

APPENDIX 1 - CORPORATE CHARGING POLICY

1. INTRODUCTION

- 1.1 Tameside Metropolitan Borough Council (The Council) has three main sources of income to support the delivery of its services: Government Grants, local taxation (Council Tax and Non-domestic rates) and fees and charges levied for services provided.
- 1.2 The Local Government Act 2003 gave local authorities the general power to charge for discretionary services which are not covered by any other legislation with the following restrictions:
- the income from charges for a service should not exceed the cost of providing that service (over a “reasonable” but unspecified period, e.g. 3 years);
 - the recipient of the service must have agreed to its provision and agreed to pay for it; and
 - different people and/or organisations may, where it is fair to do so, be charged different amounts.
- 1.3 The decision on whether to make a charge (and the amount to charge) is not always within the control of the Council, as some charges are set by central government. But where it is, it is important that the implications of the charging decisions being taken are fully understood and are being applied consistently.
- 1.4 Discretionary fees and charges represent an important source of revenue, providing finance for activity that is designed to achieve the Council’s objectives. However, there may be potential conflicts between raising additional income by increasing charges, and promoting access and usage of local services, particularly by vulnerable groups on low income. The appropriate fee structure will therefore depend on the overall intention for that service area as far as Council policy is concerned.
- 1.5 By setting charges at appropriate levels, the Council is exercising its stewardship role of public funds properly.
- 1.6 Where income is foregone, without good reason, the burden of funding will unfairly transfer to the taxpayer.**
- 1.7 A consistent and informed approach to charging across the different services of the Council will enable this conflict to be reconciled and managed in the interests of achieving the Council’s objectives. All discretionary charges will be covered by this policy.
- 1.8 All service departments will need to understand this policy document and ensure their processes and procedures are suitable to deliver the required outcomes for both the Council, residents within the Borough and customers.
- 1.9 Compliance with this Charging Policy is mandatory for all services (except the Pension Fund which has its own arrangements), and compliance will be monitored by the officers responsible for the Council’s income and debt recovery (Financial Management and Exchequer).

2. POLICY OBJECTIVES

- 2.1 This policy sets out what the Council intends to achieve through the charges it makes and the criteria which it will use to determine the level of charge for individual services. The policy aims in particular to:
- Set out a broad framework within which to consider the setting and review of charges;
 - Ensure that the appropriateness of existing charges, both in terms of the extent of cost recovery and any wider contribution to Council objectives, is regularly reviewed;

- Identify opportunities to introduce new charges where cost-effective to do so and/or consistent with wider policy objectives;
- Strike a fair balance between addressing the financial needs of the Council through maximisation of income and the social needs of its customers;
- Promote consistency and fairness in the treatment of service users;
- Ensure officers are clear as to their responsibilities; and
- Ensure that charges reflect Council and service objectives, priorities and plans.

3. SCOPE OF POLICY

3.1 The Council relies on the generation and collection of income in order to deliver its services. The council raises income from statutory sources such as Council Tax and National Non Domestic Rates, but an increasingly significant contribution is made from the fees and charges that the Council makes for the delivery of its services. It is in the interest of all taxpayers and residents that the collection of income is undertaken in the most efficient way and that the amount of income uncollected is minimised.

3.2 This policy relates specifically to those areas where the Council has discretion in setting the level of fees and charges payable. It does not cover charges made under statute or determined by Government or other agencies, Council Tax, Business Rates, Housing Benefit overpayments or charges for Social Care (which are covered by the Council's Fairer Charging Policy for Social Care).

4. CORPORATE CHARGING POLICY – KEY PRINCIPLES

4.1 The corporate charging policy establishes the Council's key principles in relation to charging. These principles should be adhered to by all directorates, with any deviations from the charging principles set out requiring appropriate approval. Such principles are reflected in any local, service-based charging policies.

4.2 For some services, charges are mandatory, and the fee is set nationally, whilst for other services the Council is expressly prohibited from charging. Therefore, a basic assumption is that the Council will apply and collect statutory charges as appropriate and further consideration is therefore outside of the scope of this document.

4.3 This policy does not cover charging for Social Care – there are separate rules around this and the Council approach is covered in the Social Care Fairer Charging Policy.

