

Income, Fees and Charges

Oxford City Council

Audit 2007/08

September 2008



Contents

Summary report	3
Detailed report	8
Appendix 1 – Key lines of enquiry	14
Appendix 2 – Authorities comprising the comparison group	15
Appendix 3 – Action plan	16

Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
 - any third party.
-

Summary report

Introduction

1 In 2006/07, councils in England raised £10.8¹ billion by charging for services². This represents around 8 per cent of their total income. In some services the decision to charge for a service is taken by national government who also set the level of charge to be applied throughout the country. For other services local councils have discretion as to whether they charge for a service and also determine the amount to be charged. These 'discretionary' charges include services such as;

- culture and leisure;
- recycling and waste collection;
- town hall services;
- commercial fees;
- car parking;
- environmental health;
- planning and building control; and
- burial and cremation services.

This discretionary approach gives local councils the ability to choose how charges are to be used to promote local priorities and the degree to which services should be subsidised by taxpayers.

2 Many councils believe that the funding they get from central government is insufficient to deliver the level of public services that local people want. Central government, on the other hand, has invested heavily in public services and believes that greater efficiency is necessary to ensuring that resources are available to sustain and improve frontline services. Consequently councils are required to place increasing emphasis on providing value for money by securing cost efficiencies and maximising income.

¹ Audit Commission national report 'Positively Charged'.

² This figure excludes income from council housing.

Background

- 3 Oxford City Council is making significant progress towards providing improved services for local people. It has appointed a new Chief Executive, reorganised its senior management structure and produced a much improved Corporate Plan (2008 - 2011) defining clearer corporate aims and targets. It is adopting a stronger focus on local needs, and has implemented some good examples of improved community consultation to enhance its understanding of how best it can serve residents and visitors to the city. These measures have received support from all political parties contributing to an improvement in political and managerial leadership and a stronger focus on improvement.
- 4 However, the Council still faces considerable challenges if it is to match the achievements of the best performing district councils. Of these, one of the most significant is to secure good value for money (vfm). Overall the Council's costs remain significantly higher than similar councils. In the most recent (March 2008) Annual Audit and Inspection letter the appointed auditor recorded a qualified conclusion on the Council's vfm arrangements noting that 'the Council has yet to put in place arrangements to manage and improve value for money'. This conclusion was supported by an inspection of cultural services which found that the service represented poor value for money. Strengths in other service areas are inhibited by high costs, and the need to better understand the relationship between costs and performance, including in community housing services.
- 5 Key issues for improvement include the need to establish a rigorous and comprehensive culture of vfm throughout the Council to facilitate significant budget reductions. The Council is tackling this by systematically reviewing corporate processes and services to enable it to reduce its net revenue budget by 25 per cent over the two year period ending March 2009.
- 6 The way the Council manages income, fees and charges is of fundamental importance to achieving this objective. In recognition of this a former strategic director presented a report to the Cross Party Group in July 2007 to stimulate discussion. Her intention was to create a common view among councillors of the principles that should underpin income generation leading to agreeing policy objectives. Although the contents of the report were endorsed by councillors there has been little progress towards using the principles to inform Council policies.

Audit approach

- 7 The purpose of this work is to provide a risk-based improvement agenda for the Council, by assessing and highlighting strengths, risks and value for money in the Council's approach to its income, fees and charges. This was achieved by adopting a 'critical friend' approach to help the Council re-evaluate its current approach to income generation.

Summary report

- 8 The work focuses on the Council's use of 'discretionary' charges and has been informed by the recent (January 2008) Audit Commission national report on public service charging 'Positively Charged'. Based on this publication key lines of enquiry (KLOE) were agreed with the Council and are summarised at Appendix 1. These have been used to guide the work.
- 9 Specifically the work has involved:
 - a review of relevant documentation provided by the Council and the audit team, notably the Council's budget documentation for 2008/09, the current medium term financial strategy and the Annual Audit and Inspection Letter;
 - use of the Audit Commission's Charging Income Comparison Tool to compare the Council's performance with similar councils as defined by CIPFA (Appendix 2);
 - a site visit to conduct interviews with councillors and officers; and
 - agreeing an Action Plan based on the recommendations with the Council to guide future improvement.
- 10 The findings of this report and progress towards delivering the action plan will also be used to support the Audit Commission's statutory assessments of the Council's use of resources and value for money conclusion in September 2008, and will feed into the 2008/09 Direction of Travel annual inspection report.

