

# **Fees & Charges Project Outcomes March 2018**

**Gezim Leka – Commercial Analyst**  
**Sarah Michael – Head of Corporate Finance**

# Agenda

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# Background

- In 2017/18 the Council had 807 different Fees and Charges (F&C). The total income derived from F & C in 2017/18 is estimated to be £41M.
- The F&C process has in the past been criticised, due to lack of context and the unavailability of volumetric sales data.
- Although some improvements were made to the information provided with F&C for 2016, reporting of sales revenue and volumes remained an issue due to limitations in which the information is captured at point of sale and coded in SAP (CBC's financial ledger).
- For a number of years we have had issues in regard to the transparency of income derived from F&C and the volumetric data for each F&C.

## Background (continued)

- The issue with current SAP reports is that there is not sufficient information to be able to easily identify income received from a specific activity, including F&C.
- The only option that was available to do so involved exporting all SAP transactions into Excel and identifying income attributable to specific fees or charges on a line by line basis based on the individual transaction value, which is extremely time consuming and also inaccurate due to discounts, multiple purchases, and consolidated postings.

# Income Improvement Project Approach

- In January 2017 a project led by the Commercial Analyst (Gezim) started to look at the income reporting and F&C process. The purpose of this project was to identify and implement solutions that would :
  - Improve financial reporting of income by increasing transparency and making it easier to recognise where income is derived from.
  - Develop a corporate approach to income generation, to ensure consistency across the authority.
  - Set a clear rationale for charging and trading that is aligned to the Council's priorities.
  - Set out clear principles that underpin all activity relating to fees and charges.
- The project required a full review of income, this predominantly related to F & C income but also considered Grants & income from other sources.

# Income Improvement Project Approach (continued)

- A detailed analysis was carried out to understand how the income is initially entered into SAP.
- This led to looking at the chart of accounts and specifically the income related general ledger codes (GL).
- We identified that the majority of income from F&C is entered in SAP using just three GL income codes.

GL number	GL Description on SAP	Budget (£M)	Actual (as at Jan 18) (£M)
4190400	Miscellaneous Income	2,645	2,201
4191000	Revenues from Customer and Client	4,713	3,927
4191100	Income from Facilities and Services	14,729	12,274
<b>Grand Total</b>		<b>22,087</b>	<b>18,403</b>

- The information given above is very limited, there is no transparency and the description of the income is generic & all encompassing. The coding of income in this manner also makes it very difficult to obtain volumetric information.

# Income Improvement Project Approach (continued)

- These codes were used across all service areas and provided little clarity in terms of where the income is derived from.
- It was agreed that these codes should gradually be phased out to avoid generic descriptions of income. These would be replaced with new codes that are unique to specific income/services or F&C.
- We met with service managers & budget holders and proposed the way forward by introducing new GL codes. Budget managers were overwhelmingly supportive and welcomed this new approach.
- We took into account the nature of the income (i.e. type of F&C) and the method by which the income was received.
- Through detailed analysis we grouped income into common descriptions and created new income codes, dependent upon the total value of the income, which will be used specifically for a F&C or commonly grouped F&Cs.

## Summary of Implemented Solution

- The new income reporting now informs volumetric data for F&C, which can be identified within SAP transactions for each individual F&C.
- The availability of this data significantly informs management decisions, in relation to income generation and costs related to F&C.
- This will now enable the Council to have a detailed understanding of which fee or charge generates the most income, but will also help to identify new sources of income to consider through benchmarking with other local authorities.
- The way the income is now reflected in SAP, is shown in the following 3 slides.



# Before and After


## Income from Facilities and Services - before and after:

- The new income reporting on SAP will inform the volume data for income related to F&F and number of transaction for other income such as contributions, recharges.

Before			<div></div>	After				
Old Income Description	Budget (£'000)	Actual (£'000) (as at Jan 18)		New Income Description	Budget (£'000)	Actual (£'000) (as at Jan 18)	Volumes	Transac tions
Income from Facilities and Services	2,645	2,201		Blue Badge income	44	34	3,431	0
				Celebratory Services	4	4	3	0
				Certificates-various	14	11	617	0
				Legal Services Income	146	121	101	0
				Leisure Maintenance Contribution Income	1,307	1,089	0	100
				Music Services other Income	13	11	1	1
				NHS Income	414	345	0	20
				Produce sales Income	9	7	26	0
				Rent/Licence-non HRA	255	212	30	0
				Rights of Way Income	20	17	60	0
				Schools Buy - Back Services	117	98	195	0
Training Charges - Schools	302	252	1,215	0				
Total	2,645	2,201		2,645	2,201	5,680	121	


# Before and After

- Miscellaneous Income – before and after.

