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Public Accounts Select Committee Supplementary Agenda 2

Tuesday, 29 September 2015
7.00 pm, Committee Room 3 - Civic Suite
Civic Suite
Lewisham Town Hall
London SE6 4RU

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Part 1

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PUBLIC ACCOUNTS SELECT COMMITTEE			
REPORT TITLE	Income Generation Review – Evidence Session 3		
KEY DECISION	No	**Item No.**	4
WARD	N/A		
CONTRIBUTORS	Head of Financial Services		
CLASS	Part 1	**Date**	29 September 2015

REASONS FOR LATENESS AND URGENCY

It has not been possible to give five clear working days between the despatch of this paper and date of the meeting.

Lateness: This report is late in order for officers to have taken full view of the recent discussions held at Mayor's Briefing on the income generation theme.

Urgency: This report is urgent as it is the final evidence session of this committee's review into income generating activity for the Council during which further views of this committee are being sought to enable officers to move forward with the implementation of proposals which have been summarised in this report.

1. EXECUTIVE SUMMARY

1.1 On 10th March 2015, the Public Accounts Select Committee received a scoping paper setting out the rationale for the in-depth review and providing some background information on the current situation within Lewisham and some proposed terms of reference for the review. The committee states that they wished to commence and in-depth review which would provide some focus on maximising income generation.

1.2 The committee requested that there be three evidence sessions: the first of which would highlight good practice from other Councils or public bodies; the second would expand on this and hear from expert witnesses in other Councils and public bodies and the third and final session would look at current proposals from the London Borough of Lewisham on maximising its income generation.

1.3 The purpose of this paper is to initiate some discussion around the officers' draft proposals for income generation. Members should note that these are also set out in the 'Lewisham Future Programme 2016/17 draft revenue savings proposals' report which is contained elsewhere on this agenda. This particular paper covers:

- Recommendations for the committee to consider
- Policy context
- Summaries of the officers' draft income generation proposals
- Conclusion

2. RECOMMENDATIONS

The members of the Public Accounts Select Committee are asked to:

2.1 Note the contents of this report;

2.2 Note the officer briefing on income generating opportunities informally discussed at Mayor's Briefing on 23rd September 2015, attached at Appendix 1;

2.3 Note final income strategy, attached at Appendix 2;

2.4 Ask the Head of the Financial Services to report back towards the end of this financial year to this committee with a further update on the sustainable income generating proposals being developed for 2016/17 and 2017/18.

3. POLICY CONTEXT

3.1 The Council's ten corporate priorities and the overarching Sustainable Community Strategy drive budgetary decisions. Lewisham's corporate priorities were agreed by full Council and they remain the principal mechanism through which the Council's performance is reported and through which the impact of saving and spending decisions are assessed.

3.2 The Council's current financial situation is exceptionally challenging. The funding available to local authorities has fallen sharply in recent years, with councils just over half way through a scheduled 40% cut in funding from central government. Having delivered £10 billion of savings in the three years from 2011/12, local authorities have to find the same level of savings again by the end of 2015/16.

3.3 London, in particular, has been hit hard, taking a 33% real terms cut in funding for service provision from central government between 2009/10 and 2013/14 with further cuts in funding expected until at least 2018. Although Councils across the country have seen substantial cuts to their budgets, the situation is particularly acute in London due to the rapidly rising population, demographic complexity, rising housing costs and the disproportionate impact of welfare reforms. Boroughs have tried to make the large savings required without cutting front line services, focusing on achieving efficiencies; withdrawing or reducing discretionary services; paring back how statutory services are provided, targeting those most in need; and looking to maximise income.

3.4 Lewisham Council is now in the sixth year of an expected ten year long period of resource reduction. In the period 2010 to 2015, the Council made savings of over £120m. The Lewisham Future Programme Board was established to progress cross-cutting and thematic reviews to deliver required savings and one of these reviews is focused on income generation.

3.5 The recent Local Government Association (LGA) report Under Pressure suggests that one of the most common budget strategies being followed by local authorities for 2015/16 is maximising income from investments, fees and charges. The report states that some of the strategies being adopted include:

- Ensuring investments generate the maximum possible income.