4.4 The Corporate Charging Policy is designed to create a consistent approach to charging across Council services and each Director is responsible for ensuring the application of it:

4.5 When determining the level of charges to be levied for Council services, fees should be set so as to:

- (a) Contribute to the achievement of corporate and service objectives;
- (b) Maximise potential income, to achieve financial objectives;
- (c) Be capable of being justified, in comparison with other similar providers;
- (d) Take account of the ability of different users to pay, through the use of discounts and concessions;
- (e) Differentiate between differing levels of a service being provided e.g. faster turnaround;
- (f) Take account of the views of and minimise the impact upon users, where new or significantly higher charges are proposed, and where this is possible;
- (g) Maximise the ease of collection of charges and minimise the costs of collection;
- (h) Be regularly reviewed on at least an annual basis, using the latest available market information, and revised where appropriate.

4.6 The rationale for each of these charging principles is set out in **Annex A**.

- 4.7 The standard principles that will be applied to all fees & charges set by the Council will be as follows:
- Fees & charges will be set to recover full cost unless there is an explicit policy decision to subsidise the service;
 - Where appropriate, payment will be sought in advance of the supply of goods or services using the most appropriate payment channels;
 - Customers will be encouraged to self-serve in both ordering and payment for goods or services;
 - Discounts and/or subsidies may be permitted and the basis for these will be explicitly set out;
 - The recovery of debts will take into account both ability to pay and the cost of recovery;
 - Benchmarking will be undertaken to ensure that the proposed level of fees & charges can be justified against other, similar providers;
 - Fees & charges will be subject to an annual review in accordance with the budget setting timetable, unless new or revised services are introduced;
 - The setting of fees & charges may take into account the ability of customers to pay and any relevant socio-economic factors;
 - Fees & charges will be subject to a local equalities impact assessment.
- 4.8 Where the setting of fees and charges deviates from these principles, a policy statement will be prepared, setting out the basis and reason for any such variations.
- 4.9 This Policy applies to the setting of fees and charges for Council services. All such fees and charges are subject to formal approval as part of the budget setting process. The policy does not apply to the setting of statutory charges, rents, service charges, charges for social care within the scope of the Fairer Charging Policy or other local taxation.

5 SETTING OF FEES AND CHARGES

- 5.1 Charges should be set using clear and transparent evidence and knowledge to support the level of charge. It may be appropriate to take into account some or all of the following (further considerations are set out in **Annex B**):
- Encouraging specific activities and use of certain services;
 - Discouraging some undesired activities;
 - Ensuring regulatory compliance;
 - Whether the Council wishes to act as a supplier of last resort;
 - Contributing to long-term sustainability of some activities or services;
 - Local market factors;
 - Consideration of charges for similar services raised by other local authorities or private sector competitors;
 - Whether in some cases reduced charges should be available to some groups to promote inclusion;
 - Whether discounts (for example age related charges) or promotion (for example seasonal charges) will be offered;
 - Whether scope exists to increase take-up through more effective marketing and publicity and the form that this might take.
- 5.2 The Council's fees and charges fall into 5 main categories:
- Charges set by statute law which are fully outside the Council's control;
 - Charges set by statute law where the amount charged has to be within certain parameters;
 - Charges that are applied by partners managing Council owned buildings and other assets;
 - Services commissioned by the Council, where the Council may wish to exercise some control over these charges;
 - Charges that are fully within the Council's control in determining the amount that should be charged.

- 5.3 The first step is to decide whether the Council should provide the service. Many of the services the Council charges for are required by statute. However, others are discretionary and consideration should be given to whether providing the service is the best way of meeting the Council's objectives, especially if the Council will not recover its costs.
- 5.4 Additional services may be provided where the Council has the discretion to charge for them, although equally, the Council may choose to provide services at no charge to some or all potential service users. The risk to the Council of making a loss must be considered when deciding whether the service should be provided.
- 5.5 The setting of each charge should be documented showing the rationale behind the level of each charge ensuring that the Council's charges reflect the Council's priorities and policies. In determining the charges, officers must abide by the Council's principles of decision making and take into account any appropriate legislative requirements.
- 5.6 Although the practice of charging for some discretionary services is well established, the Local Government Act 2003 includes an additional general power for authorities to charge for discretionary services and further guidance on the principles to be applied was issued in 2003. These principles require that taking one year with another, income from charges should not exceed the costs of service provision and charges may be set differently, such that different customers may be charged different amounts.
- 5.7 In accordance with the Local Government Act 2003 charges may recover costs; however charges may be set below full costs where:
- This is part of an approach to service delivery agreed with Members, such as where the use of a service by individuals or groups benefits the whole community e.g. health benefits; community activities;
 - Full cost charges might have a detrimental effect on other Council services;
 - A nominal charge only is considered appropriate so as not to discourage access but at the same time to discourage frivolous demands for a service;
 - The application of economic charges would have a detrimental effect on a Council policy.

