

Income, Fees and Charges

Oxford City Council

Audit 2009/10

August 2009

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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.
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Introduction

- 1 In 2007/08 we undertook a review of income, fees and charges at Oxford City Council and reported the findings of this review in September 2008. In June and July 2009 we carried out a follow-up review to assess progress against the recommendations arising from the 2008 report and to identify areas where further progress could be made. This report presents the findings of that follow-up review. It contains an assessment of the Council's current performance and makes recommendations for improvement.
- 2 The findings will inform the appointed auditor's value for money opinion on the Council's accounts and the annual use of resources assessment.

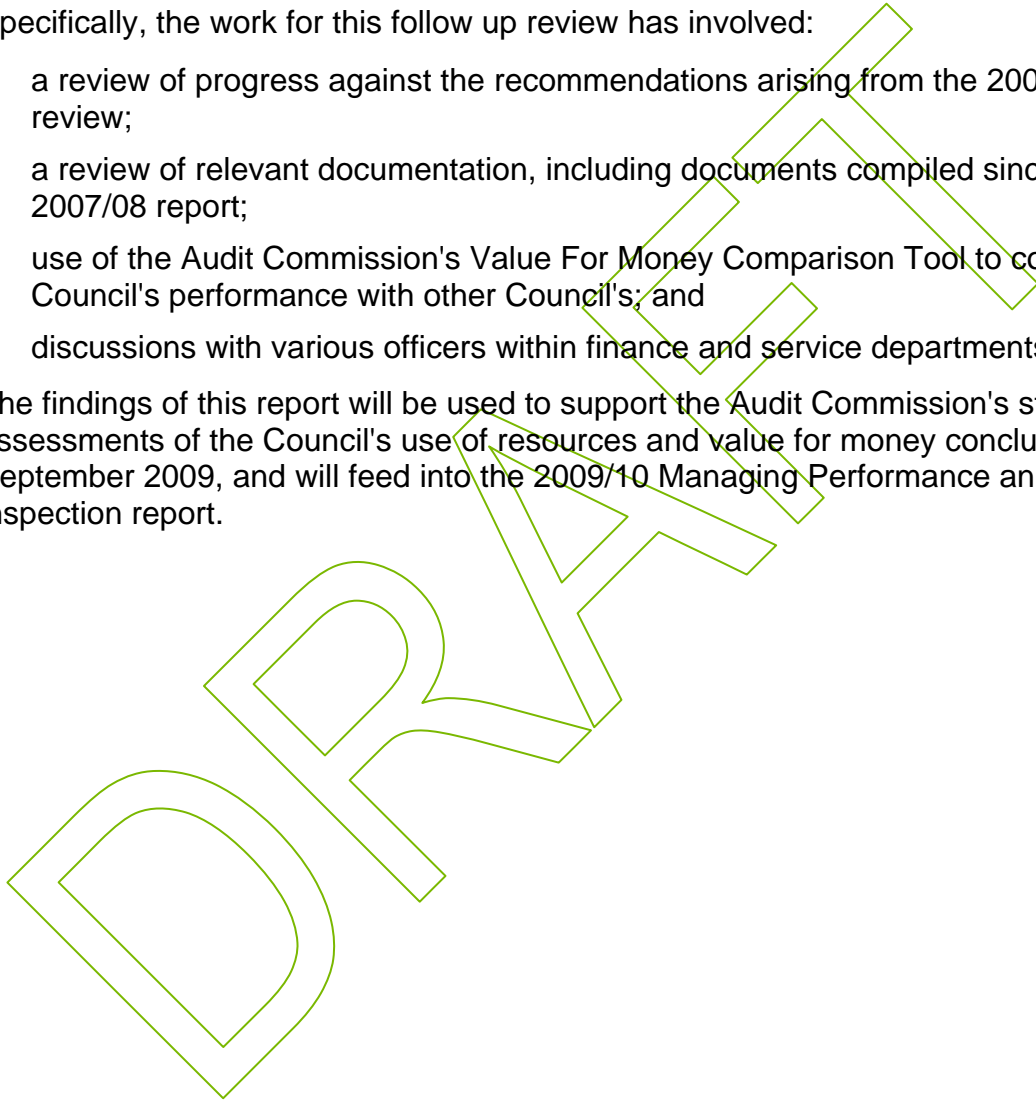
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Background

