leader of Council</b>
Status	<b>For Decision</b>
Classification:	<b>Unrestricted</b>
Key Decision	<b>No</b>
Ward:	<b>All</b>

### **Executive Summary:**

Fees and charges for the forthcoming year are agreed at Council in December, after being considered by Cabinet and Overview & Scrutiny. They form an important part of the budget-setting process. This report proposes a review of the process to set fees and charges.

### **Recommendation:**

Cabinet to consider the review of the fees and charges approval process and to set up a Cabinet Advisory Group on fees and charges, as described in section 4.

### **CORPORATE IMPLICATIONS**

<b>Financial and Value for Money</b>	<p>Income from fees and charges is an essential component of recurrent funding of the council's services. As external funding sources diminish, this income becomes more significant. The council generates in excess of £10 million each year from fees and charges (some of which is ring fenced or restricted as to its use).</p> <p>All things being equal, it is reasonable for fees and charges to increase in line with inflation. However, there are many other factors to consider, one of which is the contribution that fees and charges income makes towards the annual budget, and the extent to which it can fund the loss of external income and the investment in services.</p> <p>Traditionally, fees and charges are agreed at Council in December, ahead of the Council's approval of the budget in February. This is partly to ensure the work involved in preparing the budget is smoothed over several months; but it is mainly to manage risk. The risk is that decisions regarding fees and charges may become the subject of detailed, prolonged and political debate, which can undermine approval of the budget and the strategic view required when setting the budget, which is subject to strict</p>
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	legal deadlines. The intention is always that healthy detailed, political debate can be had earlier in the process, and this report is intended to add to the opportunities for members to understand and discuss fees and charges.								
<b>Legal</b>	The Council has a statutory duty to annually set a balanced General Fund Revenue budget. This further process would not require a change in the existing Policy and Budget Procedure Rules set out in the Constitution.								
<b>Corporate</b>	Fees and charges are an important funding source for the council as well as a cost to service users, many of whom will be council taxpayers. Many fees and charges are governed by legislation and regulation, which control pricing decisions and affect the council's policy on setting fees and charges.								
<b>Equality Act 2010 &amp; Public Sector Equality Duty</b>	<p>Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to the aims of the Duty at the time the decision is taken. The aims of the Duty are: (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people who share a protected characteristic and people who do not share it, and (iii) foster good relations between people who share a protected characteristic and people who do not share it.</p> <p>Protected characteristics: age, sex, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy &amp; maternity. Only aim (i) of the Duty applies to Marriage &amp; civil partnership.</p> <table border="1" data-bbox="432 1128 1406 1391"> <tr> <td colspan="2">Please indicate which aim is relevant to the report.</td> </tr> <tr> <td>Eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act,</td> <td></td> </tr> <tr> <td>Advance equality of opportunity between people who share a protected characteristic and people who do not share it</td> <td>✓</td> </tr> <tr> <td>Foster good relations between people who share a protected characteristic and people who do not share it.</td> <td></td> </tr> </table> <p>Changes to fees and charges can have a disproportionate effect on some groups of customers. This effect can be more significant in respect of charges for services that are difficult or impossible to avoid. These factors, along with a thorough approach to more general customer impact, will figure in the annual review of fees and charges. Every service manager that is responsible for proposing a change is aware of the need to complete a customer impact assessment (incorporating equalities impact).</p>	Please indicate which aim is relevant to the report.		Eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act,		Advance equality of opportunity between people who share a protected characteristic and people who do not share it	✓	Foster good relations between people who share a protected characteristic and people who do not share it.	
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<b>CORPORATE PRIORITIES (tick those relevant) ✓</b>	
A clean and welcoming environment	
Promoting inward investment and job creation	
Supporting neighbourhoods	

<b>CORPORATE VALUES (tick those relevant) ✓</b>	
Delivering value for money	✓
Supporting the Workforce	
Promoting open communications	✓

## **1. Introduction and Background**

- 1.1. The process for setting fees and charges for 2019-20 was typical of recent years. The Finance team emailed guidance to service managers in July 2018; service managers drew up proposed new charges in August, which were reviewed by Heads of Service and then Directors in September. This allowed sufficient time for informal consultation with Cabinet members and to make any changes for formal Cabinet.
- 1.2. Cabinet (on 15 November 2018) received a report on proposed fees and charges for the financial year 2019-20. Most charges applied from 1 April 2019. Cabinet recommended that the charges be presented to Council for approval. On 20 November 2018, Finance Budget and Performance Scrutiny Panel received the same Cabinet report and made some recommendations to Cabinet in respect of specific proposed charges. Additionally, Scrutiny recommended that Cabinet “consider whether it was appropriate to set up an all party cabinet advisory group to look at future fees and charges”.
- 1.3. On 6 December Cabinet considered the recommendations from Scrutiny and agreed all but one. Cabinet explicitly agreed “The creation of an all party cabinet advisory group to look at fees and charges applicable from April 2020”. Later the same day, Council met and approved Cabinet’s recommendations.
- 1.4. A broadly similar process, which is in keeping with the council’s constitution, is recommended for 2020-21 fees. Additionally, in the spirit of the recommendation for cross-party review (albeit from the previous administration), this report proposes that fees and charges be examined before Cabinet first views the proposed 2020 fees and charges. This would be for the purpose of enriching the deliberative process and would not supplant the decision-making powers of Cabinet and Council, nor the scrutiny powers of Overview & Scrutiny.

