

DRAFT CORPORATE CHARGING POLICY

2019 - 2022

1.0 INTRODUCTION

- 1.1 The Council provides a wide range of services to local residents, businesses and visitors for which it is able to make a charge either under statutory powers set by the Government or discretionary powers where charges are set by the Council. In 2018/19 the Council collected over £27m in local income.
- 1.2 In the current local government funding environment, local income generation, when done in the right way, presents the Council with an opportunity to maximise its financial position and be self-sufficient, reducing its reliance on government grant. Charging for services can also present opportunities to achieve policy objectives, for example by encouraging or discouraging the use of a service or to alter the behaviour patterns of residents or businesses.
- 1.3 Decisions around charging for services are taken in reference to the Council's public sector ethos. As a public sector body we need to work within legislation, regulation and a political framework and we recognise that this can sometimes limit the scope of what we want to do. Our commercial approach will allow us to bring in additional external income to protect front line services whilst benefitting the locality.
- 1.4 We are of the top performing Districts across in England in respect of growth in business rates and new homes bonus with over 60% of General Fund activities now provided by these funding streams. As we are reliant upon these funding streams, changes to the local government funding system that are proposed at the time of writing this policy present a threat to the council's ongoing financial sustainability and is why our Medium Term Financial Strategy (which was developed in 2018) created the Journey to Self-Sufficiency Programme and implemented a new approach in refreshing the medium term financial plans twice a year so that our forecasts remain current.
- 1.5 Our latest version of the Medium Term Financial Plan (July 2019) predicts future in-year deficits (net of surpluses arising in the 2019/20 and 2020/21 financial years) totalling £5.7m to 2024 on the General Fund as a result of increasing cost pressures, reduction in Revenue Support Grant, and, from 2020 an anticipated significant reduction in retained business rates income and New Homes Bonus funding as a result of the implementation of the government's ongoing Business Rate Reform and Fair Funding reviews. The introduction, implementation and ongoing monitoring and review of charges is an integral element of the medium term financial planning of the Council.
- 1.6 Medium term financial projections for the Housing Revenue Account show that a strong position will continue until 2037 when our final maturity self-financing loans redeem. The service is however, keen to further strengthen its stable financial position so that it can deliver more.
- 1.7 We are currently mobilising our Journey to Self-Sufficiency programme to promote self-sufficiency and safeguard the council's financial position against anticipated future central government funding and other changes whilst also maximising the use of locally sourced income. We launched our Commercial Strategy in 2018, which sets out how the council will focus on income generation and developing the culture of the organisation to become more commercial in all areas. The early stages of the commercial strategy have been about putting key building blocks in place, particularly in relation to staff skills and confidence, about enhancing corporate knowledge of our current charges and beginning to

develop a business like culture. The revision of this policy is the foundation of our new commercial approach and journey to self-sufficiency in respect of income generation.

- 1.8 This charging policy outlines the key principles to be considered in charging for services in a transparent and consistent manner. The purpose of this Policy is not to be over-prescriptive, but rather to provide a framework for how the Council approaches the question of charging for its services. The application of this Policy should bring greater clarity to the process for setting charges and will therefore assist the Council in achieving its Corporate Objectives. It is also intended to help guide the process of reviewing charges for existing services and setting charges for any new services that may be introduced in the future.

2.0 LOCAL AUTHORITY POWERS TO TRADE COMMERCIALLY – THE STATUTORY BACKGROUND

- 2.1 The Local Government Act 2000 gave local authorities a wide power to act for the economic, social and environmental well-being of their areas. The general power to charge for discretionary services was included in the Local Government Act 2003.
- 2.2 The Council is permitted under the general power of competence to charge individuals for discretionary services. No additional legal structure is needed for this but, the Council is only permitted to recover its costs of delivering the relevant service – it cannot make profits.
- 2.3 If the Council intends to carry out commercial activities with individuals and private organisations then section 4 of the Localism Act 2011 and section 95 of the Local Government Act 2003 require those commercial activities to be carried out through a company. Such activities must relate to the Council's discretionary functions only. A business case must be prepared and approved by the Council before the activities are carried out. The cost of support provided to the company by the Council must be recovered from the company.
- 2.4 The Council may trade with public bodies listed under the Local Authorities (Goods and Services) Act 1970 and its subsequent statutory instruments. It may also make its staff available to work for certain type of public body under section 113 Local Government Act 1972. The Council may make a profit on its activities under these Acts. No additional legal structures are required to trade under these powers although these activities do need to be identifiable in the Council's accounts.
- 2.5 The decision on whether to make a charge (and its level) is not always within the control of the Council and so it is critical that officers considering implementing or revising charges are aware of the statutory context in which they are delivering services
- 2.6 Services that we charge for are split into two areas:
- a) **Chargeable Statutory Services** - These are statutory services that we must provide but are able to charge for – either the methodology in determining charges or the charges themselves are prescribed. These charges can still contribute to the financial position of the council.

