

Charging Policy +

November 2024

Introduction

Our Medium-Term Financial Strategy (MTFS) sets out our financial objectives to support delivery of the Corporate Plan. These plans remain challenging in the context of an uncertain economic future, cost of living pressures on residents, significantly reduced funding from Government and the move towards more locally generated income streams.

We need to continue to move towards being financially self-sufficient. Maximising the potential for increased income will be integral to supporting delivery of the MTFS.

Seeking opportunities for income generation is a priority for the Council, alongside broader proposals for the trading and commercialisation of some services and continuing to deliver high quality and essential services to residents.

The Localism Act 2011 introduced the General Power of Competence (GPC) which permits councils to charge for Discretionary Services (non-statutory services) at a level that recovers the cost of delivery. This however does not permit a local authority to charge for any services rendered to an individual for which it has a statutory duty to provide unless legislation permits a specific charge to be made.

The decisions made about charging for discretionary local public services can affect everyone. When charging for services, users, whether individuals or other organisations, pay directly for some or all the costs of the services they use. Where no charges are made, or where charges do not recover the full cost of providing a discretionary service, council taxpayers in general subsidise individual users, often at the expense of other services.

The decision on whether to make a charge (and the amount to charge) is not always in the control of the council; the level of some charges is set by government nationally. But where it is, it is important that the implications of the charging decisions being taken are fully understood and that the appropriate information is available for the council to make informed decisions. Fees and charges for services are therefore considered individually, considering local circumstances, such as market conditions and service users.

The Council provides a diverse range of chargeable services such as environmental protection, licensing, collection of garden waste, planning and development control, car parking, to name just a few.

This Charging Policy outlines the key principles to be considered and governance required in charging for Council services in a transparent and consistent manner.

Difference between a fee and a charge

They are essentially interchangeable except that a charge can be any requirement of payment - price, tax, surcharge - whereas a fee is a type of charge usually pertaining to a service provided or a charge for conditions not met, such as a late fee on a library book. (Davis, 2016). For simplicity, this document will refer to both as a charge.

Corporate Approach

This Policy sets out the Council's corporate approach that will be taken on charges where the Council has discretion on what charges are set for services provided.

It is corporate led to ensure that there is an overview of all charges, with clear roles and responsibilities for their management in terms of setting, annual review, cost recovery, and where applicable, agreed discounts.

A corporate approach to effective management of charges will ensure the Council maximises opportunities to generate income on the delivery of chargeable services.

Policy Statement

This Policy sets out the policy position of the Council when it comes to charges and establishes some key principles to apply when creating or reviewing any charge.

All charges will:

- + Demonstrate how they contribute to the achievement of corporate and service objectives
- + Maximise potential income, to support financial sustainability, unless there is an explicit policy decision to subsidise a service
- + Take account of the user base and the potential impact on users and service demand of changes to the service
- + Have equality impact assessment to be completed at full review and consultation where appropriate
- + Minimise the costs of collection
- + Utilise an appropriate and justified charging model – full cost of delivery should be calculated and documented to enable full consideration to be given to the opportunities for improving efficiency and income from a service
- + As a minimum be reviewed for increase annually from 1 April each year in line with Consumer Price Index (CPI) inflation increases (rate published for the preceding July each year)
- + Be updated either annually where appropriate following review, or cumulatively at least every 3 years where more frequent change would be disruptive to customers
- + Be subject to a full review at least every 3 years.

Key Principles



Users of chargeable discretionary services are expected to pay for the full cost of the service being received rather than the general tax payer



Approval for services to be provided at subsidy or the provision of concessions must follow the governance set out in this policy and align with corporate priorities



Approval for new charges must follow the governance set out in this policy



Users of chargeable discretionary services must be aware of the charge prior to purchase and prior to delivery



Charges will be collected in advance of service delivery, unless there is an explicit rationale for collecting the income in arrears



Charges should be subject to annual inflationary increase where applicable



Equality Impact Assessments must be completed at every full review to ensure no citizen group are adversely or favourably impacted



All charges will be subject to periodic indepth review (at least once every 3 years)

Charging Overview

The Council provides a diverse range of chargeable services such as environmental protection, licensing, collection of garden waste, planning and development control, car parking, to name just a few. Charges reflect the resources needed to deliver these high value services.

The Council receives charges also from a diverse range of users that include other organisations and individual residents. This revenue is either a result of charges under statutory powers (set by government) or discretionary (set by the Council).

When charges are implemented, service users pay some, or all, of the cost of delivery. But when no charges are made, council taxpayers in general are subsidising the cost of delivery – potentially at the expense of the provision of another essential service to other Council residents. Charges for services are therefore considered individually, considering local circumstances, such as market conditions and service users.