Before				After				
Old Income Description	Budget (£'000)	Actual (£'000) (as at Jan 18)		New Income Description	Budget (£'000)	Actual (£'000) (as at Jan 18)	Volumes	Transac-tions
Miscellaneous Income	4,713	3,927		Attendance fine	40	34	1,025	0
				Continues Health Care Income	880	733	0	7
				Fixed Penalty Notice	20	17	32	0
				HRA Intensive Housing Management Income	635	529	0	26
				HRA Recharge	114	95	0	10
				Macmillan Income	99	82	0	12
				Nationality & Settlement Checking Services	46	38	417	0
				NHS Income	2,538	2,115	0	23
				On Street Parking Income	4	3	304	0
				Other LA Income	22	18	0	1
Total	4,713	3,927	Recharges	221	184	0	41	
			Training Charges - Schools	93	78	18	0	
				4,713	3,927	1,796	120	

# Before and After

- Revenues from Customer & Client – before and after:

Before				After				
Old Income Description	Budget (£'000)	Actual (£'000) (as at Jan 18)		New Income Description	Budget (£'000)	Actual (£'000) (as at Jan 18)	Volumes	Transac tions
Revenues from Customer & Client	14,729	12,274		Albion Projects Income	2,228	1,857	218	0
				Attendance Fine	80	67	111	0
				Building Control Income Fee	740	617	1,918	0
				Box office Income - Libraries	193	161	589	0
				Commutated Sums Income	400	333	12	0
				Environment Services Income	295	246	18	0
				Environment Services Income	71	59	1,428	0
				Gambl&Lottery Fees	18	15	201	0
				Housing Benefit Overpayment Recovery	2,116	1,763	0	10
				HER Fee Visit	7	5	104	0
				HRA L/hold Income	80	67	16	0
				HRA Recharges	121	101	0	10
				Local Land Charges Income	529	441	2,872	0
				Marriage Ceremony & Certificate	303	252	1,740	0
				Mineral&Waste Income	206	172	88	0
				Music Instruments charges	5	4	20	0
				Music Services Fees	655	546	5,533	0
				New Road Street Works Act Permits Income	485	404	233	0
				Off Street Parking Income	1,701	1,417	1,475	0
				On Street Parking Income	11	9	109	0
				Other Library Income	48	40	1,214	0
				Other Licenses	24	20	49	0
				PFI Scheme Income	1,359	1,133	0	62
				Premises Licenses Certificates	184	153	981	0
				Private Hire-Hackney Vehicle	253	211	856	0
				Procurement Income	895	746	0	11
				Recharges	266	221	0	151
				Registration Notices	44	36	552	0
				Rights of Way Income	45	38	50	0
				Schools Buy - Back Services	72	60	214	0
				Schools Network Income	753	628	104	0
				Street Naming Fee	40	33	105	0
				Trading Standards Approved	32	26	93	0
Training Charges	20	17	68	0				
Vehicle Cross Inspection Income	327	272	440	0				
Total	14,729	12,274			14,729	12,274	21,696	86

## Summary- Before and After

- 60 new income GL codes have been created as a result of this exercise. CBC's chart of accounts increased from 642 GL codes (of which 184 income and 458 expenditure) to 702 (of which 244 are now income codes and 458 expenditure codes.)
- In order to minimise any unnecessary budget virements and journals, in some cases we agreed with the service that the new codes would be implemented from 1 April 2018.
- The full benefit of the project will be evident in the 2018/19 financial year, when generic GL codes will no longer be used.
- In September 2017 we also reviewed the F&C Policy which was approved by the Council in November 2017. The revised policy sets out:
  - a corporate approach to income generation.
  - a clear rationale and charging model that is aligned to the Council's priorities.
  - clear principles and process that underpin all activity relating to fees and charges.

# Future Aspirations

- From April 2018 there will be a post-implementation review to ensure that income is entered and reported correctly in SAP. This will also include providing training for any budget holders.
- Income and expenditure reporting in SAP will continue to be assessed and reviewed, with a full scale review of the Council's chart of accounts (all GL codes) prior to the implementation of S/4 HANA.
- This will be given further consideration in order to make greater use of SAP (automated exercise), given the additional focus to improve accuracy and flexibility as a direct result of the SAP replacement project.
- The Commercial Analyst role will continue to support the Council's aspirations, in the short term by development of a costing and pricing model for service managers and in the long term by ensuring that SAP provides the level of granularity required for all expenditure & income.
- The annual F&C process will be amended to include more detail than was previously possible in relation to volumetric data and budget v's actual income for specific F&C's.

# Any Questions ?