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**Date:** 16 May 2014

**To:** Sanjiv Kohli Deputy Chief Executive (Corporate  
Direction)  
Katherine Plummer Head of Finance

**Cc:**

**From:** Tim Ridout Chief Internal Auditor

**Re:** **Fees and Charges**

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Dear Sanjiv and Katherine,

As part of the 2014/15 Internal Audit Plan, it was agreed that CW Audit would undertake an internal audit review of arrangements in relation to the setting of the Council's current fees and charges.

## **Background**

The Council levies fees and charges for a range of services it provides to the public and local businesses. On 22<sup>nd</sup> January 2014, Executive approved the scale of fees and charges for 2014/15. Management are conscious that as financial pressures continue to escalate through funding decisions nationally, and also in the light of economic conditions which remain challenging for many within the Borough, increasing focus needs to be placed on the Council's approach to setting fees and charges to contribute suitably to a balanced and robust financial position.

This area has not been previously reviewed by CW Audit Services.

## **Scope and coverage**

Our engagement letter issued on 4<sup>th</sup> April 2014 set out the scope and coverage of the review. The overall objective of the review was to consider the current fees and charges regime, given existing policy, and to benchmark this against nearby Councils to identify any areas for further consideration.

## Findings

### Corporate Charging Policy

There is no corporate charging policy although the Council's Financial Procedure Rules require that Heads of Service rigorously review the fees and charges as part of the budget setting process. The Review of Fees and Charges Annual Report 2014/15 sets out the factors to be considered when setting scales of charges as follows:

- statutory obligations,
- inflation and relevant indices,
- local market research and competition,
- the impact of price changes on activity level or demand,
- changes in taxation,
- Budget position and links to the Medium Term Financial Strategy and the Corporate Plan
- The cost of providing the service.

A summary detailing how the current fees and charges were set is shown in Appendix One. In the absence of a corporate charging policy, there appears to be an overall lack of consistency of approach and a lack of clarity to the process of setting charges and an exception has been raised in appendix four.

### Local Government Act 2003 – Power to charge for Discretionary Services

For each discretionary service provided, authorities are under a duty to ensure that taking one year with another, the income from charges does not exceed the cost of provision. Although any legal implications and costing for each new charge are considered, there is no evidence that this is monitored on an annual basis. An exception has been raised in Appendix Four.

### 2011 Income Review

In 2011 South Kesteven District Council commissioned Deloitte to carry out a project to identify the potential for East Midlands Councils, including Hinckley and Bosworth Borough Council (HBBC), to generate additional income through amending their respective approaches to fees and charges.

The Annual Report to Executive for 2012/13 on the review of fees and charges makes reference to the benchmarking exercise and the resultant changes in some fees and charges e.g. cemetery fees, monthly car parking season tickets, services relating to private water supplies and new charges relating to building regulations and legal fees. However, the report notes that due to the restrictive timescales not all of the areas had been fully explored. In 2013/14 annual licence fees for commercial use of parks was introduced together with staff season tickets for parking and charges for documents. In 2014/15 penalty charges for lost equipment, trade waste charges and charges for documents produced were introduced. There are still areas that are not being charged for – see below - section 2011 Income Review Updated.

Reference is made in the report to an income review tool spreadsheet to enable more detailed analysis in specific areas which does not appear to have been utilised. Whilst this tool has not been revisited since then, management's commissioning of our review aims to provide further analysis and highlight further opportunities.

### **2011 Income Review Updated**

#### **Services provided free of charge**

The 2011 review lists a number of services being provided by HBBC free of charge. We have revisited this list to ascertain changes made by HBBC and by the other benchmarked authorities since the review was undertaken. The results of this are shown in Appendix Two. Some charges have been introduced by HBBC in relation to car parking, cemeteries and planning, however there appear to be a number of opportunities for HBBC to explore in relation to services still being provided free of charge and the comparative charges set for example domestic and small development pre-planning application advice which the majority of other authorities now charge for, garden waste collection, waste bin replacement and upgrade and the control of rats. An exception has been raised in appendix Four.

#### **No Service currently provided**

The 2011 review also lists a number of services provided by some of the East Midlands Authorities but not by HBBC. We have revisited this list to ascertain changes made by HBBC and other Authorities since the review. It is noted that HBBC have since introduced a number of services and commenced charging for them however it appears that there are areas where potential service provision (and charge) still exists. For example additional services at the cemetery and in the Housing service, street name and numbering and stray dog fees. The results are shown in appendix Three.

