



Policy and Resources Committee 24 April 2017

Charging Policy Framework - Revised

Purpose of report

This report seeks approval of the revised charging policy framework.

Attachment

Appendix 1 – Charging Policy Framework (February 2017)

1.0 Background

- 1.1 The council's charging policy framework was implemented in 2010 in recognition of the need to have a robust policy for charging for services and to ensure that fees and charges are set in a fair and consistent manner across the organisation.
- 1.2 Additionally, the policy provides guidance on the process of reviewing charges for existing services as well as setting charges for any new services that are introduced.
- 1.3 To provide assurance on the implementation of the of the charging policy framework, an audit was carried out by Internal Audit, who recognised that there were still some actions that could carried out to improve the process.
- 1.4 It was noted that the charging policy framework had not been reviewed for some time and that, as part of the review, consideration should be given to the inclusion of a clear methodology for calculation of the level of charge to be set and what should and should not be included in the fees and charges schedule.

2.0 Charging Policy Framework Changes

- 2.1 Following consideration of the recommendations by Internal Audit, a review of the charging policy framework has been carried out. The main changes to the document include the following:
 - Section 5 Recording Fees and Charges – this is a new section which specifies the requirements for the information to be set out in the schedule of fees and charges
 - Section 10 Reviewing fees and charges – paragraphs 10.3 – 10.6 are additional guidance to support the review process and clarify when changes require Policy and resources approval
 - Section 11 New fees and charges – this is a new section which provides some general guidance for consideration when implementing a new charge
 - Appendix B – includes a checklist of things to consider when considering or reviewing the setting of fees and charges
 - Appendix C – An example of methodology used for calculating fees and charges reflecting the 'full cost' of services delivered and the calculation and application of overhead rates.
 - Appendix D – A fee earning activity costing template for services to record information on the context in which the proposed charge has been determined

2.2 The above changes respond to the outstanding recommendations by Internal Audit but also incorporate some good examples of guidance found in other local authority guidance.

3.0 Equality and Diversity Implications

3.1 There are no equality and diversity implications as a direct result of this report. Any changes to fees and charges will be considered individually and reported to Policy and Resources Committee where appropriate as set out within the charging policy framework.

4.0 Legal Implications

4.1 There are no legal implications arising from this report.

5.0 Risk Management

5.1 There are no known risks arising directly from this report. Any changes to fees and charges will be considered individually and reported to Policy and Resources Committee where appropriate as set out within the charging policy framework.

6.0 Resource and Financial Implications

6.1 There are no financial implications arising from this report. Any changes to fees and charges will be reported separately in accordance with the process as set out in the charging policy framework.

7.0 Constitutional Implications

7.1 There are no constitutional implications arising from this report.

8.0 Customer Service Implications

8.1 There are no customer service implications from this report. Any changes to fees and charges will be considered individually and reported to Policy and Resources Committee separately in accordance with the charging policy framework.

9.0 Corporate Outcomes

- 9.1
- **Effective Management:** The process of reviewing fees and charges will support the effective management of resources across the council
 - **Good value for money:** The policy will ensure that fees and charges are set at a level that is appropriate to the service being charged for and that concessions are allowed for where applicable ensuring that value for money is achieved
 - **Councillors and staff with the right knowledge, skills and behaviours:** The charging policy framework will ensure that staff are equipped with appropriate guidance and support to ensure there is a robust and consistent approach to setting fees and charges across the council.

10.0 Recommendation

10.1 The Committee is recommended to approve the revised charging policy framework.

(Reason – To ensure the council has in place a properly considered, consistent and informed approach when reviewing fees and charges it makes for its services)

Legal	Power: Local Government Act 2003				
	Other considerations: N/A				
Background Papers: N/A					
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Date: 27 th March 2017					
CFO		MO		CX	



East
Northamptonshire
Council

Charging Policy Framework

Providing a framework for setting
and reviewing fees and charges

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Issue	Date	Comments
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1.1	Feb 2017	Draft

Consultees

Internal	External
Chief Finance Officer	
Head of Service	
CMT	
Encor	
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Distribution List