- 3 Oxford City Council is implementing a transformation strategy based on a revised management structure and an improved Corporate Plan (2008-2011). The latter defines clear corporate aims and targets, including financial efficiency measures. These and other measures have received support from all political parties and are contributing to an improvement in political and managerial leadership and a stronger focus on improvement.
- 4 In the 2007/08 Annual Audit and Inspection letter the appointed auditor recorded that the Council's value for money arrangements had improved in comparison with previous years but further work was still needed to improve the approach towards managing income, fees and charges. Since then, the Council has reduced costs by 25 per cent in 2008/09 and 2009/10. This is a considerable achievement but the Council still faces considerable challenges if it is to match the achievements of the best performing district councils in terms of value for money as its costs remain significantly higher than similar councils.
- 5 Income from fees and charges is an important resource for the Council. Oxford City Council's 2009/10 total budget requirement of £29m includes £7m from property rental and £7m from car parks. By comparison, Council Tax revenues for the City Council is £12.1m, Redistributed Business Rates is £13.5m and Government Formula Grant is £3.1m. Income from fees and charges therefore forms a significant proportion of the Council's financial resources.
- 6 The Council recognises this. In July 2007 a former strategic director presented a report to the Cross Party Working Group setting out the principles that should underpin the Council's approach to income generation. The Council has since approved a Medium Term Financial Strategy that outlines a basis for annual charges and, in May 2009, approved a corporate Fees and Charges Strategy.