## **2. Review of fees and charges**

- 2.1. As can be seen from the above description of last year’s timetable, the existing process that leads to the setting of fees and charges runs from July to December. The detailed guidance to service managers is issued each year, and is attached as Annex 1.
- 2.2. On paper, there is ample opportunity for members to be involved and ask questions about proposed charges from around September to December. However, it has been the case in the past that some members have been surprised when the charges are implemented on 1 April, accompanied by an adverse public/media reaction if charges have risen. This suggests that at least to some degree, there is still insufficient member engagement on an issue which has the capacity to attract controversy, yet is an important plank of the budget strategy.
- 2.3. The complete schedule of fees and charges is extensive and detailed and is a daunting document to interrogate. It is only reviewed on an annual basis, for the purposes of setting fees and charges. During the year, customers would be informed of specific charges for individual services, they would not need to search through the

whole schedule. But its length does constrain the ability of members to conduct comprehensive and rigorous annual scrutiny of all charges.

- 2.4. The basis of how the fees and charges are calculated will vary. Some services cannot charge more than the cost of providing those services. Some charges are fixed by regulation or by bodies outside of the control of TDC. Other charges are set in tandem with neighbouring authorities, because of a collaborative agreement in respect of shared services.
- 2.5. Some services are statutory in nature and some are non-statutory; this in itself is not particularly relevant when setting charges, as this merely relates to whether or not the council is obligated to provide a service. What is more relevant is if the charge itself is controlled by statute; whether or not a customer has the choice over “buying” the service; if there is a market with multiple suppliers, or if the only choice is to buy from TDC; and if the choice to buy at all is a genuinely discretionary one.
- 2.6. Further considerations are benchmarking against neighbouring districts, who may provide very similar services; comparisons to private sector suppliers, if any; the price elasticity of demand, i.e. whether or not a small price change results in a major impact on demand, or the opposite - almost no matter what the price is, demand remains the same; and trends in absolute levels of income over the years, which can provide intelligence on whether or not the council should, say, invest in a service because it can make money, or if it should just provide a service adequate for the wellbeing of residents, because it loses money.

### **3. Ideas for review**

- 3.1. The review could focus on the process, e.g. consider:
  - Earlier formal involvement of members in the process (in a non-decision making capacity).
  - The role that customers play in revisions to fees and charges.
  - More overt reporting of the findings from equality impact assessments.
  - Structuring fees and charges more in line with their characteristics as illustrated in paragraphs 2.4-2.6.
  - Narrowing the focus of the review, e.g. to those fees and charges that generate the largest income, or involve the highest volume of transactions.
  - Exploring ways of simplifying the structure of charges.
  - Considering the council’s primary objectives when setting fees and charges, e.g. to generate income, cost recovery, “fairness”, simplicity, or to achieve other non-financial corporate objectives - say, larger fines to reduce anti-social behaviour, or lower fees for green waste bins to encourage recycling.
- 3.2. The review could be more practical, by recognising the issues in 3.1, but by working through the existing schedule of fees and charges. This would need to achieve more than to improve the understanding of those people “in the room”, as it would be resource-intensive from a staff point of view. If it focused on learning about common themes and principles and drawing general conclusions through the exploration of specific examples, it could be captured and reported accordingly.
- 3.3. Building on this theme, if fees and charges were reviewed over an extended period, but phased, it would help avoid the exercise becoming overly-burdensome for members and staff. A “deep dive” could involve the relevant service and finance staff

along with the member group, to come up with ideas that could achieve the council's objectives regarding a particular group of fees and charges. An obvious group of charges would be car parking charges, given their high yield, broad customer base and importance to residents and visitors alike. The member group could consider more fundamental changes to fees and charges - e.g. through digital transformation - or by relatively few simple amendments that help improve the customer offer, improve the service and increase income.

#### 4. Creation of the member group

- 4.1. At the Council meeting agreed last December, the plan was, and is, to create a Cabinet Advisory Group to examine fees and charges. For reasons discussed in this report, it is proposed that:
- A. The CAG is chaired by the Cabinet Portfolio Holder for Finance & Estates.
  - B. Cabinet finalises the terms of reference of the CAG after the CAG's first meeting, subject to the parameters below:
    - i. There is an underlying assumption that overall, income yield from fees and charges should, as a minimum, rise with inflation. It would be detrimental from a financial sustainability perspective for the CAG to recommend reducing fees and charges income overall, when other sources of income outside of the control of the council are reducing and the budget needs to be balanced.
    - ii. There will be a rolling review of fees and charges, being mindful that this places an additional burden on members and staff, so the programme will be managed accordingly.
    - iii. The group of fees and charges subject to review by the CAG to inform the 2020-21 charges will be car parking charges.

#### 5. Recommendation

- 5.1. Cabinet to consider the review of the fees and charges approval process and to set up a Cabinet Advisory Group on fees and charges, as described in section 4.

Contact Officer:	Tim Willis, DCX
Reporting to:	Madeline Homer, Chief Executive

#### Annex List

Annex 1	Guidance to service managers
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#### Corporate Consultation

<b>Finance</b>	Chris Blundell, Head of Financial Services & Dep S151 Officer
<b>Legal</b>	Tim Howes, Director of Corporate Governance