- b) **Discretionary Services** - Discretionary services are generally that an authority can provide but is not obliged to provide. Local authorities can make their own decisions on setting charges for discretionary services.

2.7 It is recognised that in some circumstances (such as Building Control) the approach to the use of surplus income may also be influenced by central government guidance.

3.0 HOW WE WILL DETERMINE CHARGES

3.1 It is critical that the implications of the charging decisions being taken are fully understood and that the officers to whom charge setting powers have been delegated have the appropriate information they need to make informed choices.

3.2 Charges may be set differentially, so that different people are charged different amounts. Authorities are not required to charge for discretionary services and may provide them for free if they so decide.

3.3 Charges will not be limited to a level that covers the costs of providing that service, but rather levels will be set based on market conditions with reference to the Council's policy objectives, the statutory constraints surrounding the ability for all Local Authorities to make profits and the alternative models for delivery available.

3.4 Assessing the impact of charging decisions to customers is a fundamental aspect of the decision making process. Where it is appropriate to do so (for example, when a charge is payable by an individual), an Equality Impact Assessment (EIA) for a charge introduction or variation must be completed to demonstrate the impact to customers and this must be presented alongside the financial information to decision makers. Where the customer is a corporate or public sector body an EIA may not be necessary, but work to evidence the impact of proposed charges to these customers should be fully considered and presented to decision makers.

3.5 In some circumstances it may be appropriate to consider offering a subsidy to all users or certain key groups where it is consistent with achieving the Council's Corporate Priorities. Please see section 7 of this policy for further considerations around subsidising charges.

3.6 Charges should be set at levels that, as far as possible, do not preclude members of the public from using or benefiting from a service. Consideration should be given to the ability of individuals, including those of limited means, to meet the charges and benefit from the service available.

3.7 There are 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.

- 3.8 Adoption of these principles will be undertaken on both new and current charges. Where there is a disparity between the current charging position and the desired charging strategy (see Table 1), steps will be taken as outlined in section 4 as part of the annual review of charges.
- 3.9 Effective charging decisions require a solid market knowledge, benchmarking of costs against other public sector bodies and sometimes the private sector, and also an understanding of the impact such charges have on the use and in some circumstances, the delivery of a service.
- 3.10 There are situations where the Council may decide not to raise income when it is empowered to do so or not to recover the full cost of providing a particular service. Members or Officers must be supplied with the information to allow them to make these decisions in a structured manner in line with the charging strategies contained within this policy. A decision to forego income or to subsidise a service is a policy decision having regard to resources and is significant as any decision made in the budget setting process.
- 3.11 Charges should recover the actual cost of providing the service, including the recovery of organisational overheads apportioned to the charging service area. Discretion around the recovery of organisational overheads will be allowed to ensure that charges are not disproportionate with the actual level of corporate or directorate support likely to be consumed in delivering a chargeable service.
- 3.12 It is recognised that it will not be appropriate to recover the full costs in all circumstances and the actual amount of charge proposed could mean that a subsidised charging strategy is adopted as a result of:
 - Any relevant Council strategies or policies and any subsidy or concessions given (concessionary groups and levels are explained in Section 7);
 - Market conditions and prices charged by competitors and/or other local authorities;
 - The need to avoid any potential distortion of the market which might otherwise occur from pricing services below the levels charged by private sector concerns for similar services;
 - The desirability of increasing usage of a given service; and/or
 - The possibility of increasing savings for the Council
 - The need to be competitive and not recover organisational overheads.

3.13 All charges will be set in line with this policy and should fall into one of the categories set out in the following table which expands on different charging strategies of for discretionary services.

Table 1 – Charging Strategies

Charging Strategy		Objective
Statutory		<p>Charges are set nationally and local authorities have little or no opportunity to control such charges.</p> <p>Charges are set through either of the following scenarios:</p> <ul style="list-style-type: none"> a) A statutory charge determined by central government; or b) Where there is a statutory framework for setting charges. <p>Under b) it is still possible for charges to fall under the subsidised or full cost recovery strategies.</p>
Free		The council chooses to make the service available at no charge to meet a service objective
Subsidised	Corporate Priority	The council wishes users of the service to make a contribution to the costs of providing the service in order to meet a corporate priority.
	Concession	The council wishes all users of the service to make a contribution to the costs of providing the service, in order to meet a service objective, but recognises that the service users will not be able to contribute in full.
	Business Development	<p>The council wishes users of the service to make a contribution to the costs of providing the service in order to:</p> <ul style="list-style-type: none"> - allow competition with other providers/secure market share whilst the service is established; or - as part of a wider business strategy that sustains a better financial position with a product/service sold at a loss.
Full Cost Recovery		The council aims to recover the costs of providing the service from those who use it, including recovering service management time and an allowance (based on a corporate percentage) for the recovery of organisational overheads.
Profit Generating		The council aims to recover the cost of providing the service and make a surplus. (Where the customer is NOT a public body, trading for a profit must be via a trading company).