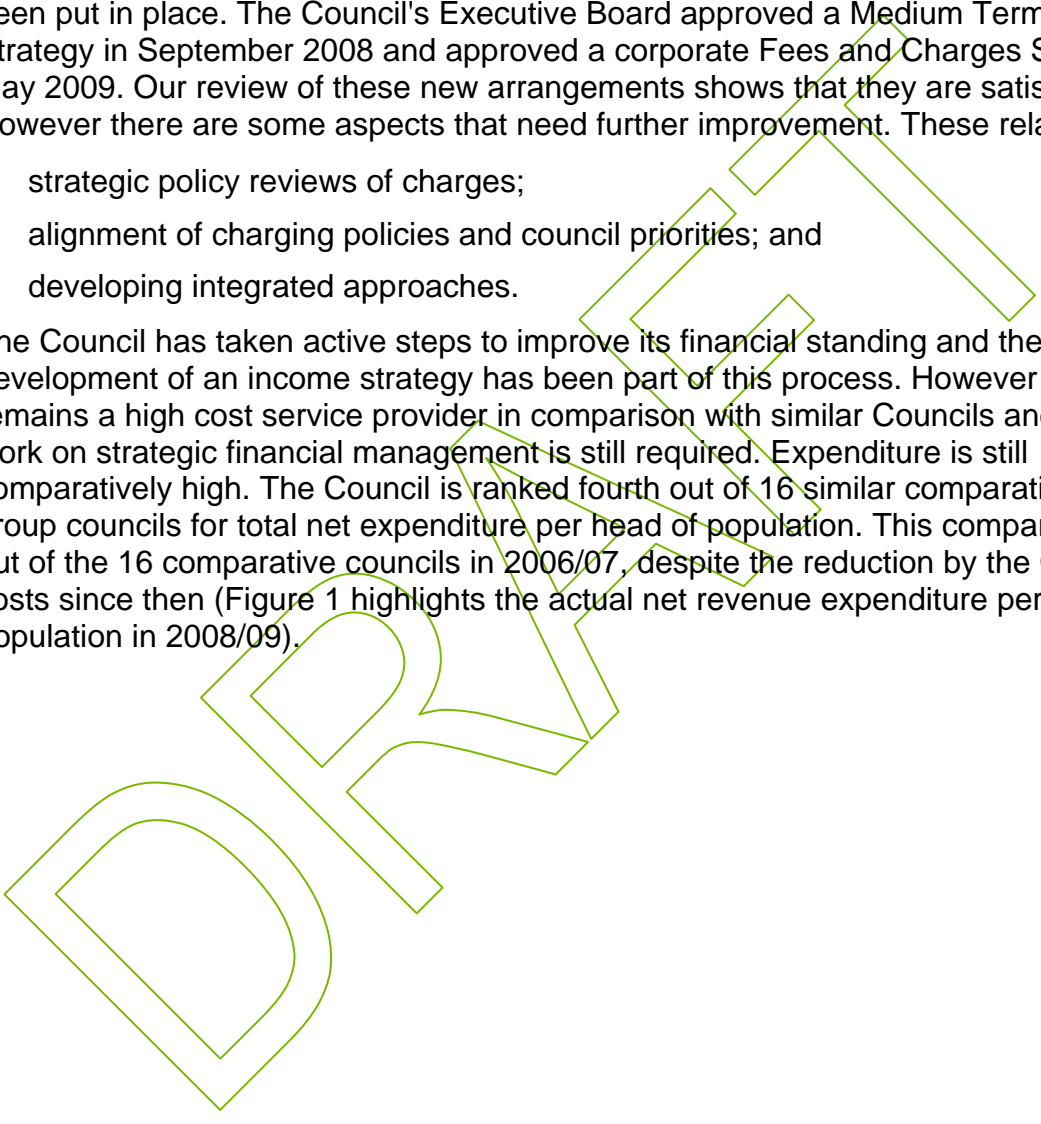
Audit approach

- 7 Our 2007/08 review of income, fees and charges focused on discretionary charges and was based on the issues raised in the Audit Commission's national report 'Positively Charged'. A report of this review was produced in September 2008 and included an action plan for improvement. The purpose of this current review is to assess progress against the action plan and to identify further areas of improvement.
- 8 Specifically, the work for this follow up review has involved:
 - a review of progress against the recommendations arising from the 2007/08 review;
 - a review of relevant documentation, including documents compiled since the 2007/08 report;
 - use of the Audit Commission's Value For Money Comparison Tool to compare the Council's performance with other Council's; and
 - discussions with various officers within finance and service departments.
- 9 The findings of this report will be used to support the Audit Commission's statutory assessments of the Council's use of resources and value for money conclusion in September 2009, and will feed into the 2009/10 Managing Performance annual inspection report.



Conclusions

Council's progress to date regarding fees and charges

- 10 The Council's strategic approach to managing income, fees and charges was under development during the 2008/09 financial year, and stronger arrangements have now been put in place. The Council's Executive Board approved a Medium Term Financial Strategy in September 2008 and approved a corporate Fees and Charges Strategy in May 2009. Our review of these new arrangements shows that they are satisfactory. However there are some aspects that need further improvement. These relate to:
- strategic policy reviews of charges;
 - alignment of charging policies and council priorities; and
 - developing integrated approaches.
- 11 The Council has taken active steps to improve its financial standing and the development of an income strategy has been part of this process. However the Council remains a high cost service provider in comparison with similar Councils and further work on strategic financial management is still required. Expenditure is still comparatively high. The Council is ranked fourth out of 16 similar comparative family group councils for total net expenditure per head of population. This compares to fifth out of the 16 comparative councils in 2006/07, despite the reduction by the Council of costs since then (Figure 1 highlights the actual net revenue expenditure per head of population in 2008/09).
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Conclusions