All decisions on fees and charges for services and trading activities should support the delivery of the Council’s priorities. They must also be approved in accordance with the Constitution – see Appendix A for details.

Types of Charges

The decision on any level of charge should be transparent and open to scrutiny.

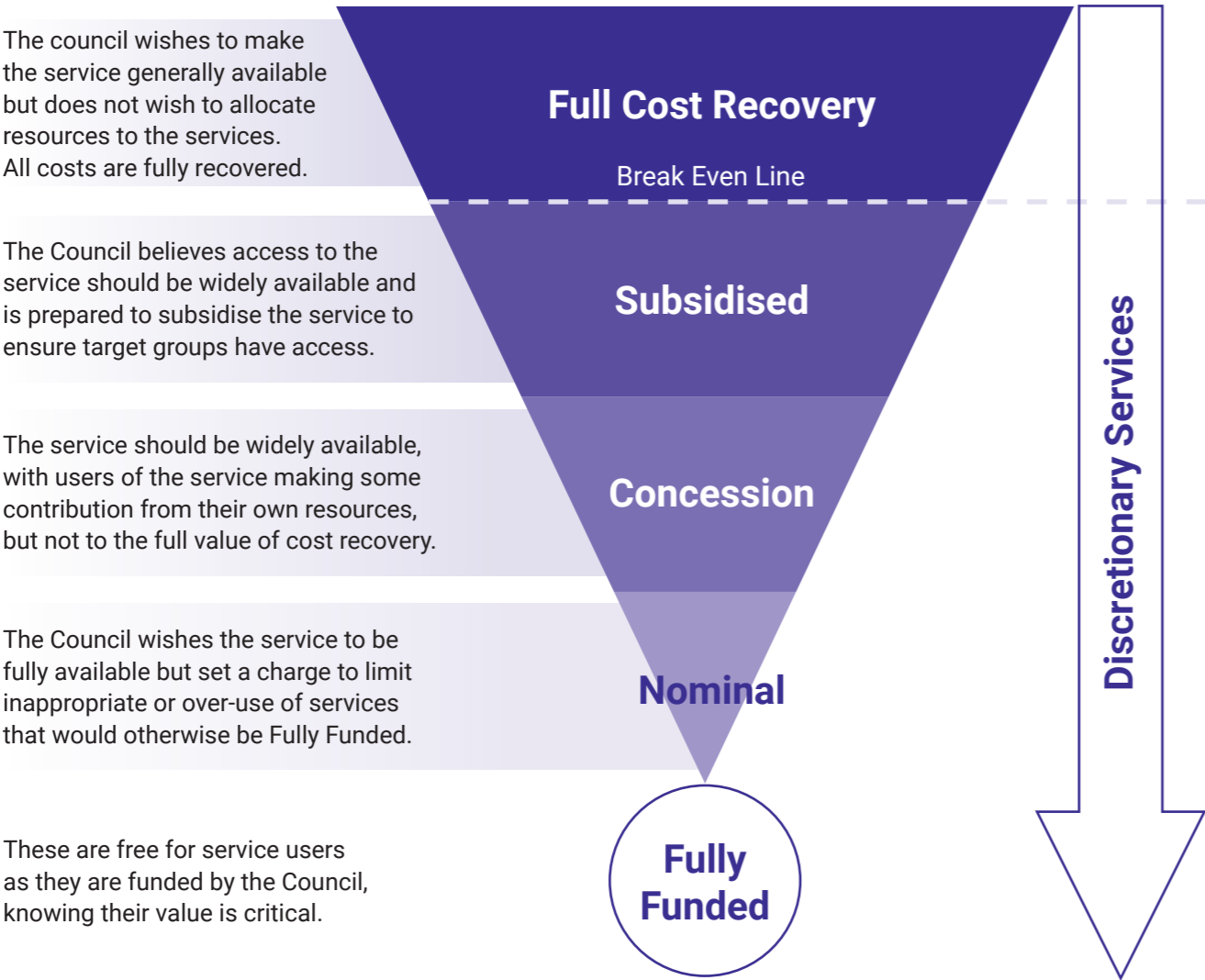
It is recognised that it will not always be appropriate to seek to recover the full cost of delivery, including relevant amount of organisational overhead, but should be set as a subsidised, or concession, or nominal charge. However, such decisions should be subject to prior approval in accordance with the Constitution (Appendix A). An example of not applying full cost recovery is where services provide support to service users that helps prevent the need to access more costly or complex services later therefore it is in the interest of the Council not to apply full cost recovery.

