



## **Central Bedfordshire Council**

### **Charging Policy 2018**

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## 1. The Council's Charging Policy

- 1.1 It is the Council's policy that service users should make a direct contribution to the cost of providing services (both discretionary and statutory) at their point of use unless:
- it is not legal to make a charge for the service.
  - circumstances arise 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. This will mainly apply where there is no discretion as to use of the service on the part of the householder.
  - circumstances arise where the administrative costs associated with making a charge would outweigh any potential income.
  - circumstances arise where making a charge would be directly contrary to achieving the Council's corporate objectives as expressed in agreed strategies.
- 1.2 The charge levied should, in general, be such that it covers the full economic cost of providing the service (including support services). The level of charge will, however, have regard to:
- any relevant Council strategies or policies (e.g. Equality Scheme, Anti-Poverty Strategy, Sports and Physical Activity Strategy etc.) and any subsidy or concessions which may be appropriate. (*note: the question of appropriate concessionary groups and the level of concession is dealt with in detail 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 need for all charges imposed by the Council to be reasonable, given the Council's objectives, whilst retaining the flexibility to charge commercial organisations a fair price
  - the need to avoid any exploitation of customers who have no option but to use the Council's services
  - the desirability of increasing usage of a given service
  - the possibility of increasing income to the Council.
  - the views of service users and Council taxpayers in levying new or revised charges
  - the need to change user/consumer behaviour, e.g. for health or environmental reasons.
  - whether it is economic to apply any fee or charge.
- 1.3 It is the policy of the Council that when charges are reviewed concessions should be considered for the following groups:

- young people under 16 years of age
  - full time students
  - people with a disability
  - people in receipt of means tested benefits
  - senior citizens
- 1.4 It is not appropriate to fix a level of concession in this policy as this removes all discretion
- 1.5 Fees and charges income will be credited to the appropriate service during the course of the year. Any modest and incidental surplus generated from charging shall be seen as a corporate resource to be used where need is greatest. This will not apply where a service is under a duty to break even over a rolling 3 year period, e.g. Building Control, or is operating a trading entity.
- 1.6 Proposals for 'reinvesting' any additional income raised from charging in the expansion and development of a particular service will need to be considered as part of the annual review of charges. Each proposal will therefore be considered on its own merits at that time.
- 1.7 Subject to any requirements imposed by the Council's standing orders, charges for individual services may be varied 'in year' at the discretion of the responsible Director following discussion with the Director of Resources and the appropriate Portfolio Holder.
- 1.8 All fees and charges will be reviewed annually and adjusted as necessary in line with this policy. The Director of Resources will provide services with guidance each year as to the maximum inflation rate that may be applied.
- 1.9 All fees and charges should be reviewed on a more fundamental basis at least every 3 years, where it will be necessary to examine all the factors set out below in accordance with good practice guidance e.g. the CIPFA Practical Guide for Local Authorities on Income Generation (Fully revised 2015). This is so that Members may make informed choices on any revised level of charge to be set. The result of such review should be included in the annual fees and charges report in that year, in order that Members are able to ensure that charges are fair, appropriate and comparable to local alternatives. This should include an accompanying financial statement to demonstrate that, taking one year with another, the income from charges does not exceed the cost of provision. The review should include an equalities impact assessment.
- 1.11 The Policy simply sets out the general principles by which the Council will operate, it is not an exhaustive list that seeks to cover every eventuality and where circumstances arise outside the parameters of the Policy, it is expected that Members will be consulted and the policy updated accordingly.

## **2. Introduction**

- 2.1 In recent years there has continued to be increasing pressure on local authorities to make best use of the positive potential of charges and to recognise the importance of recovering costs by charging for discretionary services.
- 2.2 Income from fees and charges represent an important source of funds to the Council, and enables a range of services to be provided within the Council and beyond. This policy establishes the framework by which fees and charges levied by the Council are agreed and regularly reviewed.
- 2.3 The purpose of this document is to set out the policy that Central Bedfordshire Council wishes to invoke in setting fees and charges for 2017/18 and the years beyond.
- 2.4 The decision on whether to make a charge (and its level) is not always within the control of the Council. Where it is, it is important that the implications of the charging decisions being taken are fully understood and that Members have the appropriate information they need to make informed choices.
- 2.5 This Policy is not intended to be over-prescriptive, but rather to provide a framework for how Central Bedfordshire Council approaches the question of charging for its services. The application of this policy should bring greater clarity to the process of setting charges and will therefore assist the Council achieve 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.