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Links to Other Documents

Document	Link

Additional Comments to note

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1 Introduction

- 1.0 Fees and charges represent an important source of income by providing finance to assist in achieving the Council's objectives. The purpose of this policy document is to establish a framework within which fees and charges levied by the Council are agreed and regularly reviewed.
- 1.1 This policy relates to fees and charges currently being levied by the Council and those which are permissible under the wider general powers to provide and charge for "Discretionary Services" included within the Local Government Act 2003.
- 1.2 In recent years there has been increased pressure on local authorities to make best use of the charging opportunities and to recognise the importance of recovering costs by charging for services. Incorporating the review of fees and charges formally into the service and planning process will also permit consideration of cross-cutting issues and impacts in the context of wider policy considerations.
- 1.3 The decision on whether to make a charge (and at what level) is not always within the control of the Council as there are a range of statutory charges set nationally by Central Government. But 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 Statement of intent

- 2.1 The purpose of this policy is to provide a framework for how the Council approaches the question of charging for services.
- 2.2 The application of this policy will provide guidance to support the process of reviewing charges for existing services and setting charges for any new services that may be introduced in the future. It will bring greater clarity to the process of setting charges and should allow the Council to have a properly considered, consistent and informed approach to all charges it makes for its services which will, in turn, support the delivery of Council objectives.

3 Scope

- 3.1 This policy will:
 - Apply where the Council controls the level of charge to be made for a given service,
 - Ensure the charge should, in general, be such that it covers the actual cost of providing the service (including support services),
 - Ensure that establishing the 'right' price for a service is not simply a case of adding an inflationary increase to last years charge

4 Charging policy aims and principles

4.1 Charging policy aims

- 4.1.1 The Council will aim to maximise net income from fees and charges by ensuring that charges to users reflect the full cost of provision, unless covered by concessions or there are contrary policies, legal or contractual reasons.
- 4.1.2 All charges within the Council's control should be reviewed at least annually and this should be timed to fit in with the service and financial planning process and the principles of any changes should be available for discussion at the budget meetings.
- 4.1.3 The annual review of fees and charges should also consider what corporate outcomes the service contributes to, why we are providing the service at all and who benefits.

4.2 Charging policy principles

4.2.1 The policy has four fundamental principles:

- Fees and charges should maximise net income wherever there is a power or duty to do so providing there is no conflict with political or corporate outcomes,
- The net income raised should cover the full costs of providing the service including all overheads,
- Charges are agreed in a transparent way so they are seen to be fair and are understandable,
- In accordance with legislative requirements the Council will carry out an equality impact assessment before applying the policy – whether to charge or a concession.

4.2.2 In addition to the fundamental principles the policy should be as administratively simple as possible for all parties.

4.2.3 There are situations when the Council may decide not to raise net income when it is empowered to or not to recover the full cost of a service.

4.2.4 Members must be supplied with information to enable them to make these decisions in a structured and explicit manner. A decision to forego net income or to subsidise a service is a policy decision about resources and is as significant as any decision made in the financial planning process.

4.2.5 Any surplus generated from charging shall be seen as a corporate resource to be used where the need is greatest taking into account any legislative provisions already set out.

4.2.6 Fees and charges shall be collected in advance or at the point of service delivery wherever possible. Where charges are collected after service delivery has commenced then invoices will be issued promptly and appropriate recovery procedures followed as necessary. Incentives for payment by direct debit should be explored in cases of periodic payment, wherever possible.

5 Recording fees and charges

5.1 A schedule of fees and charges levied by each department will be maintained. This schedule should include, but identify separately, those charges where there are national / external procedures or other specific procedures for determining and reviewing rates of charge. In all cases, however, the schedule should indicate: -

- The nature of the service or supply being charged for;
- By whom are charges determined;
- The basis of charge (e.g. units or hourly rate);
- Current rates of charge;
- Estimated revenue in current year;

And on review within the service and financial planning process,

- Proposed increase/decrease;
- Percentage increase;
- Proposed rate of charge;
- Effective date for increase;
- Estimated revenue in full year.

5.2 A template can be provided by Encor Financial Services which is consistent with the requirements for the service and financial planning process.

6 Which services the Council should charge for

6.1 Charges should be made for all services where appropriate and 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.

6.2 However, it is recognised that there will be important exceptions that will make charging inappropriate in a number of cases. These include:

- Where it is specifically prohibited to make a charge for a service
- 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
- Where the administrative costs associated with making a charge would outweigh any potential net income
- Where making a charge would be contrary to achieving one of the Council's corporate outcomes
- Where charging would be counterproductive (i.e. it may result in a substantial reduction in usage of the service)
- Where the Council incurs extra charges to enable people to have fair access to services

- 6.3 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. The process for setting and reviewing fees and charges is outlined in the flowchart at Appendix A with a checklist of issues to consider when determining what level of fees and charges are appropriate or applicable at Appendix B.