6 CHARGING FRAMEWORK

- 6.1 There are many elements to be considered when deciding whether to charge for a service and what the level of that charge should be. While decisions on the precise level and scope of charges are devolved to individual services, these need to be made within a corporate framework to maximise the contribution to overall Council objectives. At each stage, documented evidence must be retained to demonstrate the decision making process and rationale for charges. The following steps should be considered and documented (further guidance is included in **Annex C**):
- (a) Determine which services are / should be charged for;
 - (b) Identify the objective of charging;
 - (c) Consider the costs of service provision;
 - (d) Consider information on service users;
 - (e) Consider the Charging options available to deliver the objective;
 - (f) Assess the impact;
 - (g) Forecast demand and potential income;
 - (h) Set the charge;
 - (i) Monitor and review charges and their impact.

7 ADMINISTRATION OF CHARGES

- 7.1 The basic principles for administering fees and charges are:
- Charges should be simple to understand and administer;
 - Charges should be well promoted so that service users can clearly understand the charging structure and methods of payment before they become liable to pay;

- Where possible methods of payment should be flexible, convenient and take into account the needs of disadvantaged/vulnerable groups in the community; wherever possible online payment should be encouraged;
- Where possible and practicable payment should be made prior to the service being received or at the point of delivery;
- Documentation should be retained to substantiate that the customer accepted liability of the charge to support any debt recovery action required should payment not be received.

7.2 The Council has a legal and fiduciary duty to all residents, and to businesses and other organisations that are active in the Borough, to ensure the prompt and cost effective billing, collection and recovery of all sums due to the Council. Delays in collection or non-recovery of debts can lead to higher administrative costs, and reduced resources available for the provision of essential services.

8. REVIEW OF CHARGES

8.1 The responsibility for the periodic reviewing of fees and charges falls within the scope of this policy and rests with the Director under the Council's scheme of delegation to officers. However it is essential that officers have regard to the general principles on exercising delegated powers set out in the Council's Constitution as follows:

- When exercising delegated powers an officer shall always have regard to the requirements of the Constitution, the financial, legal and human resource implications of the decision and shall consult with staff in another service area if the decision is likely to impact on the work of that service area.
- Officers do not have to use their delegated powers: they can ask the body or person that delegated them to decide.

8.2 Officers must also have regard to what may constitute a Key Decision and act in accordance with the requirements set out in the Council's Constitution for taking Key Decisions. In the case of changes to fees and charges, a decision will be a Key Decision if its effect is to produce a net increase or decrease in income to the Council of £30,000 or more or would be significant in terms of its effects on communities living or working in an area comprising two or more wards in the Borough.

8.3 Where a proposal exists to introduce a new discretionary service under the terms of the Local Government Act 2003 or to establish a new 'trading activity', then this should be a matter for consideration by the Cabinet in the first instance. In addition, where a proposal exists to introduce charges for an existing discretionary service or to remove discounts which currently exist officers should consider on a case by case basis, in consultation with the relevant Cabinet Lead Member, whether it is appropriate that the decision to do so should be made by the Cabinet rather than by officers under delegated powers.

8.4 None of the above is intended to compromise or conflict with any other specific officer delegation in respect of fees and charges set out within the scheme of delegations to specific officers.

8.5 An annual review will usually take place as part of the annual budgeting process but should not preclude a process of continuous monitoring and review. Where there is a strong case for amendment of charges in-year the Director should consult with the appropriate Lead Member prior to making any required changes. The timing of the review should take into account known or predicted changes in government legislation or guidance.

8.6 It is considered good practice, where possible, that a minimum of one month's notice should be given to service users before any new or revised charges are implemented.

8.7 The Council's charges will be reviewed regularly to ensure that they are fit for purpose, continue to contribute to the furtherance of its objectives and, where set to recover costs, continue to do so. Reviews will consider the following factors, plus any others relevant to particular charges:

- The income which is being collected at current charging levels and whether this is in line

with budget forecasts;

- The cost of service provision compared to the charges being made;
- Whether a service being provided on the basis of charges being set to recover costs should continue to be provided in cases where costs appear likely to exceed the income which it can reasonably be expected to generate. This will especially apply where there is at least one alternative service provider, particularly from within the private sector;
- The use being made of the service, both in absolute terms and by reference to classes of users and whether this shows all classes are using the service to the extent intended or if any are being deterred from using the service;
- Are concessions being taken up by the people at whom they are targeted?
- What is the impact, intended or unintended, of charges on local people?
- In cases where charges are set to either encourage or deter activity, whether this is happening and the extent to which it is happening.
- Whether any related benefits from the charging policy being deployed are being realised and the extent of realisation.
- Comparisons with charges being made by neighbouring or similar councils or by other organisations providing similar services both as to the level of charges and the impact which charges have on changing behaviour

ANNEX A

CORPORATE CHARGING PRINCIPLES (Section 4)

There are 8 corporate charging principles which should be referred to when setting fees and charges. The following sections consider the interpretation of each of these principles in turn and provide a conclusion on management actions required to demonstrate each principle has been fully considered.

