



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 are the associated costs?

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?