- Changing fee charging structures to ensure that, while remaining equitable, service charges move closer to recovering the full costs of providing those services
- Maximising the income generated by assets

4. SUMMARY OF CURRENT PROPOSALS

4.1 The Council generates in excess of £100m of income from fees, charges and other service income from a variety of sources. This revenue is increasingly important with government budget reductions meaning that the Council is required to implement significant savings over the short to medium term. While income will play a critical role in meeting this challenge, it must be undertaken in a clear, transparent and consistent way. The guiding principle of the income generation strand is to ensure that income can be a means by which to ensure a service is sustainable in the longer term.

4.2 Proposals in this summary paper suggest that officers could implement measures to generate sustainable income of £1.050m for 2016/17 and a further £0.250m in 2017/18. This is excluding the ongoing review of fees and charges which officers are continuing to progress. Officers will provide an update of the most recent work being done on fees and charges at the meeting.

Advertising Income

4.3 This proposal seeks to exploit advertisement opportunities in the borough. Officers commissioned a piece of work from advertising specialists to undertake an audit of the borough. This work sought to identify key locations in the borough where it is felt that increases in advertising activity would work well. It provided some reasoned indications that sustainable income of some *£0.300m* per annum could be achieved by a mixture of large format digital and non-digital advertising at various sites in the borough. This level of income is based on the likely guaranteed fixed rents payable to the Council and reflects assumptions regarding commissions, discounts, voids and capital amortisation.

4.4 Officers are currently examining design option for the advertising scheme which involves the final identification of the sites on which to focus and how the advertising offer will be marketed.

Wireless Concessions

4.5 This proposal looks to implement a concession licensing arrangement for use of street furniture to install wireless networking equipment in exchange for sustainable income stream to the Council. This is expected to accelerate the take-up of wi-fi in areas where no or limited coverage exists.

4.6 Following investigations carried out by the Public Accounts Select Committee and as part of the in-depth review into Income generation, officers are now in the process of fully investigating proposals around small cell and phone mast installations. There are some caveats to these proposals, which is the main is centred on the PFI contracts that much of our street furniture is subject to. In order to move this forward, some diligent legal discussions with our partners and contractors will be necessary. These discussions have already started.

Furthermore, there is a possibility that it may be more difficult to secure the levels of income in a borough without so many areas of 'high footfall' and further investigation into the predicted costs and potential revenue is still required. An annual target return of *£0.200m* would seem reasonable when benchmarked against the deals other local authorities have secured.

Finance and Accounting Policies

4.7 This proposals is centred around the review of regulatory restrictions for the Housing Revenue Account (HRA), Dedicated Schools Grant (DSG) and the Capital Programme and review of treasury management *£0.300m.* In the latter half of the current financial year, officers will examine the regulation restrictions pertaining to these areas of business. This is to ascertain what is charged to these accounts thereby providing the potential to release general fund resources.

4.8 This detailed desktop exercise has begun and a target for this element of £0.200m on going would appear realistic for 2016/17. For treasury management, the first year proposal focused on achieving greater gains from investments on treasury management activity. This proposal looks at a comprehensive review of the long term debts the Council has to assess options for debt rescheduling and debt redemption. This element proposal will be dependent upon market conditions and the willingness of counterparties to enter negotiations on revising their loan books. An annualised equivalent saving target of some £0.100m would seem realistic at this stage.

Review of sundry debtor collection

4.9 A review of sundry debtor collection will be carried out in 2015/16 with a target to improve collection by at least 1% which is equivalent to *£0.250m.* The review, led by the Head of Public Services, will look at the end to end process for sundry debtor collection; review the use of technology and the staffing arrangements. The current arrangements are that services raise invoices and where these remain unpaid they are followed up by the central sundry debt collection team using the new Oracle system. These arrangements will be comprehensively reviewed using external expertise to ensure we have the best structure in place which is following an effective process and making the most of the technology available.

Review of the impact of the Controlled Parking Zones Programme £0.250m 2017/18

4.10 The Council reviewed its parking policy in 2012/13. On the 10th April 2013, Mayor and Cabinet agreed 37 recommendations which led to a revised parking policy. Recommendation 10 set out that the Council would freeze parking charges at the current levels until 2015/16 and review annually thereafter. Recommendation 11 set out that the Council would consult on any future charge increases that exceeded inflation.

4.11 The Council's parking policy has to balance the needs of those living, working, visiting and trading in the borough as well as ensuring that the cost of parking controls is met. Complicating matters further is the increase in car ownership and the insatiable demand for parking spaces along with the need to reduce the harmful effects of car use on the environment. The Council's parking charges reflect the need to not only cover the costs of delivering parking controls but also managing these issues.