3.14 Consideration should be given in all cases as to whether VAT is applicable and appropriate advice from the Council's insurer's with regards to additional insurances required should be obtained. Advice on both of these matters can be provided by the Finance Team.

3.15 Income that is derived from charging for services must be used to offset the cost of providing the service. Any surplus must be paid to the General Fund/Housing Revenue Account, as applicable, but must be considered in reviewing charges.

- 3.16 Under the Full Cost Recovery methodology, where a surplus has been generated, the estimated cost of providing the services for the next year must be assessed to ensure that a surplus is not generated over a the five year period of the Medium Term Financial Plan.

4.0 ANNUAL REVIEW OF EXISTING CHARGES

- 4.1 One of the aims of this Policy is to ensure that establishing the 'right' price for a service should not be simply a case of adding an inflationary increase to last year's charge. Charges should be reviewed annually as part budget setting for the following year as a minimum and with reference to the trading position of services.
- 4.2 All charges within the Council's control should be reviewed at least annually as part of setting the following year's annual budget and charge increases should be set to take effect from April. All the factors set out above should be taken into consideration in order that officers may make informed choices on the level of charge to be set.
- 4.3 The Council must calculate how much it needs to spend to provide services and how much income it can expect from charges and the amounts from specific government grants it will receive. This policy does not prescribe the format in which officers will review charges but it is recommended that updating the service snapshot trading accounts will be the most effective format for reviewing the current and future service costs associated with providing a service.
- 4.4 Officers reviewing charges must consider the impact to customers and complete an Equality Impact Assessment (EIA) (or other impact assessment for corporate or public sector bodies as necessary), as outlined in paragraph 3.4 above.
- 4.5 Budget holders must communicate the effective percentage change of proposed revised charges to Finance to be included in the proposed budget for approval. The proposed changes to charges will be submitted to Cabinet in November/December, ahead of the approval of the budget in the following February/March. The key considerations of the EIA will be conveyed within the budget reports for member consideration.
- 4.6 The review will not preclude the continuous monitoring of budgets having regard to take-up of the service, market forces and achieving target income levels.
- 4.7 It is considered to be good practice that, where possible, a minimum of one month's notice should be given to customers before any new or revised charges are implemented.

5.0 VARYING CHARGES IN-YEAR

- 5.1 Where there is a strong case for amendment of charges in-year, Team Managers should discuss with their Head of Service who will consult with the relevant Director, Portfolio Holder and Head of Finance for decision.
- 5.2 Proposals for short term promotions / sales in-year and/or the introduction of a concession or an amendment to an existing concession, should be discussed with the Head of Service and approved by the Director, Portfolio Holder and Head of Finance for decision unless

otherwise delegated. The Portfolio Holder, for reasons of a political nature, may refer the decision to Cabinet even if it falls outside of the 'financial key decision' definition.

- 5.3 Proposals must consider the impact to customers and complete an Equality Impact Assessment (or other impact assessment for corporate or public sector bodies as necessary), as outlined in paragraph 3.4 above. This assessment must be presented alongside financial and other relevant information to the Director, Portfolio Holder and Head of Finance as part of the decision making so that the impact to customers is fully considered.
- 5.4 It is considered to be good practice that, where possible, a minimum of one month's notice should be given to customers before any new or revised charges are implemented.
- 5.5 Appropriate records must be retained in line with section 8 of this policy.
- 5.6 Officers must have regard to what may constitute a 'financial key decision' and act in accordance with the requirements of the Council's Constitution.

6.0 INTRODUCING NEW CHARGES

- 6.1 Before a new charge is introduced the financial and legal context for charging must be determined. A careful calculation of the costs of provision, utilising the snapshot trading account for the service area, and appropriate level of charge alongside anticipated demand must be undertaken. Financial and Legal advice must be sought and the legal authority for levying the charge must be established.
- 6.2 As above, the Council must calculate how much it needs to spend to provide services and how much income it can expect from charges and the amounts from specific government grants it will receive. This policy does not prescribe the format in which officers will review charges but it is recommended that updating the service snapshot trading accounts will be the most effective format for reviewing the current and future service costs associated with providing a service.
- 6.3 Proposals must carefully consider the impact to customers and an Equality Impact Assessment must be completed to demonstrate this (or other impact assessment for corporate or public sector bodies as necessary), as outlined in paragraph 3.4 above. This assessment must be presented alongside financial and other relevant information to officers or members as appropriate as part of the decision making process so that the impact to customers is fully considered.
- 6.4 Where a proposal exists to introduce a new charge for a discretionary service that may constitute a 'financial key decision' it is a matter for consideration by Cabinet.
- 6.5 Where a proposal exists to introduce a new charge for a discretionary service that does not constitute a 'financial key decision' it is a matter for consideration by the relevant Head of Service and Director in consultation with the relevant Portfolio Holder and Head of Finance. The Portfolio Holder, for reasons of a political nature, may refer the decision to Cabinet even if it falls outside of the 'financial key decision' definition.