Figure 1 Net revenue expenditure per head of population for 2008/09

The Council spends significantly more per head of population than comparable councils



Source: Audit Commission value for money comparison tool

- 12** The Council is committed to reducing its costs further. Linking a Fees and Charges Strategy to corporate priorities will support this commitment. Our previous report demonstrated that this high cost net position is a result of high gross expenditure (rather than low income levels) and that the cost to the Council Tax payer is consequently high. Oxford City Council has the 2nd highest cost for similar comparative family group councils. The Council needs to develop its approach consistently across the Council to income generation to help offset high service costs that are having an impact on the level of Council Tax.
- 13** The Council has to meet nationally set costs in some areas which can impact upon the cost of discretionary fees and charges and affect the Council's drive to reduce costs. One such area is concessionary fares where the grant from the Government does not cover the costs of the service and Oxford City suffers higher costs as a tourist destination. This makes it all the more important that the Council maximises all potential income from fees and charges.
- 14** Moreover, the Council is losing income from investments to help offset the cost of providing services as a result of the current economic downturn. The Council has lost investment income due to a reduction in interest rates. This has meant that the Council is receiving less income to help offset the cost of providing services. This is a further reason why the Council needs to ensure that it maximises all potential income from fees and charges.

Policy review of strategic approach to fees and charges

- 15 The Council's recently approved Fees and Charges Strategy has adopted many of the recommendations set out in the previous Audit Commission report. In addition, the Council is adopting best practice by following guidance recommended by CIPFA although further work is required to develop this. Positive developments include:
- linking the strategy to the corporate priorities and the corporate plan through the medium term financial strategy;
 - defining corporate income targets for future years linked to the medium term financial strategy; and
 - identifying how corporate income targets are to be used to coordinate future price changes through future annual budget setting processes.
- 16 This means that the Council is now able to align its fees and charges policy much more effectively with its overall aims. However, whilst the City's Executive Board and Council approved the new strategy there are some areas where both the process for producing the report and the content of the report and strategy itself could have been improved. These include:
- there is little documented evidence that councillors of all parties were closely involved with formulating the strategy, although the Council stated that members were fully consulted via the Cross Party Working Group;
 - whilst consultation with residents and customers has taken place through various surveys such as the Talkback and Online Surveys these appeared largely to focus on the Council's priorities rather than the alignment of the fees and charges strategy; and
 - the strategy does not state its period of validity, such as for three years, hence there is no commitment to review the policy within a given time period.
- 17 Progress to date in implementing previous report recommendations has been slow. A number of the recommendations from the previous report have yet to be implemented. Table 1 below sets out our assessment of progress against the 2007/08 action plan. This highlights that 6 out of 14 original report recommendations have now been addressed, with 2 of these being implemented in the 2009/10 financial year. This leaves 8 recommendations that have not yet been implemented by the agreed implementation date. One of the recommendations addressed was charging for planning advice but following consultation with planning agents this was delayed until May 2009 when service improvements were made. The recommendations that have not been fully implemented to date are set out in Table 1, with explanations as to why these should be considered further.

Table 1 2007/08 recommendations not yet implemented

Eight of the recommendations arising from our 2007/08 review of fees and charges have not yet been implemented in full

- The Fees and Charges Strategy does not state a minimum period. Whilst the Council approved the Fees and Charges Strategy in May 2009 it does not state within the

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strategy the period of cover, whilst the recommendation stated it should cover a minimum period of three years. The Council has stated that the review will take place every three years but this should be incorporated into the strategy. This will help ensure that a review is conducted.