## **3. Statutory background**

- 3.1 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. This remains the key legislation for most authorities and its important features are summarised below:
- 3.2 Authorities are under a duty to secure that, taking one year with another, the income from charges does not exceed the cost of provision.
- 3.3 Authorities must already have the power to provide the service and the recipient of the discretionary service must have agreed to its provision and to pay for it. Conversely, the Act does not override any provisions which either expressly prohibits the charging for the service or confers a power to charge.

- 3.4 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 free if they so decide.
- 3.5 In accordance with the Localism Act 2011 and 'general powers of competence' contained within it, local authorities may trade in any eligible service permitted by the Council's constitution. If such authorities seek to raise profits that can be used for reinvestment or other services, they must conduct this commercial activity via a separate trading company. Any such company must comply with competition law and standard trading legislation.
- 3.6 In addition, the Localism Act 2011 allows a local authority to do "anything that individuals generally may do" that is a lawful activity. Although the Act gives local authorities greater power, the authority is a public body and accountable for its actions to provide best value for its residents. The standard procurement and contract regulation also apply.

#### **4. General Principles**

- 4.1 An Audit Commission report in 2008, entitled "Positively Charged" highlighted a number of issues in respect of fees and charges, however, for the purpose of setting a policy there are 3 areas of significance; the use of charging to influence behaviour, (e.g. congestion charging), the importance of consultation, and the equality and diversity issues arising.
- 4.2 This policy document recognises those issues.
- 4.3 In general terms, it is the Council's policy that unless there is good reason why an exception should be made, a charge should be levied for all discretionary services in accordance with this charging policy.
- 4.4 With regard to statutory services, where the Council has control over whether a charge should be levied, and there are no good reasons why an exception should be made, it is the Council's policy that a charge should be made.
- 4.5 It is recommended that the Council's charging policy should remain in the existing Policy Framework, as defined within the Council's constitution. This would, in effect, mean that any subsequent changes to this charging policy will require the approval of the full Council.
- 4.6 The authority will comply with good practice requirements as set out in the CIPFA Practical guide for Local Authorities on Income Generation (Fully revised 2015 edition)

#### **5. Key Principles – Which services should the Council charge for?**

- 5.1 As referred to in section 4.3, charges should be made for all discretionary services. Additionally, services should be reviewed periodically to establish whether charges could be introduced where these are not already implemented.

- 5.2 It is, therefore, the Council's policy that in general, service users should make a direct contribution to the cost of providing services at their point of use. When charges for services are reviewed it will be against this background and it will be necessary to consider in each case if exceptions such as those outlined above make charging inappropriate.
- 5.3 Where a market rate is appropriate to charge that is what should be levied, unless by doing so the Council is in profit, in which case the charge should be reduced accordingly. Where this impacts on local businesses, the Council should question whether it needs to provide the service at all. This will be a balanced judgement dependent on local economic factors at any one time.
- 5.4 When determining how to charge for the service being undertaken, managers should be clear upon the legal basis for charging, and be able to justify the model used for quantifying the charge. The main charging models are set out in the table below:

Full commercial – the default position	The Council seeks to maximise revenue within an overall objective of recovering the full cost of provision, including all overheads, investments, cost of sales and development.
Full commercial with discount	As above, but with discount being given to reflect marked condition and enable trade. Discounted costs are met out of service budgets.
Full commercial with concession	As above, but with concessions being given to enable disadvantaged groups to access the service. There need to be clear explanations.
Subsidised	Council policy is to make the service widely accessible, but users should make some contribution from their own resources. This could also be due to the adverse impact a commercial charging policy would have on other Council services.
Nominal	The Council wishes the service to be fully available, but sets a charge to discourage unnecessary usage.
Free	Council policy is to make the service fully available without charge.
Statutory	Charges are set in line with legal obligation.
Property Rental/Lease	Properties that are rented or leased to third parties should be charged at a commercial rate. Where this does not occur, it should be highlighted and an explanation provided.