There are a range of different types of charges against different types of services, supported by individual objectives which, for the purpose of this Policy, fall across the following:

- + Statutory Services
 - Services that the Council has a duty to provide
 - Charges are set nationally by legislation (including no charge)
- + Discretionary Services
 - Non-statutory services that the Council is not obliged to provide.
 - Charges set by the Council. They must not generate an unlawful surplus
 - For types of discretionary services, please see diagram below

There are also some services that provide statutory services but contain a mix of nationally set or locally set charges e.g. Licensing.

Discretionary services charging mechanisms diagram with explanations



Charging for Discretionary Services

Where the Council provides a service that goes above the statutory requirement, that additional provision may be charged for as a discretionary service.

When setting charges, the following should be considered:

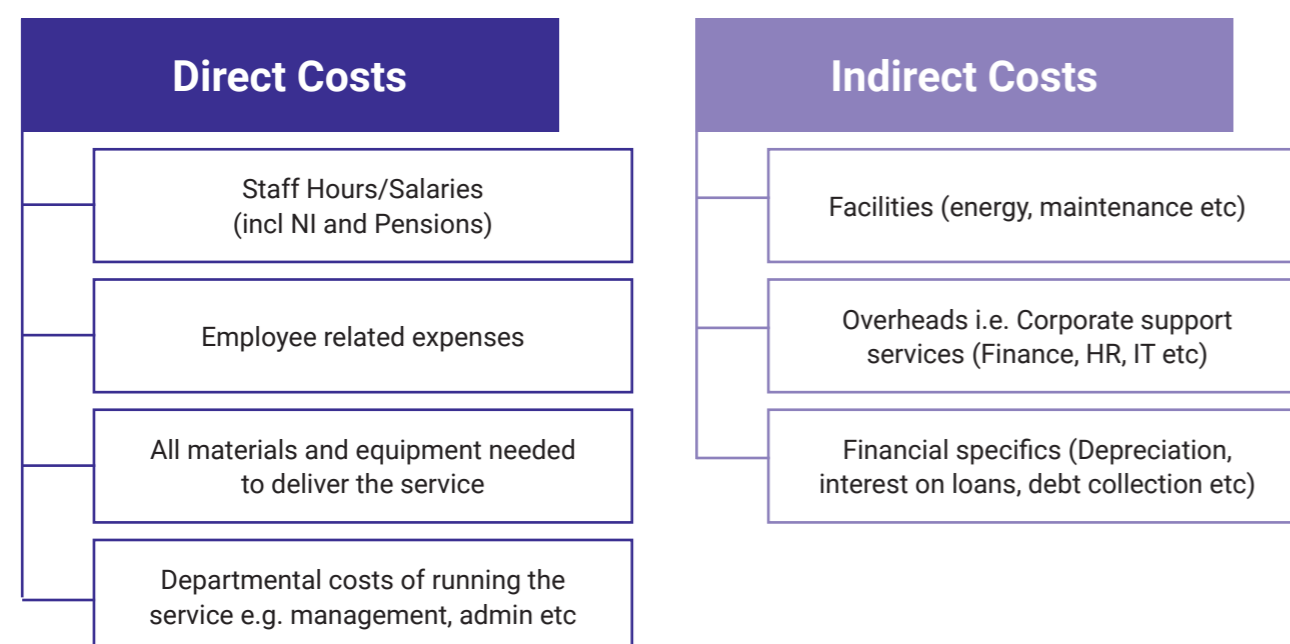
1. Service users must have agreed to receive and pay for the service
2. Charges may be set differentially, allowing people to be charged different amounts
3. The income must not provide an unlawful surplus to the Council
4. Horizon scan other Local Authorities charges
5. The market in which services are operating
6. Any market changes and whether the services need to be adapted to reflect changes
7. Introducing a new chargeable service, will require an Equalities Impact Assessment to identify and consider any impact on vulnerable groups.

The Council's position is that charges for discretionary services are to be set at the appropriate level to fully recover their costs of delivery unless there is a specific decision to subsidise the service provision for policy reasons. Where setting a charge to recover full costs of delivery would lead to a negative impact on vulnerable groups, approval for any discounts should be obtained from the relevant Cabinet member or Cabinet, in consultation with the Corporate Director (Support Services) and Section 151 Officer as per governance set out in Appendix A.

Full Cost Recovery as Standard

For charges to cover the actual cost of providing the service, including support services' charges and other overheads, the true cost of service delivery should be calculated, considering all aspects of service provision. When estimating the cost of providing a service, the previous year's actual results (in terms of activity levels and expenditure) must be considered.