- Extensive consultation with residents and service users on Fees and Charges has not taken place. Consultation has taken place with residents and service users through various surveys, such as through the Talkback and online surveys, but only a limited part of this has been incorporated into the fees and charges strategy. Therefore, this needs to be extended. The fees and charges strategy has not been based on extensive consultation.
- Charging for smaller car parks. The purpose of this recommendation was to try to discourage car users bringing their cars into the city. The Council has not implemented this across the whole city, although they have targeted individual car parks as a result of other reviews, such as the car park by the swimming pool. If this action is not taken the Council will not be fully implementing its decision to deter visitors to the city from using their cars.
- The Council has resolved to offer residents reduced prices. A discount Slice Card for Leisure Services for people in receipt of certain Benefits has been introduced. There are no discounts offered to Council residents for one off service use. Taxpayers who use the services may be paying twice for the service, if they are not receiving any discount for being a resident using the service - this is an area for the Council to consider in line with their strategy.
- There have not been any charges introduced, based on demand for usage. No peak hour charges have been introduced for popular services, which would control access and achieve additional income or subsidise other service cost. A commitment has been made to explore this in the Fees and Charges Strategy as part of the ongoing review, starting in the 2010/11 budget setting process. Such charges, based on demand, will help to control the use of services.
- The Council has not introduced charges for new services such as bulky waste collection. The Council did not agree to this recommendation previously but is now reviewing this policy again.
- The Council has not introduced changes such as improved marketing of services; and sponsorship and advertising on litter bins, in car parks and in public conveniences. They have, though, just started to advertise in the last two editions of 'Your Oxford'. It should also be recognised that the impact of the current economic climate may make alter the potential impact of this recommendation.

Source: 2007/08 report of Income, fees and charges

- 18 Introducing charges for such services will ensure affordability for service users and create scope to reduce other charges to promote council priorities. This will ensure that the Council can concentrate resources on service priorities, thereby enhancing value for money.

Alignment of charging policies and Council priorities

- 19 The Council has adopted strategies for securing a stronger alignment between its priorities and its charging policies by:
- consulting with members, including through the cross party working group, although no formal minutes are taken;
 - consulting with service users and residents to understand better user needs and secure agreement of new approaches, although this can be developed further; and
 - adopting charging practices that support the aims of individual services.
- 20 However these approaches have not yet been fully integrated into its new approach to income fees and charges. A full review of fees and charges, planned for the 2010/11 budget review is in hand but has not yet taken place. Until this happens the Council cannot assure itself that its approach to generating income from fees and charges supports all of its corporate priorities. This also highlights a weakness in monitoring the consistency of income, fees and charges across the Council.
- 21 The Council used its various Surveys, including Talkback published in October 2008 and January 2009, to ascertain the views of residents and service users. The Council has also consulted with its members, through its cross party working group. Whilst the Talkback and other surveys consulted on a range of issues and priorities, two of the findings of the surveys were incorporated into the Income Fees and Charges Strategy as the Council is still undecided on introducing a charge for collecting bulky waste. Consultees supported:
- Charging for the collection of bulky waste, albeit the lowest cost;
 - the use of higher charges to influence behaviour such as higher car park charges in the city to encourage greater use of park and ride; and
 - basing charges on the ability to pay.
- 22 These have been incorporated in to the new Fees and Charges Strategy but will not be implemented until the 2010/11 budget setting review. However, incorporating these approaches into the strategy will, in itself, help to ensure that there is support to consider such charges in future reviews.
- 23 Until the 2010/11 budget review is conducted the Council does not have full assurance that charges set reflect corporate priorities. There are some good examples already in place where charging practices clearly support corporate priorities.
- Park and Ride arrangements have been strengthened as part of the Council's attempts to reduce traffic congestion in the city and provide value for money by transferring the service to the County Council; and,
 - Free swimming has been introduced for specific age groups to promote healthy lifestyles.
- 24 Apart from these individual instances, there has been no systematic review of the Council's income, fees and charges. Charging policies for most of the Council's services are to be challenged as part of the annual budget setting process in 2010/11. This review should help to ensure that costs are reduced and that appropriate income

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strategies are adopted across all services. This will also help to strengthen the monitoring of income, fees and charges to ensure consistency across the Council. In the meantime the Council needs to take steps to ensure that the corporate fees and charges strategy is adopted across all service areas to ensure that monitoring is strengthened.