### **Conclusion**

We have raised exceptions in relation to four areas and full details of the findings, associated risks and recommendations are set out in Appendix Four to this letter. The level of risk associated with the audit finding has been ranked in accordance with the definitions detailed in Appendix Five. The results of this review have been discussed with the Head of Finance. Action to resolve control weaknesses has been agreed where necessary.

If you would like to discuss further please do not hesitate to contact me.

Yours sincerely

**Tim Ridout**  
**Chief Internal Auditor**

## Appendix One

### Bases for setting Current Fees and Charges

Area	Details
Car Parking	Increased in August 2009 and reduced for 2013/14 following a request from the Town Centre Partnership to support town centre businesses during the economic downturn.
Green Spaces	In September/October each year a benchmarking exercise is undertaken against other councils (Nuneaton and Bedworth, NWLDC, Charnwood, Harborough and Rugby). An average fee is calculated and if the fee is comparable it is increased by inflation only, if it is lower it is recommended that it be increased.
Refuse and Recycling	Plastic sacks – historic cost inflated by RPI, bulky items – benchmarked with neighbouring authorities, trade waste – based on a review of competitors’ pricing and the disposal charges to be implemented by LCC from 1 <sup>st</sup> April 2014.
Building Control	The current manager does not have the information as charges were set by the previous manager who has now left the authority. In relation to charges for applications, these are based on anticipated work duration and number of inspections for each category, this is then multiplied by the hourly rate calculated by Finance using the method prescribed in the Building (Local Authority) Charges Regulations.
Development control	Report to Corporate Operations Board (COB) June 2012 sets out the process to identify opportunities to charge a fee for services currently delivered free. 4 areas were identified – administering viability statements (£100 per assessment), monitoring play and open space legal agreements (2% of the total contribution chargeable), monitoring financial contributions on behalf of third parties (1% or £150 whichever is the greater), commercial pre-application advice (based on hours, officers requiring input and on costs).
Housing	Bed & Breakfast charges – based on applicable charges for housing benefits, Houses in Multiple Occupation (HMO) licensing – based on cost of service, Immigration checks – based on market comparison. Other fees and charges based on inflationary increases.
Leisure	Markets – local benchmarking. Bus station – local benchmarking. Commercial Promotions - % increase in line with inflation. Leisure centres – local benchmarking and % increase in line with inflation.
Environmental Health	In the past licence fees in Environmental Health (Commercial) have been set by using a combination of analysing administration time spent on processing the licence and professional officer time if an inspection prior to licensing is required. This year the fees were set by applying an increase in line with inflation.
Licensing	The gambling fees were based on cost recovery exercise undertaken in 2007, scrap metal fees are based on a cost recovery exercise undertaken in 2013, taxi fees based on cost recovery and a market testing exercise in 2010.
Pest Control/Stray Dogs	Pest Control fees are compared with external pest control firms and benchmarked with other Leicestershire Councils. Stray dog fees increased annually by 50p.

2011 Income Review Updated – Re Services provided Free of Charge in 2011

Service Area	Specific Charge	HBBC	Blaby	Boston	City of Lincoln	East Lindsey	Melton	OWBC	North Kesteven	Rushcliffe	South Kesteven	West Lindsey
Car Parking	Demand based charging											
	Environmental Surcharges											
	Off Street charges - Sundays			1.2	2.5	Various						
	Staff parking permit	300			760							
Cems and Crams	Cancellation after grave prep										Outsourced	
	Increased depth grave child - non resident	820									Outsourced	
	Records Search Fee	10		7	6			5-20			Outsourced	
	Scattering Ashes from other crams	96		75	85		61	44			Outsourced	

Service Area	Specific Charge	HBBC	Blaby	Boston	City of Lincoln	East Lindsey	Melton	OWBC	North Kesteven	Rushcliffe	South Kesteven	West Lindsey
Community Safety	Service of letter											
Housing	Change of info on licence docs											
	Existing owner change - change manager											
	Exiting owner - deletion of manager											
	Inspection of variation											
	Landlord accreditation schemes											
	Private Housing Inspections											
	Variation of licence details											

Service Area	Specific Charge	HBBC	Blaby	Boston	City of Lincoln	East Lindsey	Melton	OWBC	North Kesteven	Rushcliffe	South Kesteven	West Lindsey
	Variations to HMO Licence accredited Landlord			97	43.3							
	Variations to HMO licence non accredited			97	43.3							
Licensing (District)	Performing Animals											
Planning	Copy or extracts of strategic documents	11-64	39-111		cost +25%			10p per sheet				12p per sheet
	Pre-application advice - commercial	1700	Temporarily stopped charging	150-600	150-3600	150-1035	48-1440	144-1200	150-3600	125-1850	184-1236	150-3600
	Pre-application advice - Domestic	No service. Was to be revisited June 2013	Not available	No charge	72	82.8	36	42-84	72	125	60	72
	Pest Control - domestic,		30-110		No service		29	51	Outsourced 41	70	No service	

