

Birmingham City Council

Report to Cabinet

17 March 2020



Subject: Review of Fees and Charges 2020-21

Report of: Rebecca Hellard, Interim Director of Finance and Governance

Relevant Cabinet Member: Councillor Tristan Chatfield, Cabinet Member for Finance and Resources

Relevant O &S Chair(s): Councillor Sir Albert Bore, Corporate Resources Overview and Scrutiny Committee

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Are specific wards affected?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No – All wards affected
If yes, name(s) of ward(s):		
Is this a key decision?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, add Forward Plan Reference: 007444/2020		
Is the decision eligible for call-in?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, state which appendix is exempt, and provide exempt information paragraph number or reason if confidential: N/A		

1 Executive Summary

- 1.1 The report provides an update on the fees and charges review for the Council's trading services and seeks approval of the revised schedule for 2020/21.

2 Recommendations

That cabinet:

- 2.1 Approves the fees and charges set out in Appendix 1 Fees and Charges Schedule 2020-21, be approved and implemented from 1st April 2020.

3 Background

- 3.1 The Council uses fees and charges as an important source of income to reduce its reliance on Government funding. Fees and charges are set by the Council's services for the discretionary products or services (those services authorised by statute that the Council is not required to provide but may do so voluntarily) that they offer to their customers, which may include citizens, service users, businesses or organisations.
- 3.2 The Council's Corporate Charging Policy (September 2019) states that "net income maximisation to the Council should be the ultimate aim of charging. Charges should cover the full cost of providing the service (including overheads, returns on capital investment and the cost of administering the charges)."
- 3.3 Charges may be set below the full cost of providing the service if policy objectives suggest that the charges should be subsidised and this is approved by the relevant decision-making body. Unless there is an explicit policy objective to subsidise delivery of a specific service, fees and charges should achieve a minimum of full cost recovery in the delivery of discretionary services.
- 3.4 The majority of the Council's fees and charges proposals need to be approved by Cabinet, unless they are deemed commercially confidential. Some charges are under the jurisdiction of the Licensing and Public Protection Committee, which has a separate governance process to Cabinet and Full Council.
- 3.5 As part of the review of fees and charges for 2020-21, work was undertaken to identify opportunities to increase the Council's locally generated income as well as improve the level of business intelligence applied to decision making within traded services. The Council is seeking to improve its commercial performance and drive innovation by increasing income and generating efficiencies across all services, to improve the Council's net bottom line position. A more commercial approach will ensure that local fees and charges are market driven and at least recover the cost of provision, as required by the Council's Charging Policy.
- 3.6 The review of fees and charges for 2020-21 has identified that some Council services do not achieve the required full cost recovery. Moving to full cost recovery in one year through fees and charges would be unpalatable. In these instances, other methods such as price reduction to increase volumes or efficiencies within the services have been considered, to optimise the value for money and overall financial performance of the service.
- 3.7 In order to achieve full cost recovery, relevant services will continue to improve their business planning by undertaking a commercial review throughout the year. Fees and charges process should not be seen as a single fix, but part of a wider socio-commercial approach to achieving Council objectives.
- 3.8 It is anticipated that new software systems being implemented over the next year will also support better analysis and decision making, whilst reducing the administrative burden on officers across the Council.

4 Options considered and Recommended Proposal

- 4.1 Services have applied their own business and market intelligence to consider the following options when reviewing their fees and charges:
- Option 1 – Maintain current fees and charges
 - Option 2 – Increase fees and charges
 - Option 3 – Reduce fees and charges
 - Option 4 – Decommission product or service
 - Option 5 – Introduce new products or services (identified as “new product” or “new service” in the schedule item line.)
- 4.2 The recommended fees and charges for 2020-21 are set against the context of each service’s legislative and market environment. Where it was deemed that an increase in fees and charges would lead to a reduction in the use of the service, or the net financial position, no changes have been proposed.

5 Consultation

- 5.1 Services have worked with their Finance Business Partners to update the fees and charges for 2020-21. Cabinet Member briefings were held by services in December to discuss their draft proposals and again following consultation to confirm the final fees and charges to be implemented. Where necessary, service areas have engaged with legal representatives to ensure their approach is legally compliant.
- 5.2 Service areas that are proposing amendments to their fees and charges, and are not commercially confidential, have completed external consultation with their customers or clients. The fees and charges proposals take account of any feedback received during consultation.
- 5.3 Services that operate in competitive, traded environments where customers have a choice of providers have not completed any consultation. The publication of their prices would result in a competitive advantage for other market providers. These services engage with customers on an ongoing basis to provide bespoke packages, respond to changing market conditions and negotiate appropriate prices and service delivery.