7 How charges should be calculated

- 7.1 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 (including support services). An example methodology for calculating charges based on the full cost of providing the service (including support costs) can be found at Appendix C. Further guidance can be provided by the Finance Manager or Encor Financial Services.
- 7.2 All charges should be calculated exclusive of VAT. The Chief Finance Officer is responsible for applying the correct VAT rate for each charge.
- 7.3 Charges should be set at levels that, as far as possible, do not preclude members of the public from using or benefitting from a service.
- 7.4 Consideration should be given to the ability of individuals, including those of limited means, to meet the charges and benefit from the service available and consistently reflected in agreed charges.
- 7.5 Fees and charges should be set at a level so as not to provide subsidies to commercial operators from the council taxpayer.
- 7.6 However, it is recognised that this will not be appropriate in all circumstances and the actual amount of charge proposed will need to be a reflection of:
- Any relevant Council strategies or policies and any subsidy or concessions given
 - Market conditions and prices charges by competitors and/or other local authorities
 - The need for all charges imposed by the Council to be reasonable (whilst retaining the flexibility to charge commercial organisations at 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 net income to the Council
 - Deterring or incentivising certain behaviours

8 Which service users should receive a subsidy?

- 8.1 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 outcomes.

- 8.2 It is also recognised that offering concessions for certain key user groups is consistent with achieving the Council’s corporate outcomes as set out in a range of existing strategies.
- 8.3 For example, the Council’s equal opportunities policy commits the Council to “providing high quality, value for money services for all members of the community based on fairness and equality”. Concessions are clearly one of the ways in which the Council can fulfil this commitment.
- 8.4 Recognising this broader agenda, it is the policy of the council that when charges are reviewed the following approach to concessions should be considered:
- Any category of persons in receipt of means tested benefit is eligible
- 8.5 It is not appropriate to fix a level of concession as this removes all discretion. However a concession of up to 100% of the full charge may be appropriate in some cases.
- 8.6 It is recognised that in some circumstances concessions may not be appropriate and that it will be necessary to consider carefully the impact on net income before introducing concessions to service areas that do not currently offer them.
- 8.7 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. The evaluation should also consider how eligibility is demonstrated.

9 How this policy is implemented

- 9.1 When reviewing fees and charges, the proposed order for implementation is to look at those services generating the highest levels of net income, together with any areas where no charge is currently made, but other Councils or local providers do make a charge.
- 9.2 In circumstances where a charge is being introduced for the first time (or being substantially increased) it will be necessary to consider, where the impact is significant, undertaking a consultation exercise and for the public to be informed of the reasons for the Council’s decision.
- 9.3 Consideration should also be given to the phased implementation of a new or substantially increased charge.
- 9.4 All fees and charges should be supported by evidence in the form of a written record – such a record should include the fit with Council corporate outcomes, pricing structure and clear rationale for any concessions or subsidies awarded.
- 9.5 It will also be necessary for each Head of Service, as part of the preparation of annual service plans, to consider if services currently provided free should be subject to a charge or if good reason exists for maintaining a free service.

10 Reviewing fees and charges

- 10.1 The review of existing charges will be undertaken having regard to the guidelines set out within this policy. Charging policies and current levels of charge must be considered each year as part of service and financial planning process.
- 10.2 When charges are reviewed all the factors set out above should be taken into account and an analysis undertaken in order that Members may make informed choices on the level of charge to be set.
- 10.3 When reviewing existing charges, there is a general policy presumption that the levels of fees and charges may rise, each year, in line with the rate of inflation, as determined for budget planning purposes within the Council's service and financial planning process.
- 10.4 Changes in line with inflation would normally be approved within the budget setting process. Where changes in fees and charges are proposed other than in line with inflation (whether an increase or decrease), these changes would be subject to a report to Policy and Resources Committee setting out the reasons for the specific changes being proposed. These matters would generally be dealt with as part of the overall income review process.
- 10.5 Following the implementation of an appropriate charging policy, new information or a change in circumstances may make it appropriate for a charge or fee to be changed substantially in-year. In these situations any changes should be approved by Policy and Resources Committee and the revised charge reviewed within the next financial planning cycle.
- 10.6 Income derived from charging will be used to offset the costs of providing the service being charged for, including support service costs. Where a surplus over budget is generated from charges, this will be considered as a corporate resource to be used in accordance with the Council's overall priorities. Any consideration of the investment of such surpluses in development of services would be subject to a report to Policy and Resources Committee and each proposal will be considered on its own merits at that time and within the general service and financial planning framework.
- 10.7 Heads of Service shall also review methods of net income collection on a regular basis to ensure that the most effective and efficient processes are utilised.