What to consider when calculating the Cost of Delivery



The overheads required to deliver the services can be estimated based on the previous year's internal charges plus an inflationary uplift. Finance will provide these estimates. The cost areas quoted in the above diagram may need to be broken down into variable and fixed costs to model how, for example, the cost of delivery varies with the level of service demand. Where costing assumptions are made based on variables such as increased usage, this should be evidenced by an action plan detailing how this will be achieved.

Agreed Discounts

Price sensitivities of individuals and groups should be understood so that charges can be set appropriately to deliver the level of services necessary to achieve objectives.

Any discretionary service that wishes to offer a discount from the full cost recovery position requires a business case. An accurate cost of delivery will therefore be required so that the business case contains accurate financial figures and the true cost of agreeing a discount option is understood.

Business cases detailing the rationale for a discount should consider:

- + Any relevant Council priorities, strategies, policies, or objectives
- + The need for all charges to be reasonable and able to withstand criticisms and legal challenges
- + The level of proposed discount and the service's ability to afford it
- + Access to and impact on users, including the level of choice open to customers as to whether they use the Council's services

- + Whether the subsidy will target all users through the standard charge being set below full cost recovery or will target specific sub-groups of users

Charges may be set differentially, so that different users are charged different amounts, however, this is not intended to lead to some users cross-subsidising others. The cost of a service at a reduced charge should not be borne by other recipients of the service. Approval for any discounts should be obtained from the relevant Cabinet member or Cabinet, in consultation with the Corporate Director (Support Services) and Section 151 Officer.

If an Agreed Discount cannot be approved, the full cost recovery must be charged. If a service is not viable when charging at that level, it is appropriate to review whether the service should continue to be provided.

Administration and Notification of Charges

Once set, Heads of Service must apply charges to all service users.

Service users should be aware in advance that a charge is payable, and the level of the charge. This means all charges must be published on the Council’s website and at any point of sale.

The Council is required to charge VAT to service users where the product or service being supplied is subject to VAT.

The most economic, efficient, and effective method of income and debt collection should be used and must comply with the requirements of Financial Procedure Rules. When collecting charges income, services should use the most cost-effective method available, i.e., online or with card, thus minimising the use of cash and cheque payments and invoicing as a method of collection wherever possible.

Payment should, wherever possible, be taken in advance. If collection in arrears is necessary, invoices should be issued promptly and clearly. Additionally, an allowance for cost recovery and bad debt write-offs should be included in calculations when setting any charges that are collected in arrears.

Schedule for Charges

Finance shall compile and maintain the central Schedule of Charges. All charges (including subsidies, waivers, and exemptions) must be identified, not just discretionary ones.

The Schedule for Charges template will be circulated annually by Finance to the relevant business areas as part of the budget planning process. It must be completed in full, to include:

- + A description of the charge
- + The current price of all discretionary and statutory charges
- + Proposed new cost of the charge with the correct inflation rate applied
- + Whether the charge is Full Cost Recovery or an Agreed Discount (or a statutory limit)
- + Level of activity associated with a charge (where readily available/ recorded)
- + Confirmation of the VAT indicator to be applied
- + Date last changed

Finance will keep the central record of the approved Schedule for Charges on all service area’s charges for the purpose of ensuring statutory and discretionary charges are recorded accurately and set and reviewed in accordance with this Policy.

The Schedule to be published, as it is updated, on the Council’s website.

Regular Price Reviews

Reviews to be conducted annually for all services charges in time to inform the budget setting process.

It is the responsibility of all Heads of Services to ensure that these reviews are undertaken by service areas that offer chargeable services. For business planning purposes, the standard assumption is that all charges will be increased each year based on a reasoned and careful consideration of the level of inflation to be applied. Although charges within the same service area may need reviewing at separate times in the year. Annual reviews should consider the following factors:

- + Inflationary pressures, and when a flat rate uplift might not be the most appropriate option due to specific changes to the cost of service delivery
- + Service level budget targets, with the context of council-wide targets and advice from Finance
- + Cost of administration
- + Scope for new charging areas, this might be entirely new discretionary service to deliver, or existing services that are currently not charged for
- + Must not generate an unlawful surplus

- + Use stakeholder engagement and comparative data, where appropriate, to ensure that charges do not adversely affect the take up of services or restrict access to services (other than where this is a desirable outcome)

If a decision is taken to not increase some charges the budget shortfall that this creates will need to be bridged through other operational and cost savings. Conversely, if charges are increased above inflation this can contribute to savings.

Service users should be given a reasonable period of notice before the introduction of new or increased charges.