## **6. Key Principles – How should the amount levied be determined?**

- 6.1 Where the Council controls the level of charge to be made for a given service, it is the Council's policy that the charge should, in general, be such that it covers the actual cost of providing the service. This would include items such as:
- Salary and associated national insurance and pension charges
  - Travel costs
  - Specialised or additional equipment for the provision of the service
  - Cost of sales and recovery of any investment made to provide the service
  - Overheads such as: ICT, assets, accommodation, finance, legal and corporate costs.
- 6.2 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 agreed inflationary increase to last year's charge. It is therefore a requirement that at least every 3 years charges are fundamentally reviewed where it will be necessary to undertake an analysis which includes an examination of all the factors set out above in order that Members may make informed choices on any revised level of charge to be set.
- 6.3 The result of such review should be included in the annual fees and charges report, in order that Members are able to ensure that charges are fair, appropriate and comparable to local alternatives. This should include an accompanying financial statement to demonstrate that, taking one year with another, the income from charges will not exceed the cost of provision.
- 6.4 None of the above requirements will preclude any service from adding, amending, or deleting any fee or charge, in line with requirements set out in the constitutional delegation to amend fees in year. Nor should it preclude Members from requesting a review by the service of any fee or charge at any time.
- 6.5 The Council will use established consultation networks with both Council taxpayers and service users to seek out views whenever new or completely revised charges are introduced following a review and service managers should ensure that proper timescales are given to such consultation prior to recommending any new or revised charges to Members.
- 6.6 In setting charges the Council will apply overheads following guidelines set out in CIPFA's Best Value Accounting Code of Practice. For the purpose of calculating any fee or charge the Council will use a standard overhead recovery rates as advised by the Director of Resources up to and including full overhead cost recovery.
- 6.7 It is not expected of any service to levy a fee or charge where it is clearly uneconomic to do so. The raising of Sundry Debtor invoices should be avoided if at all possible and is not recommended for amounts under £25, where pre-payment should be the preferred choice.



- 6.8 Given the uncertain nature of the economy, the need for price changes later in the year should not be ruled out. If managers judge that limited changes are needed to respond to operational issues and the changing market, the service will need the flexibility to do so in a timely manner.
- 6.9 Possible changes might include the introduction of promotions to stimulate demand as necessary, making offers for limited timescale or linking two or more services. Managers are well aware of the need to investigate opportunities to offer incentives that will encourage greater use of services and therefore increase overall income generated. Such discount and promotion will need to rest with the service to introduce as part of being market-led and responsive.

## **7. Key Principles – Which service users should receive a subsidy?**

- 7.1 In some circumstances it may be appropriate to consider offering an 'across the board' subsidy to all users of a particular service where this is consistent with achieving the Council's objectives. It is also recognised that offering concessions for certain key user groups may help achieve some of the Council's high level objectives.
- 7.2 For example, as part of the Council's commitment to equal opportunities it will attempt so far as is possible to provide equal access to all its services and to all its activities. Concessions are clearly one of the ways in which the Council can fulfil this commitment.
- 7.3 Similarly the Council will wish to ensure that low income is not a barrier to peoples' ability to use council services.
- 7.4 Recognising this broader agenda, it is the policy of the Council that when charges are reviewed concessions should be considered for the following groups:
- young people under 16 years of age
  - full time students
  - people with a disability
  - people in receipt of means tested benefits
  - senior citizens
- 7.5 It is not appropriate to fix a level of concession in this policy as this removes all service discretion. However, a concession of up to 50% of the full charge should be appropriate in most cases.
- 7.6 It is recognised that in some circumstances concessions may not be appropriate and that it will be necessary to consider carefully the impact on income before introducing concessions to service areas that do not currently offer them. However, an assessment of the desirability of offering concessions (and the financial implications) needs to form part of the evaluation of an appropriate charge for any given service.

7.7 Reasonable notice should be given to service users before any new charge or significant change is implemented. It is likely that such changes will also be subject to the requirement to do an Equality Impact Assessment. To ensure that there is no adverse effect on vulnerable groups, an Equality Impact Assessment should be carried out by each service when setting new fees and charges or making significant changes to an existing charge.