11 New fees and charges

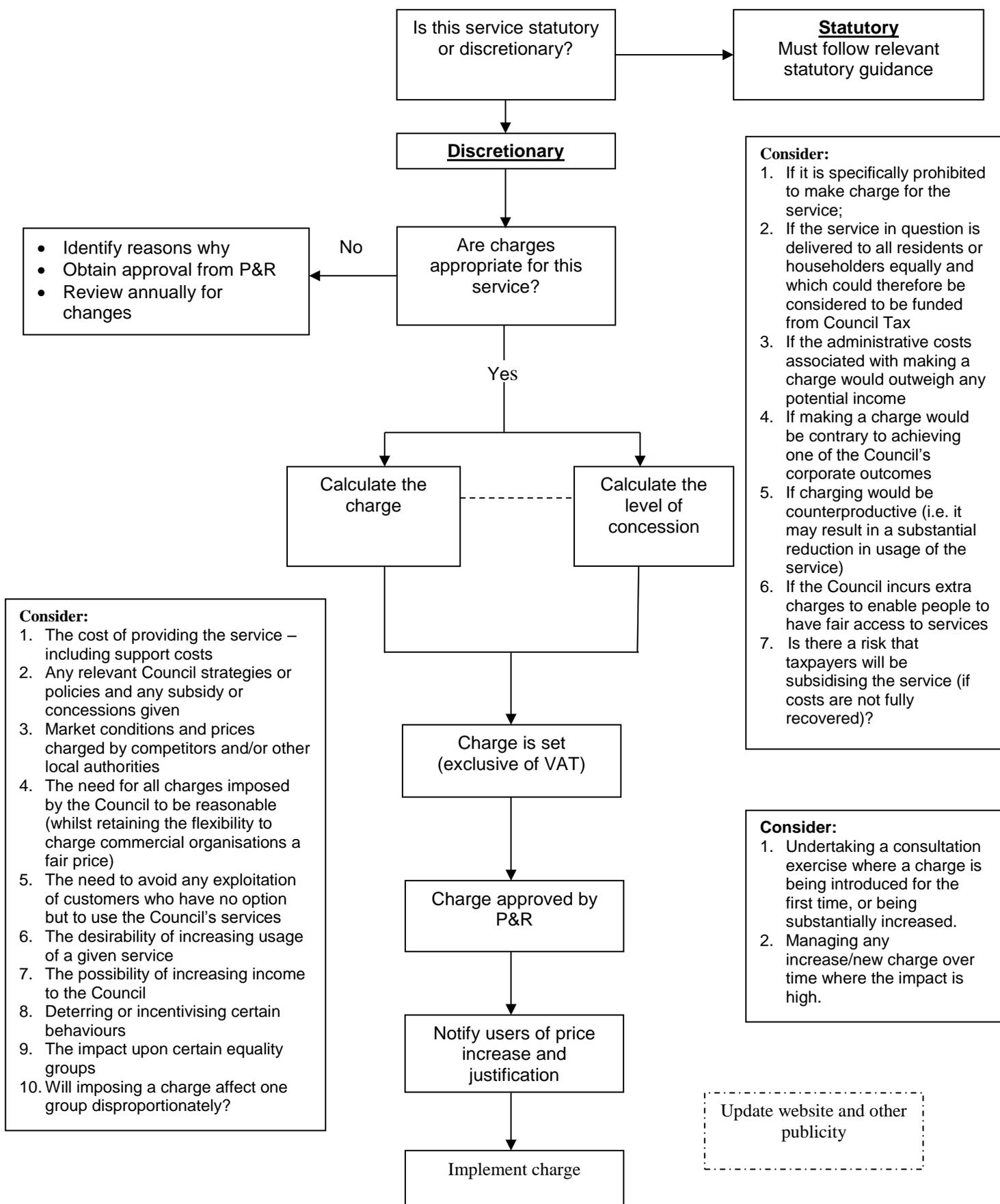
- 11.1 Proposals for new fees and charges must be considered within the service and financial planning process or, where necessary, submitted to Policy and Resources Committee for approval as an in-year change.