Main conclusions

- 11 The primary cause of the Council's relatively poor value for money is high expenditure rather than low income. Despite receiving the second highest level of income the Council ranks 5th out of 16 similar councils for total net expenditure per head of population. Therefore overall costs, whether net or gross, remain significantly higher than comparable councils.
- 12 There is no overarching corporate policy to direct and coordinate the various departmental and service based charging policies. Historically charging policies and practices have developed in an ad hoc fashion and there has been little attempt to coordinate this within a corporate income policy.
- 13 Charging levels do not consistently support Council priorities. There are some good examples of charging practices that support corporate priorities, such as city centre parking charges to encourage the use of public transport in general and Park and Ride in particular as well as free swimming for specific age groups to promote healthy lifestyles. But these good practices are opportunistic rather than systematic. Charging levels and practices have developed at service level rather than as the result of an integrated corporate approach.
- 14 There are opportunities for the Council to vary the level of some charges and to introduce new charges to support improved value for money and create scope to reduce other charges to promote council priorities.

Recommendations

- 15 In order to address the areas for further improvement identified in the detailed report we recommend that the Council should do the following.

Recommendations

- R1** The Council should produce an incomes strategy incorporating the following features.
- The strategy should clarify what the Council wants to achieve through charging and describe how income generation is to be used to support corporate priorities.
 - The strategy should cover a minimum period of three years.
 - Councillors of all parties should be closely involved with formulating the strategy.
 - The strategy should be based on extensive consultation with residents and customers.
 - It should re-visit the principles referred to in the July 2007 report to the Cross Party Group.
 - It should define corporate income targets for future years linked to the medium term financial strategy.
 - The strategy should describe how corporate income targets are to be used to coordinate future price changes

The expected benefits of this recommendation are a coordinated and cohesive approach to income generation.

This recommendation is low cost and will achieve high impact.

Recommendation

- R2** The Council should ensure that income generation policies and practices support the delivery of corporate priorities by:
- clarifying the rationale and purpose of charging for specific services; and
 - actively using charging levels to promote service use or modify customer behaviour.

The expected benefits of this recommendation are to use charging levels as an important tool for delivering Council objectives.

This recommendation is low cost and will achieve high impact.

Recommendations

- R3** The Council should identify opportunities to increase income. Examples include:
- bulky waste collection;
 - pre-application planning advice;
 - charging for smaller car parks;
 - improved marketing of services; and
 - sponsorship and advertising (litter bins, car parks and public conveniences).

The expected benefits of this recommendation are to maximise income in support of the Council's value for money and improving service performance objectives.

This recommendation will be self financing and will achieve high impact.

Detailed report

Overview of value for money

- 16** The primary cause of the Council's relatively poor value for money is high expenditure rather than low income. Expenditure and income levels are both relatively high when compared to similar councils. Despite receiving the second highest level of income the Council ranks 5th out of 16 similar councils for total net expenditure per head of population. This indicates that gross expenditure compared to similar councils is even higher. Therefore overall costs, whether net or gross, remain significantly higher than comparable councils.
- 17** Expenditure - Table 1 illustrates that the Council spends significantly more per head of population than comparable¹ councils.