Service Area	Specific Charge	HBBC	Blaby	Boston	City of Lincoln	East Lindsey	Melton	OWBC	North Kesteven	Rushcliffe	South Kesteven	West Lindsey
	rats											
Waste Domestic	Garden - bin replacement				10						26	32
	Garden - collection service				25pa	25pa	43pa	Now Free	25pa	30pa	25pa	24pa
	General Waste - bin replacement		64	25	10		35				26	32
	General Waste - bin size upgrade								20			32
	General Waste - delivery of household bins						15					

### Key

Green = originally charging for the service in 2011

Red = not charging for the service in 2011

Values = charge currently set for the service

Green no value = current charge could not be ascertained from an internet search

White = service not provided in 2011



## Appendix Three

### 2011 Income Review Updated – No service provided in 2011

Service Area	Specific Charge	HBBC	Blaby	Boston	City of Lincoln	East Lindsey	Melton	OWBC	North Kesteven	Rushcliffe	South Kesteven	West Lindsey
Car Parking	Advertising on tickets	POA	Cover cost									
	Parking - residents green vehicles				13-26							
	Parking - residents permits	30	50	Various	26					25	Free	
	Parking - residents permits (visitor)				17 for 10					25		
	Variable charging by the day of the week											
Cems and Crems	Biodegradable ash box										Outsourced	
	Book of remembrance	27		58-111	55-115		84					
	Certified copy or entry in register	2			12			19				28

Service Area	Specific Charge	HBBC	Blaby	Boston	City of Lincoln	East Lindsey	Melton	OWBC	North Kesteven	Rushcliffe	South Kesteven	West Lindsey
	Certified extract from register	10			12			5-21				
	Deposit of ashes	96			70							
	Digging service											
	DVD of service											
	Environmental surcharge											
	Extended booking time at chapel											
	Headstone	133			41-71		107	46-67	100-200			41
	Kerbset	234			134		158	147	Not allowed			
	Maintenance of grave			58-111								
	Miniture books			58-85	65-90							
	Out of hours burials	Double fees										
	Memorial plaques	86		170	80-116		134	40-62				
	Webcast of service											
	Woodland burial											
Community Safety	Call outs premises											

Service Area	Specific Charge	HBBC	Blaby	Boston	City of Lincoln	East Lindsey	Melton	OWBC	North Kesteven	Rushcliffe	South Kesteven	West Lindsey
	Eviction of unauthorised occupants											
	Installation of deployment camera											
	Installation of void alarm											
	key holding for premises											
	Mobile security patrols											
	Monitoring CCTV cameras											
	Monitoring fire alarms											
	Monitoring intruder alarms											
	Officer escort court											
	Opening and closing premises											
	provision of caretaking services											

Service Area	Specific Charge	HBBC	Blaby	Boston	City of Lincoln	East Lindsey	Melton	OWBC	North Kesteven	Rushcliffe	South Kesteven	West Lindsey
	Service of legal documents											
	Static guard provision											
Fines and Penalties	Breach of dog control order	80										
Housing	Adaptations for private sector tenants not covered by DFGs											
	Admin charge for incomplete application											
	Asylum seekers		80									
	Charge for use of general fund land											
	Issue of documents for more than one property											
	Gypsy site - rental											

Service Area	Specific Charge	HBBC	Blaby	Boston	City of Lincoln	East Lindsey	Melton	OWBC	North Kesteven	Rushcliffe	South Kesteven	West Lindsey
	HMO licence - accredited landlord discount for renewal											
	HMO licenses	POA	400	448	433		450					450
	Private sector renewal											
	Selective licenses											
	Supported housing - care charge											
	Supporting people - care charge											
Open Spaces	Allotment registration fee											
	Charges for commercial filming											
	Installation of gate for new development											
	Pruning											

Service Area	Specific Charge	HBBC	Blaby	Boston	City of Lincoln	East Lindsey	Melton	OWBC	North Kesteven	Rushcliffe	South Kesteven	West Lindsey
	Restorative work for damage caused											
Planning	Providing info is land adopted		56									
	Road proposal, residential enquiry											
	Street and property naming and numbering		40-250	Various	64				100			
	Valuation surveyors fees											
Public Health	Disclosure of relevant info											
	Request for information			10-116								
	Stray dogs - additional release			25								
	Stray dogs - chipping		20									
	Stray dogs - out of hours collection											
	WC - pay per											