- 11.2 Reasonable notice should be given to service users before any new charge is implemented, together with clear advice on any discounts or concessions available.
- 11.3 The effects of any new charge on service usage and income generated will be monitored regularly over the first 12 months and reviewed within the framework of the next service and financial planning cycle.

12 Monitoring and review

- 12.1 This policy will be reviewed every 12 months to ensure that it remains appropriate and in line with best practice.

Setting and reviewing fees and charges



Consider:

1. If it is specifically prohibited to make charge for the service;
2. If the service in question is delivered to all residents or householders equally and which could therefore be considered to be funded from Council Tax
3. If the administrative costs associated with making a charge would outweigh any potential income
4. If making a charge would be contrary to achieving one of the Council's corporate outcomes
5. If charging would be counterproductive (i.e. it may result in a substantial reduction in usage of the service)
6. If the Council incurs extra charges to enable people to have fair access to services
7. Is there a risk that taxpayers will be subsidising the service (if costs are not fully recovered)?

Consider:

1. The cost of providing the service – including support costs
2. Any relevant Council strategies or policies and any subsidy or concessions given
3. Market conditions and prices charged by competitors and/or other local authorities
4. The need for all charges imposed by the Council to be reasonable (whilst retaining the flexibility to charge commercial organisations a fair price)
5. The need to avoid any exploitation of customers who have no option but to use the Council's services
6. The desirability of increasing usage of a given service
7. The possibility of increasing income to the Council
8. Deterring or incentivising certain behaviours
9. The impact upon certain equality groups
10. Will imposing a charge affect one group disproportionately?

Consider:

1. Undertaking a consultation exercise where a charge is being introduced for the first time, or being substantially increased.
2. Managing any increase/new charge over time where the impact is high.

Fees and Charges Checklist

1. Are charges appropriate for this service?

Have you considered	Y/N	Comments
If it is specifically prohibited to make a charge for a service		
If the service in question is delivered to all residents or householders equally and which could therefore be considered to be funded from Council Tax		
If the administrative costs associated with making a charge outweigh any potential net income		
If making a charge be contrary to achieving one of the Council's corporate outcomes		
If charging would be counterproductive (i.e. it may result in a substantial reduction in usage of the service)		
If the Council incurs extra charges to enable people to have fair access to services		
Is there a risk that taxpayers will be subsidising the service (if costs are not fully recovered)?		
If we can afford not to charge		

2. Complete costing template

3. Complete Equality Impact Assessment screening template

4. Amount of charge proposed needs to be a reflection of:

Have you considered....	Y/N	Comments
Any relevant Council strategies or policies and any subsidy or concessions given		
Market conditions and prices charged by competitors and/or other local authorities		
The need for all charges imposed by the Council to be reasonable (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 net income to the Council		
Deterring or incentivising certain behaviours		
Equality groups that could be affected disproportionately		

Example methodology for calculating charges for full cost of recovery

Appendix C

Step 1:

Calculation A – Full Cost of Service (based on original budget)

	£
Salary costs	X
Employee related costs	X
Premises related costs	X
Transport related costs	X
Supplies and service costs	X
Support service costs	X
Other costs	<u>X</u>
Total Cost of Service	<u>X</u>

Step 2:

Calculation B – Productive Days/Hours

	No. Days
Days in year	365
Less:	
Weekends	(104)
Bank holidays*	(8)
Statutory leave	(4)
Basic leave (average)*	(27)
Sick days (average)*	(6)
Non productive days*	<u>(11)</u>
Total Productive Days	<u>204</u>

*Number of days will require updating for any changes

Total Productive Days x 7.5 = Total Productive hours

Step 3:

Calculation C – Hourly Rate based on productive hours

$$\frac{\text{Full Cost of Service (A)}}{\text{Productive Hours (B)}} = \text{Hourly Rate}$$

OR

Calculation D – Unit Rate based on number of units

$$\frac{\text{Full Cost of Service (A)}}{\text{Number of Units (average p.a.)}} = \text{Unit rate}$$

Fee earning activity costing template

<u>Cost Detail</u>	<u>Budget</u>	<u>Costing</u>	<u>Relevant Costs</u>
1.	Salaries		
2.	Other Employee Related		
3.	Premises Related		
4.	Transport Related		
5.	Supplies & Services		
6.	Transfer Payments		
7.	Support Services		
8.	Capital Charges		
9.	Income		

Full Cost (£'s)

Full cost recovery charge:		£	
Market Charge:		£	
Target Charge:		£	
Reason for charge			
Impact:			
Final Charge:		£	