Table 1 Total Expenditure per head of population

Authority Name	Net Expenditure per head 2006/07
Watford B. C.	£290.99
Crawley B.C	£238.8
Preston C.C.	£223.75
Chester C.C.	£211.70
Oxford City Council	£206.59
Cambridge City Council	£198.35
Bedford Borough Council	£196.92
Exeter City Council	£187.42
Welwyn Hatfield Borough Council	£175.53
Rushmoor Borough Council	£173.49
Dacorum Borough Council	£170.87
Runnymede Borough Council	£168.83
Northampton Borough Council	£157.76
Colchester Borough Council	£152.78
Warwick District Council	£145.64
Cheltenham Borough Council	£144.91

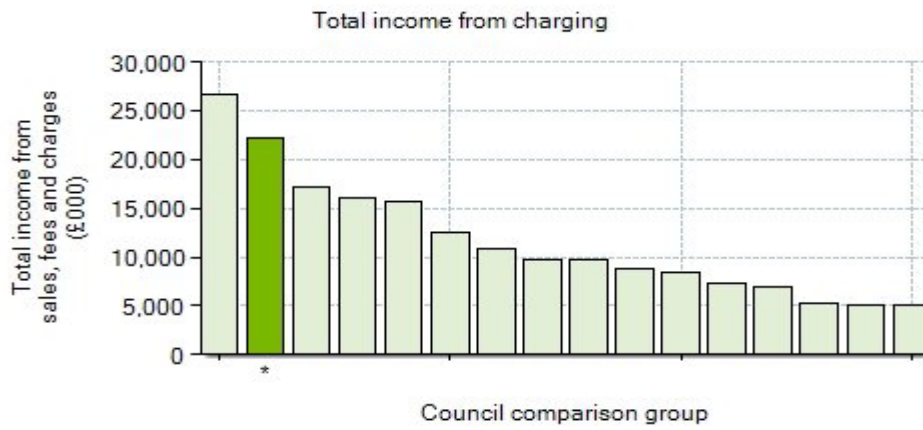
Audit Commission VFM Tool

¹ This group comprises councils identified by Cipfa and endorsed by the Audit Commission as having similar demographic, social and size characteristics as Oxford City Council. See also Appendix 2.

Detailed report

- 18** Income - The Council receives high levels of income through the charges that it levies on service users. Its General Fund budget estimates that gross income amounting to almost £22 million will be collected in 2008/09. Of this total, approximately £10 million is 'discretionary' income. This is slightly more than the amount of council tax raised by the Council.
- 19** Table 2 shows the total income received by the Council in 2006/07 from income, fees and charges across all service areas (excluding the Housing Revenue Account) compared to similar councils.

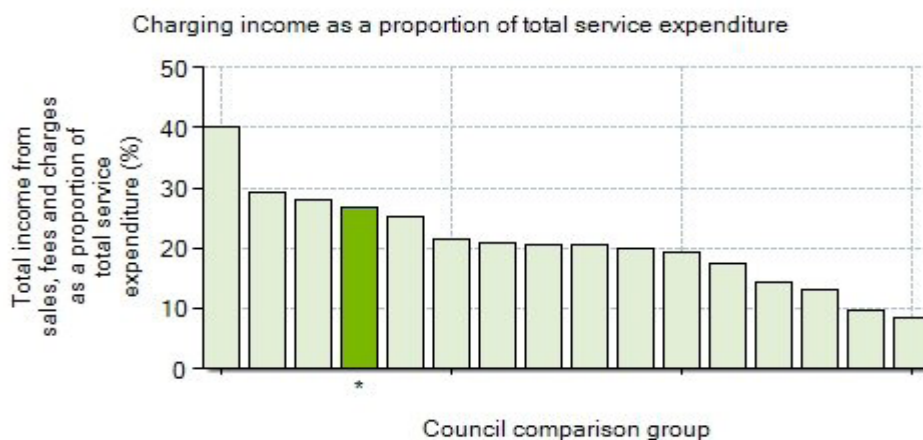
Table 2 Total income received 2006/07 from sales, fees and charges



This illustrates that in absolute terms the Council generates more income than all but one of its CIPFA comparator group.