4.12 The parking charges are fixed in accordance with the requirements of the Road Traffic Regulation Act 1984. Section 122 of the Act imposes a duty on the Council to use them to *'secure the expeditious, convenient and safe movement of vehicular and other traffic including pedestrians and the provision of suitable and adequate parking facilities on and off the highway'*.

4.13 Charges were set at a level which is in line with the median level in London. Setting charges at that level ensured that the borough did not become a 'car park' for those travelling into London from the south east. It also ensured the Council continued to meet the objectives set out above and comply with the requirements of Section 122 Road Traffic Regulations Act 1984.

4.14 The Council's fear of becoming a 'car park' for commuters is very real. The introduction of the congestion charge in 2003 saw the number of commuters driving into central London reduce, but the risk was and remains that they park in car parks in the surrounding areas. The Council has multiple transport links into central London which makes it a very real risk. This is especially the case as Lewisham is just inside zone 2 with cheaper fares and at the end of the Docklands Light Railway. Added to this is the fact that access to Lewisham and its car parks is relatively easy for commuters driving into London, but becomes more difficult the further into London they travel as travel times' increase.

4.15 The charges were last increased in 2011. The parking policy review also led to a controlled parking zone programme of reviews of existing arrangements and the implementation of new zones. Whilst the review of existing zones is likely in some cases to lead to a loss of income and there is a cost of reviewing and implementing zones overall, there is likely to be an increase income.

4.16 It is estimated that increased charges and the controlled parking zone programme will lead to an additional income of *£0.250m.*

5. FINANCIAL IMPLICATIONS

5.1 There are no specific financial implications arising from the report. Any financial implications arising will be considered when individual proposals are progressed through the committee.

6. LEGAL IMPLICATIONS

6.1 There are no specific legal implications arising from the report. Any legal implications arising will be considered in full when individual proposals are progressed through the committee. Members may want to note the summary legal implications pertaining to the review of control parking zones. These have been set out in the 'Lewisham Future Programme 2016/17 draft revenue savings proposals' contained in a report elsewhere on this agenda.

7. CRIME AND DISORDER ACT IMPLICATIONS

7.1 There are no crime and disorder implications relevant to this report. Any specific crime and disorder implications will be considered when individual proposals are progressed through the committee.

8. EQUALITIES IMPLICATIONS

8.1 There are no specific equalities implications arising from the report. Any specific equalities implications will be considered when individual proposals are progressed through the committee.

9. ENVIRONMENTAL IMPLICATIONS

9.1 There are no environmental implications relevant to this report. Any specific environmental implications will be considered when individual proposals are progressed through the committee.

10. CONCLUSION

10.1 The Council expects to need to make further revenue budget savings between now and 2019/20. Therefore, our ability to generate higher levels of sustainable income to support our financial position becomes increasingly more important. Officers will continue for further refine the proposals set out in section 4 of this report as well progressing the work on fees and charges which is designed to underpin our income strategy.

BACKGROUND PAPERS AND APPENDICES

Short Title of Report	Date	Location	Contact
Income Generation Review (Scope and Sessions 1 & 2)	10th March 2015, 14th April 2015 and 14th July 2015 (Public Accounts Select Committee)	Governance Support, Civic Suite	Katie Wood

For further information on this report, please contact Selwyn Thompson, Head of Financial Services on 020 8314 6932

APPENDIX 1

Lewisham Future Programme – Income Generation

This paper was presented to Mayor's Briefing on 23rd September 2015. It explores the rationale on raising income, one of the four Lewisham 2020 themes.

Theoretically the council can generate income where it is able to sell a service at a cost greater than that spent on delivering it.

The main areas we can look to do this are through:

- Fees and charges
- Identifying areas where the council excels in performance and cost effectiveness and sell our core services to other councils through the use of trading companies for instance
- Selling the use of our assets particularly street assets (some will be covered by the fees and charges policy, but the council could explore other commercial areas)
- Using our assets to generate income, particularly revenue income
- Improving treasury management to ensure that we generate as much income as possible (within prudential risk criteria)

Income generation delivery models: how can they help us meet our budget challenge?

Fees and charges to our residents

Officers have conducted considerable work in this area, and Mayor and Cabinet recently adopted a policy. The questions that need to be addressed are whether our existing policies have been implemented, or whether we need to explore wholly new approaches.