6 Risk Management

- 6.1 In setting the proposed fees and charges, there is a risk that the increases to prices will impact on the volume of customers and that as a result the additional income is not achieved. To mitigate this risk the proposed fees and charges have been compared to alternative like for like providers to ensure prices are competitive and that the risk of any customer loss is minimised. Where service areas have identified the risk of loss of income, they have adjusted proposals accordingly.

7 Compliance Issues:

7.1 How are the recommended decisions consistent with the City Council's priorities, plans and strategies?

7.2 The recommended fees and charges are consistent with the Council's Corporate Charging Policy within the Policies Standards and Procedures Guidance which states that "*net income maximisation should be the ultimate aim of charged for services*" but recognises that price setting should seek to optimise both financial and policy objectives. The policy also states that (unless there is an explicit policy objective to subsidise delivery of a specific service) fees and charges should achieve a minimum of full cost recovery in the delivery of discretionary services. Where full cost recovery is not achievable consideration will be given to withdrawing from or reducing the delivery of discretionary services.

7.3 Legal Implications

7.3.1 The legal powers that the Council has in respect of fees and charges are contained in several statutes, including the following pieces of legislation which are particularly relevant:

- Localism Act 2011: General power of competence available to local authorities to do "anything that individuals generally do;". Section 3 of the Localism Act contains the charging powers and the limitations that apply.
- Local Government Act 1972, s. 111: A local authority shall have power to do anything (whether or not involving the expenditure, borrowing or lending of money or the acquisition or disposal of any property or rights) which is calculated to facilitate, or is conducive or incidental to, the discharge of any of their functions. A local authority may charge under section 93 Local Government Act 2003 ("LGA") for that function-related service. Section 93(7)(a) of the LGA 2003 specifically states that section 111(3) of the LGA 1972, which prohibits local authorities from using their subsidiary powers to raise money, is to be disregarded.
- Local Government Act 2003, s.93: Power to charge for discretionary services. "A relevant authority may charge a person for providing a service to him if (a) the authority is authorised, but not required, by an enactment to provide the service to him, and (b) he has agreed to its provision."
- S145 of the Local Government Act 1972: gives the Council the power to arrange/stage and/or contribute to entertainments and charge for such entertainments.

7.3.2 Individual services will also need to operate in line with any specific legislative powers and procedures appropriate to their sector.

7.4 Financial Implications

7.4.1 The 2019-20 and 2020-21 budget setting process had assumptions of fees and charges increasing by an average of 5%. Services have sought to deliver the 5% increase where legislation and the commercial market that they operate in permits. 2% of the 5% expectation represents inflation and increased above this represents income growth. It is important to note that

fees and charges only apply to external customers and any internal trading is not factored into the review.

7.4.2 The fees and charges for 2020-21 have been set by services at levels which will retain or attract clients, whilst growing the levels of income of services across the Council.

7.4.3 Where services are not achieving full cost recovery through fees and charges, a more detailed review of the service will be completed during 2020-21 as part of commercial and financial assessments. Any budgetary implications will be built into the planning processes for future years.

7.5 Procurement Implications (if required)

7.5.1 There are no procurement implications as a result of implementing the proposed fees and charges schedule.

7.6 Human Resources Implications (if required)

7.6.1 There are no Human Resources implications as a result of implementing the proposed fees and charges schedule.

7.7 Public Sector Equality Duty

7.7.1 Any increase in fees and charges, regardless of the service provided, will have a more adverse impact on those individuals and socio-economic groups who are less able to meet any costs. Equality implications have been considered in the setting of fees and charges within services that are proposing changes to the fees and charges.

7.7.2 Overall, vulnerable groups are protected by continuing to maintain concessionary rates for certain groups (e.g. children and young people, blue badge holders etc) or other discount schemes (e.g. passport to leisure).

8 Appendices

- Appendix 1 - Fees and Charges Schedule 2020-21
- Appendix 2 - Risk Register

9 Background Documents

- Corporate Charging Policy