- 20** The Council also raises a relatively high proportion of the cost of delivering services through fees and charges. Table 3 shows income from charging as a proportion of total service expenditure.

Table 3 Proportion of income from charging



- 21 Further analysis demonstrates that with the exception of environmental services each of the main service groupings generates a relatively high proportion of expenditure from income. Specifically Table 4 shows the relative position for each major service grouping.

Table 4 Income as a proportion of total expenditure

Service grouping	Specific services	Ranking in comparator group (where 1 is highest and 16 lowest)
Highways and Transport	Parking, traffic management, road safety, highways maintenance and public transport.	6th out of 16
Housing Services	Income from leased property, bed and breakfast, housing benefits and welfare.	2nd out of 16
Culture	Sport and recreation, open spaces, theatres, museums.	5th out of 16
Environmental services	Waste collection and disposal, cemetery and burial services and environmental health.	15th out of 16
Planning and Development	Development control, building control and economic development.	2nd out of 16

- 22 The combination of relatively high net expenditure (Table 1) and high levels of income (Tables 2 to 4) indicates that gross expenditure levels are significantly above similar councils. This demonstrates that the primary cause of the Council's relatively poor value for money is high expenditure rather than low income.
- 23 In response to this the Council is working to reduce expenditure by 25 per cent over financial years 2007/08 and 2008/09 through a programme of service reviews linked to organisational change and a more focussed performance regime. The following paragraphs demonstrate how the Council can supplement this initiative by maximising income where desirable and by strengthening links between income generation and delivering corporate objectives.

Strategic approach to setting charges

- 24 The Council does not have a strategic approach to setting charges and income generation. Historically charging policies and practices have been developed at service level and there has been little attempt to coordinate this within a corporate income policy. This means that there is no overarching corporate policy to direct and coordinate the various departmental and service based charging policies.
- 25 An incomes strategy would help the Council to achieve a coordinated and cohesive approach to income generation. Specifically it would define overall targets for income generation within which service specific targets would be determined. This would allow charging levels in each service to reflect corporate priorities where appropriate whilst maximising income in others services. This approach would contribute significantly to future budget setting and financial performance management, by setting clear income targets and measures against which the Council can assess the impact that charging is having on the delivery of its corporate priorities.
- 26 The following points summarise some of the characteristics of a corporate incomes strategy that should be incorporated in the Council strategy.
- The strategy should clarify what the Council wants to achieve through charging and describe how income generation is to be used to support corporate priorities. This would include a clear description of the required impact of the charging policy in each service area.
 - The strategy should cover a minimum period of three years.
 - Councillors of all parties should be closely involved with formulating the strategy leading to 'cross party' support for the final document.
 - The strategy should be based on extensive consultation with residents and customers. This should be used to supplement existing consultation about the annual budget and be extended to include service specific user groups where appropriate.
 - It should re-visit the principles referred to in the July 2007 report to the Cross Party Group, to formalise the principles and 'parameters' which the Council wishes to adopt.
 - It should define corporate income targets for future years linked to the medium term financial strategy. These targets should be based on research and analysis of opportunities in each service area including consultation with residents, market research and the use of comparative information.
 - The strategy should describe how corporate income targets are to be used to coordinate future price changes to strengthen links to corporate priorities and achieve future efficiency targets.