Being a public body there are of course limitations on where monies can be generated and in many of our administrative functions, in licensing, planning, some areas of regulation, a nationally determined fee is prescribed (planning), or a local fee can be set at a level that recovers cost (but does not make the council a profit).

Fees and charges are important because the council does not want to have to subsidise from the General Fund administrative functions for which the Government determines the fee. We should attempt to reduce our administrative costs to the fee structure- otherwise the council tax payer is subsidising an activity that is supposedly paid for by the applicant. Mayor and Cabinet adopted a policy paper on fees and charges in May 2015. The Income Board, which is an officer task force, have identified the areas where fees and charges should be reviewed.

Income generation through fees and charges to residents delivers relatively low levels of income. As a council we can only charge the competitive rate. To overcharge will have the potential to reduce demand. High charges can cause perverse consequences. It may drive people to avoid the charge and thereby reduce the council's scope to raise additional income. It may also generate behaviours that are not wanted, and stop people using services that would benefit them. Therefore, increases in fees and charges are likely to be marginal.

The fees and charges policy has a principle of full cost recovery. This is not achieved in all services and so these areas should be reviewed again. If it is not possible to increase the fee, consideration should be given to the alternative approach reducing our costs to bring them in line. If we did this in the Planning service for instance we could achieve notable savings. In planning, there are also significant other fees that can be charged for pre-application advice and Planning Performance Agreements. These are set locally and give more flexibility in income generation.

Services are also considering where they can go beyond the current offer, and offer additional services. We should not make a profit from residents however we may be able to contribute to the fixed costs of services generating income. These include:

- Selling green waste services (out to consultation)

Selling services to other councils and organisations

Very few councils successfully sell services and make a 'profit' that can be returned to the General Fund. The largest and arguably most successful traded service is that of Norse Group, a trading company set up by Norfolk county council. The Norse Group is a holding company providing services to a number of local authorities across the UK. It was established in April 2006. The holding company contains:

- NPS Property Consultants Group
- Norse Commercial Services Limited (facility management) and
- NorseCare (a care provider)

Norse Group is wholly owned by Norfolk County Council. In 2014, the group's turnover amounted to £248m with pre-tax profit of £6.8m. However, the Norse Group is a business, with all the attendant risk, and so much of the profit is needed to be reinvested into the business, used for pension liabilities (from the TUPE and Joint Venture (JV) arrangements entered into with local authorities) and monies returning to the General Fund are less than £1m.

Although such levels of profit returning to the council may not be a significant driver to sell services (considering it has taken Norse 9 years to generate profit), one of the major benefits of doing so is the ability to 'subsidise' the overhead costs within the council. As the council gets smaller the relative contribution of overheads (governance, HR, policy, finance etc.) gets bigger as there are significant fixed costs.

If by selling a service we are recouping the full costs (including overheads) we have the ability to reduce the burden of the fixed costs.

The council is already selling its services to our partners. The main area is the services we provide to schools we do not have to provide them, and schools do not have to buy them. As long as we are charging enough to cover both the direct costs and the overheads, then it makes sense to do so. In financial terms, it is the subsidisation of the central overheads that is the gain from selling such services rather than direct revenue. There is a market and schools would go elsewhere if our costs were disproportionate to market costs. We also provide services to the ALMO and have further proposals on services such as lumber collection.

We have explored other areas where we could potentially sell a service. There are two examples of where this may happen. One is energy consultancy (with limited income potential circa £50k to £100k) and the other is the potential from the shared IT service with Brent, but still in development and as yet unknown potential).

There are no other examples in the budget proposals so far. In order to be worth developing options in this area, we would have to know that:

- We have high performing services,
- That other organisations would wish to purchase these services,
- We provide them at competitive cost and make a net and cashable profit after paying direct, and indirect and overheads costs,
- The management of the service has the capability and mind-set to operate commercially, and
- The council is willing to bear the risks involved of delivering other council's services.

Selling the use of our assets particularly street assets (most will be covered by the fees and charges policy but the council could explore other commercial areas)

For some councils, selling the space (particularly advertising) on highways and street furniture can generate income. These councils tend to be in central London where there is demand for on-street advertising space. For Lewisham there are opportunities (albeit modest) to generate advertising income from street assets, and more opportunity from generating revenue from citing telecommunications equipment. There are proposals in the budget proposals 2016/18.