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Developing integrated approaches

- 25** The Council has not adopted an integrated approach to discretionary charges to date. A number of high profile charges, such as charges for leisure services, have been reviewed as part of Service Transformation Plans and charging levels and practises for income continue to be developed at service level. However, the Council has committed, through its new overarching corporate policy, to link the review to the annual budget-setting process through its standardised corporate form. The latter was approved by the Council's Executive Board at the same time as the Fees and Charges Strategy and challenges the setting of each charge to take account of a range of factors. This will start in the budget year 2010/11 which should result in a corporate approach to income and fees setting.
- 26** The Council does not formally document the process to set fees and charges. Currently fees and charges for services are based on cost recovery with the Retail Price Index (RPI) increase applied annually to income budgets to reflect the increase in costs. The RPI increase is defined in the Medium Term Financial Strategy and this then sets an income target. The individual Service Head then decides how to achieve that level of income through the prices they charge and they can take many things into account in setting their charges including competitors' charges and the real cost of providing the service. This information is not formally documented by the Council, although all fees and charges are agreed annually as part of the budget and published in the Budget Book. Hence it is not clear that charges are set consistently across the Council and it is difficult to challenge fee rates in the event that detailed explanations for the rates set are not available.

Recommendations

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

Recommendation

- R1** The Council should ensure that the budget setting process for 2010/11 supports the use of income objectives consistently to ensure the delivery of corporate priorities by:
- ensuring that the rationale and purpose of charging for each specific service meets a consistent and standard challenge; and
 - actively using charging levels to promote service use or modify customer behaviour such as:
 - introducing peak hour charges for popular services; and
 - offering discounts more openly to service users on low incomes.

The benefit of this recommendation is to use charging levels as an important tool for delivering Council objectives.

Conclusions

Recommendation

R2 The Council should develop the opportunities identified previously to introduce income based on the Council approved priorities. Examples include:

- bulky waste collection;
- charging for smaller car parks across the Council;
- 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.

Recommendations

R3 The Council should develop a consistent approach to setting income, fees and charges in a timely manner. This includes:

- formal recording of all decisions made by officers or elected members, especially those affecting the level of charge;
- minutes taken of all relevant meetings; and
- producing a project timetable and ensuring that it is monitored, taking action as appropriate.

The expected benefits of this recommendation are to ensure a record is retained of the reason for any increases in fees and charges, particularly if the Council decides not to increase to the maximise income in support of the Council's value for money and improving service performance objectives.

Appendix 1 – Progress against previous recommendations

Recommendation from previous report	Progress to date	Comments
<p>R1 The Council should produce an incomes strategy – agreed deadline November 2008. 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.</p>	<p>The Medium Term Financial Strategy was approved by the Council's Executive Board in September 2008, which defined the Council's Corporate Income Targets for the year ahead. The Income, Fees and Charges Strategy was approved on the 20 May 2009 by the Council's Executive Board and this was confirmed by full Council on the 13 July 2009. This newly approved strategy outlines that the Council will need to review all charges mainly as part of the budget review for 2010/11, although some high priority services have already been investigated. The strategy outlines that the Council will target discounts to low income groups to provide access to services and also will look at peak time additional charges in terms of setting charge levels amongst a range of initiatives.</p>	<p>The Council's Executive Board approved the Income, Fees and Charges Strategy on the 20 May 2009. The strategy was also approved by full Council on the 13 July 2009. The Council has complied with the requirements of the recommendation apart the fact that it did not meet the deadline of November 2008. It is too early to say how successfully it will be applied.</p>
<p>R2 The strategy should cover a minimum period of three years.</p>	<p>The Income Strategy has no covering dates but in a meeting on the 24 March 2009 the Audit Commission were informed that the Council is looking at a three-year review of the strategy.</p>	<p>No written confirmation has been given within the Income Strategy of the three-year review but all documents are linked to the Corporate Plan which is for 2008-2011.</p>