Charging in relation to corporate objectives

- 27** It is unclear how charging consistently supports Council priorities. Although there are examples of where this is happening the Council is not maximising the usefulness of charging levels to promote services and change customer behaviour. Consequently the way that current pricing levels support the Council's corporate objectives is opportunistic rather than systematic.
- 28** Council priorities are:
- stronger and more inclusive communities;
 - more housing, better housing for all;
 - improve the local environment, economy and quality of life;
 - reduce crime and anti-social behaviour;
 - tackle climate change and promote environmental resource management; and
 - transforming the City Council by improving value for money and service performance.
- 29** There are some good examples of charging practices that support corporate priorities. Examples include:
- leisure charges support stronger and more inclusive communities. Free swimming for those people over 65s and under 17s help promote exercise for these age groups;
 - free swimming for the children and young people (under 17s) may provide diversionary activities that reduce anti social behaviour;
 - high city centre parking charges deter people from bringing their cars into the city centre consequently improving the local environment and quality of life;
 - 'Park and Ride' contributes to a vibrant retail economy in the city centre; and
 - the future availability of an 'Oxford Card' offering concessions and rewards for customer loyalty promotes the local economy.
- 30** Charging policies and practices in these areas broadly support corporate priorities. However, this is a result of market conditions or an intuitive understanding of what should be achieved. Consequently the rationale for charging is not always clear, and little attempt has been made to actively use charging levels to promote service use or modify customer behaviour. For example, the Council could promote use of its leisure facilities by offering subsidised or free parking in car parks close to those facilities. Such initiatives would enable charging levels to become an important tool for delivering Council objectives.

Opportunities to increase the level of income

- 31** There are opportunities for the Council to vary the level of income, should it decide that doing so would meet its priorities and agreed approach. Despite the high levels of income being generated, the Council is missing opportunities to increase the income it receives or to offer concessions to promote corporate objectives. It is beginning to investigate some of these opportunities but the underlying approach to income generation is cautious and risk averse. As a result the Council is not exploiting opportunities that other similar councils have benefited from.
- 32** The following are examples of where there are opportunities to increase income or to offer additional services linked to corporate objectives:
- bulky waste collection;
 - pre-application planning advice;
 - charging for smaller car parks;
 - additional services in existing facilities - examples include allowing vending machines in public facilities and 'renting' space for car washing services or windscreen repairs in car parks;
 - offering attended services in city centre public conveniences (perhaps financed by a charge for services) to promote tourism and improve the visitor experience;
 - improved marketing of services;
 - licensing (street trading; houses in multiple occupation¹; taxis etc);
 - more stringent enforcement; and
 - sponsorship and advertising (litter bins, car parks and public conveniences).
- 33** In some cases the Council has considered these services and decided not to introduce charges. For others it is currently considering the benefits of introducing a charge. In each case this consideration would be facilitated by a clear income strategy defining the rationale for charging and how charges could be used to support corporate objectives.
- 34** The Council should ensure that changes to charging levels are supported by appropriate marketing. This would include detailed research into the possible impact of altering existing charging levels or introducing new charges. An important element of this would be consultation with users and other interested groups and learning from other councils. In addition, the Council should clearly explain to the public why charges are being introduced or changed and how they support wider objectives. In this way the desirability of introducing some of these charges could be thoroughly researched and measures to manage possible risks, such as customer resistance, could be implemented.

¹ The recent inspection of strategic housing services highlighted opportunities to improve then interface with landlords on the city and to introduce an accreditation scheme.

Appendix 1 – Key lines of enquiry

- 1.1 To what extent does the Council ensure that:
- the choices it makes are founded in good evidence about the likely impact of charging on patterns of service use by different groups of users?
 - the objectives of charging are clearly communicated to the public who should have the opportunity to hold the council to account for its decisions? and
 - it evaluates whether the choices it has made are having the desired effect , and taken appropriate action if not?
- 1.2 What does the Council want to achieve?
- 1.3 What principles underpin the Council's approach to charging?
- 1.4 Are cost effective mechanisms available for paying and collecting charges? ¹
- 1.5 Are the charging objectives being met?
- 1.6 How does the impact of charging on behaviour and budgets compare to:
- similar councils?
 - neighbouring councils?
 - other service providers?
- 1.7 What do local people think of charges? ²
- 1.8 Where does the Council go from here?

¹ In the time available it was not possible to research this KLOE in detail.

² In the time available it was not possible to research this KLOE in detail.