To ensure cost effectiveness and efficiency when setting and amending charging levels, the following are to be considered:

- + Obstacles to maximising full cost recovery when providing the service
- + Future investment required to improve or maintain the service
- + If full cost recovery would require a sudden and large uplift and may reduce market share, it may be prudent to phase-in that price rise over a longer period with a temporary Agreed Discount
- + The desirability of reducing the uptake of a given service, i.e., raising charges during peak times

Legislation

Discretionary services are those which an authority has the power to but is not obliged to provide. Section 3 of the Localism Act 2011 allows authorities to charge for discretionary services offered under their general power of competence and sits alongside the powers already available to local authorities to charge for discretionary services in function-related areas under Section 93 of the Local Government Act 2003. Authorities cannot charge for services that they have a statutory duty to provide unless government make provision for a charge to be levied (e.g. Planning Application Charges)

Additions or enhancements to mandatory services above the standard that an authority has a duty to provide may be provided as discretionary services.

This Act introduced the following key points:

- + Authorities are under a duty to ensure that, taking one year with another, the income from charges do not exceed the costs of provision.
- + The recipient of the discretionary service must have agreed to its provision and agreed to pay for it.
- + Charges may be set differentially, so that different people are charged different amounts.

In using the phrase “taking one year with another” the legislation recognises the practical difficulties a council may face in estimating the charges, since this is largely highly dependent upon the demand for the services concerned. This enables the council to “balance their books” over a period (not less than a year but no more than 3 years) such that any under-recovery of cost can be addressed in setting charges for future years so that over time income equates to costs.

In setting charges, the legislation refers to the Chartered Institute of Public Finance and Accountancy’s (CIPFA) definition of total cost. This provides the ability to recover all costs in the organisation, including a proportion of all central and unallocated overheads including democratic costs, depreciation, interest and working capital costs and any pensions back-funding.

The law is complex, and some services and charges are bound by further specific legislation. Services are expected to be aware of the legislative context that applies to their area of responsibility and seek advice as required from Legal Services.

Annex A – Governance for each charging method

Change	Charge Type	Service Type	Constitution reference	Decision makers (all to be in consultation with S151 Officer)	Notes
New Charge	Full cost recovery – general fund service (default method for discretionary services unless otherwise agreed)	General Fund Service	24.5(e) & 25.4 (a)	Cabinet Member in consultation with Corporate Director (Support Services)	Full Council to be consulted
	Subsidised/ Concession/ Nominal				
	Free of charge			Full Council	
Amended Charge – no material change in fee structure	All	General Fund Service	24.5(e) & 25.4 (a)	Cabinet Member in consultation with Director (Support Services)	
Amended Charge – significant change to be as per New Charge					
New Charge		Trading Activity	16.7.11	Director of relevant service	As long a full cost recovery
Amended Charge		Trading Activity	16.7.11	Director of relevant service	

Excerpts from Constitution

16.7.11 Trading Accounts and Business Units
In some areas the Council may operate a trading account. This means that the costs and income from charges relating to the service are ring-fenced in 124 the accounts. Any surplus or deficit is added to a reserve each year. The S.151 Officer is responsible for ensuring that trading accounts are treated properly in the Council’s accounts.

Corporate Directors and Heads of Service are responsible for ensuring that, in line with the Local Government Act 2003, charges are set to recover costs without building up significant surpluses, and that any changes in take up of the service which could result in a deficit are reported at an early stage. All charges must be reviewed on a regular basis and annually as a minimum as part of integrated service and financial planning. The S.151 Officer shall determine the need for the establishment and operation of trading accounts and business units.

16.7.2 Income
The Council collects substantial amounts of income (council tax, business rates, rents, service charges and fees and charges) and effective income collection systems are necessary to ensure that all income due is identified, collected, receipted and banked properly, and that VAT is correctly accounted for. The S.151 Officer will agree the arrangements for the collection of

all income due to the Council and approve the procedures, systems and documentation for its collection.

24.5 General Delegations to Cabinet Members
..... (e) agree appropriate fees and charges which are within the control of the Cabinet in consultation with the Corporate Director (Support Services), providing that they are consistent with the Budget;

25.4 General Limitations
Officers may not take decisions on Executive Functions if the proposed decision is contrary to the Budget and Policy Framework. Any proposal to take a decision contrary to the Budget and Policy Framework must be the subject of a report to Cabinet who will make a recommendation to the Council. Except as otherwise stated, no Officer may take a Key Decision. Other than as set out below, this scheme does not authorise: (a) Officers to change fees, charges or concession policies, except; (i) Officers may apply inflationary increases to fees, charges and concession policies; (ii) Officers may determine fees for one off events or activities; and (iii) Officers may determine the fees to be charged to other public bodies for services which the Council provides on a commercial or full-cost recovery basis.