Appendix 1 – Progress against previous recommendations

Recommendation from previous report	Progress to date	Comments
R3 Councillors of all parties should be closely involved with formulating the strategy.	The Cross Party Working Group of all members continues meets, but there are no minutes of this group so it was hard to see how they had influenced the strategy.	Documented minutes of these meetings need to be retained to ensure that outcomes are recorded and monitored.
R4 The strategy should be based on extensive consultation with residents and customers.	Various surveys were held with residents and customers.	Whilst various surveys with residents and customers have taken place such as the Talkback and Online Surveys these appeared to have largely focused on the Council's priorities rather than the alignment of the fees and charges strategy. These surveys were largely carried out by the recommended target date, although some of the feedback has come in early 2009. The Council have shown that they have adopted appropriate feedback into the fees and charges strategy agreed on the 20 May 2009. However, extensive consultation has not taken place in respect of fees and charges.
R5 It should re-visit the principles referred to in the July 2007 report to the Cross Party Group.	The Council's Corporate strategy, as set out in the Medium Term Financial Strategy, was to move towards charging full cost for services in trading areas, which has yet to be fully realised. An Oxford Slice card has been implemented to offer discounts to people on benefits.	This recommendation has not been fully implemented. Whilst some charges have been visited as part of the Service Transformation Plans, the major bulk of income, fees and charges will be visited in the budget setting process for 2010/11.

Appendix 1 – Progress against previous recommendations

Recommendation from previous report	Progress to date	Comments
<p>R6 It should define corporate income targets for future years linked to the medium term financial strategy.</p>	<p>The Council within the Medium Term Financial Strategy has provided a framework for different inflation levels for different services. It has also defined a commitment within the Strategy of moving towards charging full costs 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.</p>	<p>This is within the approved Medium Term Financial Strategy.</p>
<p>R7 The strategy should describe how corporate income targets are to be used to coordinate future price changes.</p>	<p>The Income Strategy states that future price changes will largely be controlled through an annual budget review with the aim of charging full cost for services, starting in 2010/11 although some services have already been reviewed separately or through the Service Transformation Programme.</p>	<p>The approved Strategy advises that the annual budget review will control this process, with the aim of charging full cost for services.</p>
<p>R8 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.</p>	<p>The Council has introduced a standard template to be fully utilised from the next annual budget setting process in 2010/11 which asks a number of questions when the review of all fees and charges are considered in the annual budget setting review. These appear to meet the requirements of the 'Positively Charged' Report previously published by the Audit Commission and includes:</p> <ul style="list-style-type: none"> ● is the charge set by statute, and if so how much; ● is the level of charge based on full recovery; 	<p>Whilst this was not done by the targeted deadline of November or December 2008 a standard template was approved by The Council's Executive Board on the 20 May 2009. This template appears to meet the requirements of the recommendation but has yet to be tested against the full spectrum of fees and charges.</p>

Appendix 1 – Progress against previous recommendations

Recommendation from previous report	Progress to date	Comments
	<ul style="list-style-type: none"> • does the service undertake benchmarking and other comparative costing work; • has the charge been the subject of an individual report to the Council; • what concessions are given, and why; • what marketing does the service undertake; • has the service customers been subject to consultation; and • what corporate objectives does the charge meet. 	
<p>R9 The Council should ensure that income generation policies and practices support the delivery of corporate priorities by actively using charging levels to promote service use or modify customer behaviour.</p>	<p>The Council has included this within the standard template, which will be used to challenge all current fees and charges when they are reviewed in 2010/11 as part of the annual budget setting process although specific services may be done earlier through the Service Transformation Plans. These include considering offering concessionary discounts to service users on Benefits and considering charging extra for peak time service users.</p>	<p>The Income Strategy was only approved in May 2009 and the challenge of the vast majority of fees and charges has yet to be done. The Council does not as yet appear to offer cheaper access to all service users on Benefits, but does offer additional discounts for holders of the Oxford City Council Bonus Slice Card to Leisure Services which have been introduced as part of the agreement on the Leisure Tender. There does not appear to be higher charges for peak time use as yet.</p>