Using our assets to generate income, particularly revenue income

The Regeneration and Asset Management Division has undertaken considerable work over the recent year on improving the performance of the operation of our assets and estate (including the commercial performance). Out of all the income generating areas we could focus on, managing, developing and maximising the use of our assets has the greatest potential to generate significant income.

Income generation opportunities have been identified and developed within the council's Strategic Asset Management Plan 2015-2020 and include:

- Classifying our assets into the operational, third sector assets and commercial assets
- Ensuring that rents and lease arrangements are clear and up to date, and that rents are collected and voids reduced in the commercial estate (existing 2016/7/8 proposals of £900k)
- More efficient operation on the operational estate
- Better use of community facilities and schools estates
- Transfer of the non-housing stock (garages and commercial estate) from the HRA to the General Fund.

The two areas above are about better operating and increasing the efficiency of our existing functions.

The area with the greatest potential to increase additional revenue is by being creative with our asset base. Of course, alongside the potential for upside profit are the associated risks and these proposals need to be fully developed and tested. They also need considerable officer input into their development and bringing to implementation. The risk, legal, financial and governance issues will mean we are likely to want to see separate delivery vehicles to deliver revenue raising development schemes.

In partnership with colleagues in Strategic Housing, officers in the Regeneration and Asset Management Division are developing a property investment and development strand within the council's asset portfolio which has the potential to generate both economic and social benefits. The main opportunities relate to the private rented sector (PRS) with the Council retaining some or all ownership and therefore the opportunity to generate income. It is clear that the private rental sector has grown exponentially across London as property prices rise.

Work is ongoing to identify suitable sites for high quality well managed private sector rented housing, and to research delivery vehicles for these programmes together with some soft market testing amongst potential delivery partners. Officers have been discussing the most appropriate way of taking forward income generating PRS schemes in Lewisham for a number of months. Considerable work has gone into understanding the best route to delivery and a paper analysing the options of four delivery vehicles has been discussed by the Regeneration Board. These include:

- the ALMO (not recommended as a route to income generating PRS, but might work for some mixed sites),
- setting up a commercial SPV or limited company – similar to Catford Regeneration Partnership Ltd, but with dedicated purpose,
- entering a JV with a development or investment partner (likely that the council would be the investor so more likely to be a development partner), or
- Procuring a development partner.

Each of these routes (apart from the ALMO route that looks more problematic) are viable options for moving forward but it is likely that different sites, with different requirements will require different delivery routes.

Apart from building the stock, there is also the issue of the best option for the commercial operation of running PRS stock. We need to analyse of the market in this area although it is clear that managing large scale PRS is a specialist operation and may be best done by the private sector.

Regeneration is working on a site by site basis to explore the opportunities. Across the wider programme there are opportunities for us to establish SPVs to support income generation through PRS, student / hotel bed spaces, PRS and other commercial investments.

Considerable work is needed on site by site feasibility studies going forward, on the development, and on the operation of the commercial operations. Developing the site is part of the issue but one we have considerable experience in managing: developing and potentially running profit-making businesses is a crucial part of the equation- one where we are much less likely to have the skills.

This new investment has the potential to deliver significantly to the Council's new net revenue position, as well as contributing to delivery of the Regeneration Strategy's aspirations for regeneration and growth and the Housing Strategy's ambitions for affordable and high quality housing.

It is important to be realistic about the scale of income generation of any single site. Initial modelling conducted for the council identifies yields of about 4.5% on any development. Significant development would be required to generate significant income, and will take time and resources to deliver.

This new income project is designed to achieve savings required by the Council through the Lewisham Future Programme and is seeking to deliver increased income of £200k by 2017/18. This milestone reflects the lengthy lead in time for construction projects of this nature. Given continued growth predictions for London beyond this it is estimated that this could be a significant source of income beyond 2017/18, with potentially £5m+ a year income potential through new income by 2021 through development aligned to the borough's regeneration. This income can be used to reduce overall costs as well as support the continue delivery of wider Council services.

Improving treasury management to ensure that we generate as much income as possible (within prudential risk criteria)

This area is one of generating the maximum income from our considerable balance sheets. Proposals for 2016/17 include reviewing finance strategies for debt management.

Other opportunities include more aggressively managing our balance sheet. However this will expose the council to higher levels of risk, and the risk appetite within the council would need to be fully understood, and considered decisions taken on financial management going forward.