Service Area	Specific Charge	HBBC	Blaby	Boston	City of Lincoln	East Lindsey	Melton	OWBC	North Kesteven	Rushcliffe	South Kesteven	West Lindsey
	use											
	WC - extended opening											
Sports and Leisure	Mountain bike hire											
	Non-refundable lockers											
	Park ranger service											
	Park permits											
	Towel hire											
Taxis	Door insignias											
	Meter sealing											
Planning	Provision of address data to royal mail											
Waste Domestic	Bulky fast track collection											
	Bulky - free provision - 3 collections per year											
	Bulky - named time collection											
	Bulky - non-refundable booking fee											

Service Area	Specific Charge	HBBC	Blaby	Boston	City of Lincoln	East Lindsey	Melton	OWBC	North Kesteven	Rushcliffe	South Kesteven	West Lindsey
	Garden sack sales		4							No		8
	General waste bin sales to new developments											
	Recycling centre van and trailer permits											
Waste - trade	clinical collections		POA	POA	No trade waste	No trade waste			POA	Free		Free
	Collection - purchased bins				No trade waste	No trade waste						

### Key

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White = service not provided in 2011

Values = charge currently set for the service



## Appendix Four: Detailed findings and action plan

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
1. <b><u>Corporate Charging Policy</u></b>	<p>There is no Corporate Charging Policy.</p> <p>The basis for setting fees and charges varies between service areas and within service areas.</p>	Lack of clarity to the process of setting charges.	3	A Corporate Charging Policy should be developed to provide a framework for how HBBC approaches the setting of fees and charges for existing services and for any new services introduced.	Consideration will be given to including elements of the Corporate Charging Policy within the annual Budget Strategy.	Katherine Plummer	September 2014
2. <b><u>Monitoring of Fees and Charges</u></b>	As per the Local Government Act 2003, for each discretionary service provided, authorities are under a duty to ensure that taking one year with another, the income from charges does not exceed the cost of provision. Although the legal implications and costing for each new charge are considered, there is no evidence that this matter is monitored on an annual basis.	Breach of statutory duty	4	Income received via charges versus the cost of services provided should be formally monitored on an annual basis.	A process will be introduced as part of the collation of fees and charges to request that budget holders provide assurance that the income from charges does not exceed the cost of the service.	Katherine Plummer/Fiona McArthur	February 2015
3. <b><u>Income Review 2014</u></b>	Since the 2011 review, a number of the free services identified at that time have been implemented by HBBC and by other authorities, but there still appear to be a number of service areas not fully explored. The same is true for services not currently provided. Further detail on these areas is provided in Appendices 2 and 3.	Missed income generating opportunities	3	Consideration should be given to looking into the potential for charging for services currently provided free of charge or not currently provided.	The results of this report will be used as part of the Medium Term Financial Strategy training and also budget workshops with members as part of the 2015/2016 budget setting process to prompt questions around these areas of charging. It should be noted that decisions on charging are subject to member decision. Areas such as Green Waste have been noted for potential income but have been rejected by members. This is not a control weakness as such.	Katherine Plummer	September 2014

## Appendix Five: Definition of our risk rankings

Risk ranking	Assessment rationale
1	The system has been subject to high levels of risk that have, or could, prevent the system from meeting its objectives, and which may also impact on the delivery of one or more of the organisation's strategic objectives.
2	The system has been subject to high levels of risk that have, or could, prevent the system from meeting its objectives, but which are unlikely to impact on any of the organisation's strategic objectives.
3	The system has been subject to medium levels of risk that have, or could, impair the system from meeting its objectives.
4	The system has been subject to low levels of risk that have, or could, reduce its operational effectiveness.

### Compliance with applicable standards

Our review of compliance against the applicable audit standards has confirmed that this engagement has been conducted in accordance with the International Standards for the Professional Practice of Internal Auditing. In conducting this assignment we can confirm that there have been no impairments to our independence or objectivity, either as an organisation or as individual auditors involved in delivering this service.

### Responsibility Statement

We have prepared this document solely for your use and, therefore, we believe that it would not be appropriate for it to be made available to third parties. If such a third party were to obtain a copy, without our prior written consent, we would not accept any responsibility for any reliance that they might place upon it.

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