1) Contribute to the achievement of corporate and service objectives

- 1.1 Charges are clearly not an end in themselves, but should be used as a means to contribute towards the achievement of specific corporate and service objectives. Managers should therefore be able to identify whether or not a service can legally be charged for and, if so, clearly articulate how, through charging for the service and in the level and application of the charge, they are contributing towards these objectives.
- 1.2 There will be instances where charging is prohibited or restricted; however, even under such statutory frameworks, it is still good practice to make the link between the level of service provided e.g. basic, enhanced, and the policy objective being addressed.
- 1.3 A summary of the types of financial policy for charging that may be adopted and the policy objective that it is primarily intended to achieve has been summarised in the table below.

Charging Policy	Cost recovery methodology
Fair Charging	The Council seeks to maximise income, but subject to a defined policy constraint. This could include a commitment made to potential customers on an appropriate fee structure e.g. charges for car parking, hire of council premises. Alternatively, a full commercial rate may not be determinable or the Council may be a monopoly supplier of services.
Full Cost Recovery	The charges are set with the aim of recovering the full direct cost of the service, including a contribution to service and corporate overheads. Discounts may be available to particular groups of service users to ensure that disadvantaged or other groups have access to the service.
Subsidised	Users make a contribution to the costs of providing it but charges are not set to recover all costs in full. This might be to meet a service objective or allow competition with other providers. There may be a statutory element to the service and charges may relate only to the additional 'non-statutory' element of the service.
Nominal	The Council wishes the service to be fully available, but sets a charge to discourage frivolous usage e.g. fines for late returns of library items.
Free	The Council may choose to make the service available at no charge to the meet a service objective. The cost of the service will therefore be met by all local tax payers.
Statutory	Charges are determined in line with statutory requirements and directions.
Statutory Constraints	Charges are set within a national legal framework within which there is some, but not complete, discretion over the level of the charge.
Charges not permitted	Charges cannot be levied for statutory reasons e.g. core education services in schools.

Conclusion - Charging Principle 1

For each service area, the manager responsible for the service should summarise the legal basis, financial policy for charging, and relevant policy and service objective(s), to ensure that charges are in line with these objectives and that there is clarity over the purpose of the charge.

2) Maximise potential income, to achieve financial objectives, unless there is an explicit policy decision to subsidise the service

- 2.1 There will clearly be a need for charges to contribute towards the achievement of financial

objectives, particularly in the context of the current financial climate (assuming that these do not conflict with the overall policy framework). If the legal powers exist to charge, managers will need to justify the reasons for any instances where charges are not being made or full cost recovery is not being sought

- 2.2 Generating/maximising income not only has financial benefits, but can also allow the service to develop capacity, deliver efficiency and sustain continuous service improvement. The example financial policies for charging/constraints set out in the table above should assist in identifying what financial objective is intended to be achieved from the charge and, as can be seen, there will be a range of circumstances where it is not appropriate to maximise potential income.
- 2.3 However, the key issue for the Council in financial terms is to ensure that managers do not inadvertently provide a subsidised service where there is no explicit policy objective to do so. This could take place for a number of reasons, such as:
 - Not taking account of the full costs of service provision e.g. capital costs, overheads/recharges, costs of collection, as well as direct costs of provision
 - Simply rolling forward historic charges by inflation annually and not taking account of the increased costs of service provision e.g. where fuel costs increase significantly above inflation
 - Charging the same amount for different types of service user e.g. a commercial operator and a member of the public
 - Instances where the charge is set inappropriately low, resulting in over-use or abuse of the service
- 2.4 For charges to be set at an appropriate level, therefore, this will require managers to have a robust understanding of the full range of costs associated with the provision of the service.
- 2.5 In addition, when setting charges, managers will need to be aware of the relationship between the level of charge and the potential impact upon demand, in terms of optimum price sensitivity e.g. as a higher charge may not necessarily maximise total income, if usage decreases disproportionately.
- 2.6 The Council's agreed charges should be viewed as a maximum charge; but managers should have the flexibility to introduce "one off" discounted charges if they believe this will generate more overall income in the longer term. This approach, if it is to be adopted, should be set out and justified in the annual policy statement.
- 2.7 In certain service areas it may be appropriate and advantageous to identify a range of charges to maximise potential income, for example in relation to private and commercial hires. This should be set out and justified in the annual policy statement.