Increasing council tax and business rate base

Increasing the number of dwellings will increase the council tax base, and increasing the numbers of businesses will increase the business rate base. Both are important in increasing our income going forward (although in residential population imposes additional service demands).

Where officer will explore further options?

It is clear that each of these areas identified will provide differential returns.

For fees and charges, considerable work has been undertaken over the years and in this area the Income Board should review the implementation of existing council policy.

Developing proposals on selling our services to other councils or commercial operations would involve considerable effort in developing the business cases and implementation that may not be warranted considering the relatively limited returns. There may be proposals put forward by particularly entrepreneurial officers which should be encouraged, but opportunities appear limited.

Selling to our partners of course will reduce our own overheads and share fixed costs, and maximising the existing sales to schools are part of the budgets proposals going forward, as are the sale of services to the ALMO.

The area of assets and raising revenue from our capital assets is one that has clear potential for contributing to our savings proposals, but although work has been done on the options for delivery, there is still work to do on:

- Nature of the commercial development, i.e. are we building PRS to use instead of temporary accommodation (which will mean a social housing delivery/ management may be sufficient to deliver) or are we aiming to maximise income with commercial PRS management (which would lead to commercial delivery and management).
- If the above is decided on a case by case basis in relation to sites, then that site specific business case in needed now in order to set up delivery structures.
- Funding of feasibility and development work.

This work is needed urgently if this is to contribute to savings in the period 2016-2018.

Selling the use of our street assets is already underway and factored into budget proposals.

Income Board
September 2015

APPENDIX 2

Lewisham Council

Income Strategy and Guidance

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1. Introduction

In 2013/14 Lewisham generated £118.3m of income, from fees, charges and other service income. This was from a variety of sources from Adult Social Care to Leisure Centres. This revenue is increasingly important with Government budget reductions meaning that the Council is required to save £85m between 2015/16 and 2017/18 to balance its budget. While income will play a critical role in meeting this challenge, it must be undertaken in a clear, transparent and consistent way.

Income can be a means by which to ensure a service is sustainable in the longer term but if not implemented in a fair and transparent way it can lead to a lack of engagement and distrust in the service and Council as a whole.

This Income Strategy is intended to ensure that where the Council has in place fees, charges and sources of income they are guided by certain principles and managed in a thoughtful and consistent way.

2. Principles

There are number of principles that the Council will follow when setting or introducing fees and charges.

a. **Full Cost** – Any fees and charges at a minimum should cover full costs of the service (including capital and revenue investment and overheads) unless there are contrary policies, strategy, legal or contractual reasons.

b. **Market Rates** – Where fees and charges are in place they should reflect market rates subject to meeting full cost. Any variation or charges that are significantly lower than the market must be agreed by the Fees and Charges Working Group.

c. **Inflation Rise** – All fees and charges will rise in line with inflation in order to avoid sharp increases in prices.

d. **Benchmarking** – All fees and charges should be benchmarked with neighbouring local authorities and the voluntary and private sector delivering similar services. Charges should not be significantly below comparator councils.

e. **Agreeing Subsidy** – The Fees and Charges Working Group / Mayor and Cabinet must agree any decision to subsidise a service through lower fees. A business case must be presented setting out the rationale behind the subsidy and the full costs of the subsidy (including annual and whole life revenue, overheads and capital costs).

f. **Understanding Demand** – Demand analysis must be undertaken to understand the impact of fees and charges on service and non-service users. This should include the elasticity of demand.

g. **Concessions** – Any concessionary scheme should be based on ability to pay or promote a strategic objective and be applied in a consistent and transparent way across all council services.

h. **Collection** – All fees and charges should be collected in the most efficient form. All fees and charges should be collected through automated electronic means and prior to the service being delivered.

i. **Targeting Charges** – Managers should actively consider the use of alternative pricing structures to take advantage of opportunities to segment markets, and to target and promote take-up of services to specific target groups as appropriate to strategy objectives.