Appendix 1 – Progress against previous recommendations

Recommendation from previous report	Progress to date	Comments
R10 The Council should consider opportunities to increase income such as Bulky waste collection.	The Council has taken a policy decision not to implement a charge for Bulky Waste Collection.	This recommendation in the previous Audit Commission report on Income, Fees and Charges was not accepted by the Council. However, it is now being reviewed.
R11 The Council should identify opportunities to increase income such as pre-application planning advice.	The Council accepted this recommendation and approved a number of charges for pre planning advice. Following consultation, though, planning agents informed them that they would like to see the service improved before such charges were introduced.	The recommendation was acted upon in a later than planned timeframe. Following consultation the Council used a 'spend to save' project in Feb to Mar 09 to make improvements to the service and charges themselves have been levied since May 09.
R12 The Council should identify opportunities to increase income such as charging for smaller car parks.	The Council has introduced charges at the Hinksey Car Park in 2009/10. If you use the swimming pool there you get your money back. Walton Car Park charges just introduced. Working through the other car parks.	This has not met the timetable recommended but it is acknowledged that the Council has started to implement although further work is required.
R13 The Council should identify opportunities to increase income such as charging for improved marketing of services.	The Council has done some marketing in the Town Hall but little else although it is acknowledged that the current economic climate may impact upon this.	The Council has not met this recommendation, although the impact of the current economic climate may impact upon improved marketing.

Appendix 1 – Progress against previous recommendations

Recommendation from previous report	Progress to date	Comments
R14 The Council should identify opportunities to increase income such as sponsorship and advertising (litter bins, car parks and public conveniences).	No opportunities have been identified yet apart from just starting to advertise in the last two editions of 'Your Oxford'.	The Council has not met this recommendation, although they have just started advertising in the last two editions of 'Your Oxford'. Also the impact of the current economic climate may impact upon improved sponsorship and advertising.

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Appendix 2 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
11	<p>R1 The Council should ensure that the budget setting process for 2010/11 supports the use of income objectives consistently to ensure the delivery of corporate priorities by:</p> <ul style="list-style-type: none"> • ensuring that the rationale and purpose of charging for each specific service meets a consistent and standard challenge; and • actively using charging levels to promote service use or modify customer behaviour such as: <ul style="list-style-type: none"> - introducing peak hour charges for popular services; and - offering discounts more openly to service users on low incomes. 	2	Sarah Fogden Penny Gardner	In part	Budget process well underway. Audit of current fees & charges included in Service in information packs. First intended budget reviews week commencing Sept 7th .	In hand

Appendix 2 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
12	R2 The Council should develop the opportunities identified previously to introduce income based on the Council approved priorities. Examples include: <ul style="list-style-type: none"> bulky waste collection; charging for smaller car parks across the Council; improved marketing of services; and sponsorship and advertising (litter bins, car parks and public conveniences). 	2	All service heads	Agreed	The Council continues to introduce new fees & charges where appropriate. It doesn't agree with the examples listed here.	Ongoing
12	R3 The Council should develop a consistent approach to setting income, fees and charges in a timely manner. This includes: <ul style="list-style-type: none"> formal recording of all decisions made by officers or elected members, especially those affecting the level of charge; and minutes taken of all relevant meetings. 	3	Sarah Fogden Penny Gardner	Agreed	Fees & charges are being reviewed explicitly as part of the budget process. The fees & charges of the Council will be agreed as part of the budget approval.	Part of annual budget review