

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CORPORATE SCRUTINY COMMITTEE – 4 SEPTEMBER 2019

Title of report	CORPORATE CHARGING POLICY
Contacts	Councillor Nick Rushton 01530 412059 nicholas.rushton@nwleicestershire.gov.uk Head of Finance and Section 151 Officer 01530 454707 tracy.bingham@nwleicestershire.gov.uk
Purpose of report	To obtain comments from the Corporate Scrutiny Committee
Council Priorities	Value for Money
Implications:	
Financial/Staff	The revised policy provides a framework for reviewing and introducing charges, thereby maximising the financial position of the council through local income generation.
Link to relevant CAT	None.
Risk Management	The Charging Policy provides a framework for reviewing and introducing charges, thereby reducing the likelihood of charges being challenged
Equalities Impact Screening	None.
Human Rights	None.
Transformational Government	This relates to the new ways in which councils are being asked to deliver their services.
Comments of Head of Paid Service	Report is satisfactory
Comments of Deputy Section 151 Officer	Report is satisfactory
Comments of Deputy Monitoring Officer	Report is satisfactory

Consultees	Extended Leadership Team (ELT) Corporate Leadership Team (CLT) Leader Corporate Portfolio Holder Deputy Leader
Background papers	Corporate Charging Policy, Cabinet 31 October 2012 Commercial Strategy, Cabinet 9 October 2018
Recommendations	THAT THE CORPORATE SCRUTINY COMMITTEE PROVIDE COMMENTS ON THE POLICY

1.0 BACKGROUND

- 1.1 The Council provides a wide range of services to local residents, businesses and visitors and generates over £27m in local income as a result. Local income generation, when done in the right way, presents the Council with an opportunity to maximise its financial position and, in the case of the General Fund, an opportunity to reduce its reliance on government grant. In addition, charging for services can also present opportunities to achieve the Council's corporate priorities, for example by encouraging or discouraging the use of a service or to alter the behaviour patterns of residents or businesses.
- 1.2 The existing Corporate Charging Policy 2012 – 2015 was approved by Cabinet in October 2012. Although the policy review is now overdue, the majority of content is largely fit for purpose but does now require bringing up to date to reflect best practice in managing finances and the Council's commercial approach.
- 1.3 The former policy's key principle in reviewing and raising charges is based on a percentage change that is to be communicated by the Head of Finance annually. This approach could be perceived as restrictive because it has the potential to discourage service areas from analysing the net financial position of income streams in favour of increasing charges by a set percentage, therefore increasing the risk that costs are not recovered in full if the costs of providing a service have increased over time above the annual percentage announced. One of the main fundamental shifts of the revised policy is the principle that service area are better placed to determine appropriate annual charges in line with the nature of their service, the impact to customers and the fulfilment of corporate priorities against the preferred charging strategy of the council.
- 1.4 Currently, work is underway across the council to develop a new approach that will accurately determine the net financial position of an income stream. This approach, referred to as a 'snap-shot trading account', will determine the financial position of each function within each service area, identifying whether there is a net cost or net income associated with providing chargeable services. The snapshot trading accounts will be maintained on an annual basis and therefore provide a basis for officers to determine appropriate charge levels (where relevant – i.e. there is no statutory requirement) and assess the capacity to raise and introduce new charges for existing or new services.

1.5 The revised policy at Appendix A is due to be presented to Cabinet on 24 September for approval.

2.0 REVISED POLICY

2.1 The revised policy (Appendix A) sets out the three fundamental principles to the Council's Corporate Charging Policy:

- a) Services should raise income wherever there is a power or duty to do so and are best placed to determine the charge level based on the impact to customers and the fulfilment of corporate priorities;
- b) The income raised should seek to generate profit if it is effective and lawful to do so within the appropriate trading structure or seek to sustain a full cost recovery position when it is not appropriate for profits to be generated; and
- c) Any departures from this must be justified in a transparent manner with reference to the relevant charging strategy and how the charge promotes financial sustainability, manages the impact on customers and/or meets the Council's priorities.

2.2 The policy comprises of a number of other key features around transparent and effective decision making, our public sector ethos and understanding the customer impact and these are set out below.

2.3 As detailed in paragraph 2.1 above, income should be raised through charges where there is a power or duty to do so. Notwithstanding the customer impact, the council's preferred charging strategy is to generate a profit where it is able to do so, or where this is not possible, seek to recover costs. However, being a public sector body also means that we need to work within legislation, regulation, a political framework and have regard to the circumstances of our customers.

2.4 The revised policy is designed to empower budget holders in balancing the council's public sector ethos with its commercial approach. Whilst meeting both is a challenge, the new approach will enable service areas to better understand why a charging strategy is/should be adopted and this, in turn, will create greater transparency for members when making charging decisions. The charging strategies in Table 1 have been broadened for this reason and include new definitions for why a service might be subsidised to better understand why it is appropriate in some circumstances not to recover costs in full or make a profit.

2.5 As part of the approach to considering an appropriate charging strategy (and the resultant charge level) the new policy requires that an Equality Impact Assessment (or similar assessment for corporate or public sector bodies) is completed for all charges to residents and that this is revisited in line with the annual review. By undertaking this assessment, service areas will be better placed in fully demonstrating the impact to customers, which will enhance decision making.

- 2.6 The requirement for an annual percentage increase announcement for charge increases that was included in the former policy has been removed and replaced with a requirement for service areas to review charges annually through the budget setting process (making use of the snapshot trading accounts to determine). This approach will improve transparency in respect of charging and the strategies that sit behind charges and ensure that what may have been an appropriate charging strategy when a charge was introduced or last reviewed remains appropriate in the current economic and political landscape.
- 2.7 The requirement for charges to be reviewed annually ensures that members are involved in the decision making process and there is therefore effective scrutiny and accountability of charging strategies and decisions. Through this policy, it is proposed that varying or introducing new charges in year is considered a 'key decision' only where the income generated or value of the subsidised position of that service/function is more than £100k, even if that charge affects more than one ward. Therefore, decisions below £100k affecting more than one ward would be agreed by the Director, Portfolio Holder and Head of Finance. This approach avoids the need for decisions of a nominal nature being subject to Cabinet approval, unless the Portfolio Holder refers the decision to Cabinet for wider consideration.

3.0 FINANCIAL IMPLICATIONS

- 3.1 As detailed in 1.3 above, work is currently underway across the Council to develop snapshot trading accounts for all service areas in order to assess the net cost or income position of income streams. This new approach will enable services to understand whether the income generated from providing a service cover the costs incurred.
- 3.2 Subject to Cabinet approval, this revised policy will take effect at the outset of the 2020/21 budget setting process. Budget holders across the Council are currently making preparations to review current charges and the resultant financial position of income streams. Proposed charges from April 2020 will be presented alongside the draft budget, along with information around the specific reason for the proposed variation in line with the charging strategy for that income stream.