7.0 KEY PRINCIPLES – WHICH CUSTOMERS SHOULD RECEIVE A SUBSIDY?

- 7.1 In some circumstances it may be appropriate to consider offering a subsidy to all users or certain key groups where it is consistent with achieving the Council's corporate priorities.
- 7.2 Recognising this, it is Council policy that when charges are reviewed, concessions where appropriate should be considered for certain groups of customer. In some circumstances concessions may not be appropriate and it will be necessary to consider the impact on income levels before introducing the concession.
- 7.3 It is the policy of the Council that when charges are reviewed concessions should be considered for different groups of customers. Included in Appendix 1 are details of the current customer groups that should be considered. This policy delegates the maintenance of this list of different customer groups to the Head of Finance so that different customer groups who are not known at the time of writing this policy are not disadvantaged.
- 7.4 This policy retains discretion in respect of the level of concession - concession of between 25% and 100% of the full charge may be appropriate in some cases.
- 7.5 Concessions may not be appropriate in all circumstances and it will be necessary to consider the impact on income levels before introducing a concession. An assessment of the desirability of offering a concession will form a part of the process of reviewing charges.
- 7.6 However, it is recognised that there will be important exceptions that will make charging inappropriate in a number of cases. The following examples are not intended to be exhaustive list:
- Circumstances where the service in question is delivered to all residents or householders equally and which could therefore be considered to be funded from Council Tax;
 - Circumstances where the administration costs associated with making a charge could outweigh any potential income;
 - Circumstances where making a charge would be directly contrary to achieving one of the Council's Corporate Priorities;
 - Circumstances where charging would be counterproductive (i.e. it may result in a substantial reduction in use of the service); and
 - Circumstances where the Council incurs extra charges to enable people to have fair access to services.

8.0 ADMINISTRATION

8.1 The principles for administering charges are:

- The financial data used to set charges should be maintained on an ongoing basis and charges should be set with reference to the snapshot trading account for the relevant service area to evidence the current/proposed charging strategy;
- Documentation confirming Director of Service, Portfolio Holder and Head of Finance approval of in year changes to charges should be maintained.
- Charges should be simple to understand and administer;
- Charges should be well promoted so that customers can clearly understand the charging structure and methods of payment before they become liable to be paid;
- Where possible methods of payment should be flexible, convenient and take into account the needs of disadvantaged groups in the community (the easier it is to pay, the more likely it is that payment will be made);
- Wherever possible and practicable, payment should be made prior to the service being received or at the point of delivery; and
- The Council's preferred payment method is Direct Debit, BACS or direct payment through the Council's website followed by PayPoint and telephone payments.

9.0 HOW WILL THIS POLICY BE IMPLEMENTED?

- 9.1 All charges are subject to annual review as part of the Council's budget setting process. The review of existing charges and consideration given to the introduction of new charges will be undertaken having regard to the guidelines and Charging Strategies set out within this Policy.
- 9.2 The practicalities of undertaking the annual review of charges will be supported on an annual basis by Finance through the utilisation of snap-shot trading accounts that have been developed to assist budget holders in assessing current and future charging strategies.

Customer Groups for whom concessions should be considered

Customer Group	Service Category
Persons in receipt of an approved means tested benefit	Public Health related services e.g. Environmental Health – public health pests (rats and mice), housing standards Waste Services – bulky waste collection Leisure / Healthy lifestyle
Young people under 16 years of age	Leisure / Healthy lifestyle
Full time students	Leisure / Healthy lifestyle
Registered Carers	Leisure / Healthy lifestyle
Senior citizens over state pensionable age	Leisure / Healthy lifestyle
People with a disability	Car parking and public conveniences Leisure / Healthy lifestyle
Care Leavers	Leisure / Healthy lifestyle
Armed Forces Covenant	Leisure / Healthy lifestyle

An approved means tested benefit means the following benefits only:

- Carer's Allowance
- Council Tax
- Universal Credit
- Employment and Support Allowance (Income Based)
- Housing Benefit
- Income Support
- Jobseeker's allowance (Income based)
- Working Tax Credit