## **8. Key Principles – How will any surplus income be used?**

8.1 The way in which the Council prepares its budgets is such that income derived from charging for services is used to offset the cost of providing the service in question. This is consistent with the current accounting code of practice. Any modest and incidental surplus which may arise is then returned to the Council's General Fund, except for trading services such as Building Control, where there is a requirement to break even over a 3 year period taking one year with another

8.2 The advantage of such an approach at a high level is that it enables resources generated through charging to be used wherever the highest priority exists – i.e. for a corporate view to be taken regarding the use of the available resources.

8.3 It is therefore the Council's policy that any surplus generated from charging shall be seen as a corporate resource to be used where need is greatest, provided this is not prohibited by other statutory requirements or government guidance.

8.4 However, it is acknowledged that the ability to use charges to deliver the targets set by Members requires a degree of freedom to experiment and corporate controls (as expressed through this policy) need to avoid imposing unnecessary restrictions. Therefore, proposals for 'reinvesting' any additional income raised from charging in the expansion and development of a particular service will need to be considered as part of the annual review of charges. Each proposal will therefore be considered on its own merits at that time.

8.5 It is also recognised that in some special circumstances (such as Building Control) the approach to the use of surplus may be influenced by Government Guidance.

8.6 It is also the Council's policy that, subject to any requirements imposed by the Council's standing orders, charges for individual services may be varied "in year" at the discretion of the responsible Director following discussion with the Director of Resources and appropriate Portfolio Holder.

## **9. How will this policy be implemented?**

9.1 Fees and charges are an important and valuable part of the Council's income. It is vital that all fees and are reviewed at least annually and in accordance with policy.

- 9.2 The default assumption is that fees and charges should be inflated annually by the agreed inflationary rate in line with the Consumer Price Index (CPI). If CPI is negative, the rate should be deemed to be zero for the purposes of calculating fees and charges.
- 9.3 Managers have discretion to use professional judgement to deviate from this approach where market conditions or other factors dictate. However, where this discretion is applied, it should be included in the budget report as an exception, with appropriate explanation.
- 9.4 It will also be necessary for each Director, as part of the preparation of annual service plans, to recommend if services currently provided free should be subject to a charge or if good reasons exist for maintaining a free service.
- 9.5 In circumstances where a charge is being introduced for the first time (or being substantially increased) it will be necessary for the public to be informed of the reasons for the Council's decision.
- 9.6 The annual cycle flowchart (**Table 1**) sets out the steps and timeline that service areas shall follow to meet the publication and final approval of the annual fees and charges by the Council.
- 9.7 Finance will maintain a central record of all Council's fees and charges. It is the directorate's responsibility to update finance with any changes and ensure that data held is accurate and up to date.

**Table 1: Fees and charges planning review flowchart**

Gather business intelligence on fees throughout the year – customer complaints, comments or suggestions.		
Conduct benchmarking with appropriate groups i.e. local or regional neighbours.		
Review websites, national trends etc. Networking activities to keep in touch with economic trends.		
Staff communication – re plan and revised charges – to inform all stakeholders that fees may change.		
<u>Consider how to generate revenue.</u> <i>What, when can we do it?</i> <i>How do we personalise or tailor the service?</i> <i>Who and where are our customers?</i>	<u>Supply and demand:</u> <i>Is there a need for a staff cultural change?</i> <i>Do we have the appropriate staff resources to deliver the service?</i> <i>What are the marked conditions?</i>	<b>Implementation Period</b>
		<b>January:</b>
↓	↓	↓
Services review current fees and add inflation and or other increase/changes as applicable. Use cost model to price services for new fees and charges.		
↓		
Service discuss/submit data to managers to arrange and coordinate fees and charges at Head of Services level.	<b>May to July</b>	<b>September to October</b>
↓		
OSC – approval.	<b>September</b>	<b>December</b>
↓		
Executive – approval.	<b>October</b>	<b>January</b>
↓		
Council – approval.	<b>November</b>	<b>February</b>
↓		
Communication release – service portals and CBC website.	<b>December</b>	<b>March</b>
↓		
Fees and charges rates actioned – update Capita and other systems using to collect the income.	<b>January</b>	<b>April</b>