3. Key considerations

In setting fees and charges, alongside our key charging principles, the service should take into account the considerations below. These will ensure that service areas set charges that do not unfairly penalise groups while ensuring that we do not end up placing undue stress on other service areas to fund a subsidy. The key principles and considerations align and should be considered together.

a. Demand for the Service

In order to deliver a quality service, the Council should understand the needs of those residents they serve and the demand for their service. This is irrespective of whether the service charges or not. Understanding the demand for the service and the needs will enable the service to tailor provision to residents to ensure that it meets these needs.

b. Ability to Pay and Equity

In determining charges services need to have regard to the nature of the service and the ability of users to pay. Any charges must also not unfairly penalise a particular group based on their characteristics.

c. Statutory nature of the service

The legal framework surrounding fees and charges will vary across services and each area must set fees and charges within any statutory requirements. If restrictions are placed on recovering full costs then service areas must ensure that they are including all relevant costs, this can be calculated through the use of the overheads calculator.

d. Strategic priority

Charging can be an important element of shaping behaviour and reinforcing strategic priorities for the Council. An example of this would be promoting sustainability and recycling through waste service charges.

e. Impact on Service Outcomes

The role of charging should be considered in line with the outcomes that the service is trying to achieve. While fees can be viewed as a push to drive people to improve certain outcomes (e.g. recycling instead of landfill), charges in some circumstances can promote users attaching added value to the activity. Each area must consider the impact on outcomes on a case by case basis.

f. Collection/Transaction Costs

When determining fees and charges the service should have regard to the cost of the collecting the income. Charges should not be introduced if the costs of transaction are greater than the incoming revenue.

4. Governance and Monitoring

As part of the development of the Income strategy Lewisham is establishing a fees and charges working group to ensure compliance with the Income Strategy.

a. Fees and Charges Working Group

In order to ensure transparency and consistency across the Council in relation to fees and charges, Lewisham will undertake an annual review on all charges set.

This review will be undertaken through a new working group that will engage with the Cabinet Member for Resources. The group will meet three times a year with all service areas being accountable to the group for setting their fees and charges in line with the Income Strategy.

b. Fees and Charges Database

The operation of the group will be underpinned through a new database of all fees and charges across the organisation. This will include information on:

- List of charges within the Service
- Statutory basis for charges
- When charges were reviewed and any increase.
- Overhead calculations
- Demand analysis
- Benchmarking

This information is there to inform the group when holding services to account on their current level of charges. The group is also able to use this information to determine whether to call Service Managers and Heads of Service in to explain in more detail how charges have been decided upon.

It will be the responsibility of Service Managers to update the database as and when there are planned changes to the fees and charges.

c. Working Group Membership

The working group will comprise four representatives from across the Directorates and will seek regular engagement with the Cabinet Member for Resources. These include:

- Head of Financial Services (Resources and Regeneration) (Chair)
- Head of Strategy, Partnerships & Improvement (Community Services)
- Head of Resources (Children and Young People)
- Head of Public Services (Customer Services)

The group are able to call in Heads of Service and Service Managers to account for how fees and charges have been set in line with the strategic direction of the organisation.

d. Management of the Working Group

The working group will be managed by finance as the role of the group aligns with the function of the service in checking compliance of services to the strategic direction of the organisation.

5. Key Lines of Enquiry

In order to support the work of the group and provide clarity to officers attending, the following key lines of enquiry are a guide to the areas and questions that the board may want to explore further.

a. Rationale for Charges

- Why have we introduced a charge?
- Is the charge to reduce the subsidy to a service or recover full costs?
- What is the process for setting charges?
- What does the legislation enable in relation to charging?

b. Strategic Compliance

- Do fees and charges comply with the income strategy and key principles?
- How do fees and charges relate to other Council strategic objectives (e.g. charging to drive improvement in recycling rates etc.)?

c. Market Conditions

- Are there any other locally available providers delivering similar services in competition?
- How do fees and charges impact on these other providers?

d. Future Plans

- What are your Service's plans for fees and charges in the future and are there plans to increase these? (e.g. rent review)

e. Demand Management

- What is the relationship between charges and demand?
- What is the elasticity of demand?
- How does the service manage demand?
- What is the economic profile of your users and has this been considered in setting fees and charges?

f. Concessions

- How do you determine concessions for the services? (e.g. statutory)
- Are these different concessionary groups clearly defined? (e.g. resident, student)
- What forms of proof are used to access the concessionary rates?
- How are concessions administered and what the associated costs are?

g. Communication

- How do you publicise information on your level of fees and charges?
- What ongoing communication do you have about fees and charges with your users?

h. Administration

- How are fees and charges administered?
- How much does this administration cost?
- Do you collect all charges prior to users receiving the service? If not, why?
- How do you promote the use of efficient collection? (e.g. direct debit use)

i. Dependencies

- What are the implications of charges for other areas of the Council?
- Will there be a positive or negative impact on these areas?