Appendix 2 – Authorities comprising the comparison group

Bedford Borough Council
Cambridge City Council
Cheltenham Borough Council
Chester City Council
Colchester Borough Council
Crawley Borough Council
Dacorum Borough Council
Exeter City Council
Northampton Borough Council
Preston City Council
Runnymede Borough Council
Rushmoor Borough Council
Warwick District Council
Watford Borough Council
Welwyn Hatfield Borough Council

CIPFA Nearest Neighbours (April 2007 Onwards)

Appendix 3 – Action plan

Page no.	Recommendations	Priority Low Med High	Responsibility	Agreed	Comments	Date
	The Council should produce an incomes strategy incorporating the following features.					
	R1 The strategy should clarify what the Council wants to achieve through charging and describe how income generation is to be used to support corporate priorities.	H	Penny Gardner/ Sarah Fogden	Yes	The Corporate strategy, as set out in the MTFs, is to move towards charging full cost for services in trading areas, introducing an Oxford card to give residents a discount over visitors and targeting discounts to low income groups to provide access to services. This will formally be incorporated in the incomes strategy.	Nov 2008
	R2 The strategy should cover a minimum period of three years.	M	Penny Gardner/ Sarah Fogden	Yes	See R1	Nov 2008

Appendix 3 – Action plan

Page no.	Recommendations	Priority Low Med High	Responsibility	Agreed	Comments	Date
	R3 Councillors of all parties should be closely involved with formulating the strategy.	M	Penny Gardner/ Sarah Fogden	Yes	Review by Cross Party Working Group as part of strategy development.	Oct/Nov 2008
	R4 The strategy should be based on extensive consultation with residents and customers.	M	Peter McQuitty	Yes	To be incorporated with budget consultation.	Nov/Dec 2008
	R5 It should re-visit the principles referred to in the July 2007 report to the Cross Party Group.	H	Penny Gardner/ Sarah Fogden	Yes	See R1	Nov 2008
	R6 It should define corporate income targets for future years linked to the medium term financial strategy.	H	Penny Gardner/ Sarah Fogden	Yes	The MTFs provides a framework for income targets by determining inflation levels for different forms of income. Application of the strategy principles to each service will enable targets to be developed.	Feb 2009

Page no.	Recommendations	Priority Low Med High	Responsibility	Agreed	Comments	Date
	R7 The strategy should describe how corporate income targets are to be used to coordinate future price changes.	M	Penny Gardner/ Sarah Fogden	Yes	See R6	Feb 2009
The Council should ensure that income generation policies and practices support the delivery of corporate priorities by:						
	R8 Clarifying the rationale and purpose of charging for specific services.	M	Heads of Service	Yes	To be developed as part of updating Service Transformation Plans.	Nov/Dec 2008
	R9 Actively using charging levels to promote service use or modify customer behaviour.	M	Heads of Service	Yes	As above.	As above
The Council should identify opportunities to increase income. Examples include:						
	R10 Bulky waste collection;	M	Colin Bailey Tim Sadler	No	Members have indicated there is no political willingness to consider charging for domestic bulky waste.	

Appendix 3 – Action plan

Page no.	Recommendations	Priority Low Med High	Responsibility	Agreed	Comments	Date
	R11 pre-application planning advice;	M	Michael Crofton-Briggs/Mel Barrett	Yes	Proposals are already under development.	July 2009
	R12 charging for smaller car parks;	L	Colin Bailey/ Tim Sadler	Yes	Some options were considered during the 2008/09 budget process and will be reviewed again.	Nov 2008
	R13 improved marketing of services	M	Heads of Service	Yes	Budget setting requires Heads of Service to consider opportunities to increase income.	Oct 2008
	R14 sponsorship and advertising (litter bins, car parks and public conveniences).	M	Colin Bailey/ Tim Sadler	Yes	Opportunities to be reviewed as part of the 2009/10 budget process.	Nov 2008

The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, covering the £180 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

Copies of this report

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0844 798 7070.

© Audit Commission 2008

For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 0844 798 1212 Fax: 0844 798 2945 Textphone (minicom): 0844 798 2946

www.audit-commission.gov.uk