Conclusion - Charging Principle 2

The default position is that a charge should be made where legally permitted, any charge should take account of the full direct and indirect costs of service provision and is set at a level so as to maximise income, taking account of price against demand. This will also include setting charges at maximum levels/cost recovery where statutory constraints apply. Where there is an explicit policy objective to subsidise the service, and therefore to deviate from this principle, this reason should be clearly set out, together with the financial consequences of the subsidy, where identifiable.

3) Be capable of being justified, in comparison with other similar providers

- 3.1 Clearly, where Councils have discretion over the level of their charges, they are free to exercise local political and service choice, taking into account factors such as the type and quantity of chargeable services that they provide and therefore the level of charges and associated subsidy.
- 3.2 Charges often vary considerably, even between similar authorities, and there may be reasons

why charges may vary in this manner e.g. the use of alternative models of service provision. However, there are equally areas for which authorities are unable to explain why their service charges (or even expenditure as a whole) differ so widely from other, similar providers and where they may not even be aware of such differences in the first instance.

- 3.3 There is therefore a need to compare charges, both with other authorities and with private sector providers, where there is an external market, and understand reasons for any differences. Such differences are not necessarily a cause for concern e.g. higher charges may have been levied as a result of a deliberate policy to provide a higher level of service, to seek to discourage excessive use etc., but should be capable of being validated.

Conclusion - Charging Principle 3

Where it is available, benchmarking information should be used by managers to compare their charges against other, similar authorities and private sector providers when setting charges annually. Where charges differ significantly from other such comparators, managers should be aware of and be able to explain the main reasons for such differences.

4) Take account of the ability of different users to pay, through the use of discounts and concessions

- 4.1 As identified previously, there will be a number of instances where it is appropriate for charges to be subsidised for different types of users. These could include, for example:
- To achieve a specific policy objective e.g. encouraging healthy living through subsidised use of leisure facilities
 - Structuring charges differently e.g. a lower rate per hour for car parking at off-peak times, to ration service use at peak times when demand exceeds supply
 - Where users have limited financial means e.g. as measured by receipt of certain types of benefit and/or reduced rates for children and older people
 - To encourage the use of a service by specific groups where take-up is underrepresented e.g. ethnic minorities, disabled people
 - Applying concessions for certain types of users e.g. free parking for local residents,
 - Discounts linked to loyalty/take-up of the service e.g. for frequent users
- 4.2 The Council may have a corporate policy on service user groups which receive subsidised access to all (or many) services e.g. children's and older people's discounts. For certain services, such as social care, eligibility criteria for services will also be clearly established. In other cases, there may be a specific area where take-up is particularly low amongst certain groups and a service therefore wishes to increase use, e.g. hire of leisure centre halls by clubs encouraging participation from minority groups.
- 4.3 Key factors that the Council will need to take into account when considering the use of eligibility criteria/discounts/concessions include:
- The link between the discount/concession and the policy/service objective that the charge is intended to contribute towards
 - The link between the discount/concession and the Council's diversity/equalities policies
 - Whether a generic concession should be applied for all services e.g. those in receipt of means-tested benefits, or whether the concession should be targeted towards a specific user group, depending upon individual service issues
 - How the discount/concession will be funded e.g. from other users of the same service, from Council Taxpayers more widely, and the financial implications of the subsidy
 - The need to review the degree to which eligibility criteria/discounts/concessions remain appropriate over time e.g. as take-up increases by a previously under-represented group
 - Minimising the burden upon those applying for discounts/concessions e.g. ensuring that they do not have to provide duplicate information to more than one Council directorate
 - The link between take-up of benefits and maximising overall Council resources e.g. where benefit take-up contributes towards funding received from central government
 - Whether the concession or discount is funded through cross subsidy by other service users through higher charges or whether it is funded corporately.

Conclusion - Charging Principle 4

Managers should:

- *Identify the nature of discounts/concessions that are in place for services where charges are made*
- *Identify the types of users intended to benefit in terms of the link between discounts/concessions and policy/service objectives*
- *Identify the level of subsidy provided/cost of the discount*
- *Review discounts/concessions to ensure that they remain appropriate.*

5) Differentiate between differing levels of a service being provided e.g. faster turnaround

- 5.1 Where the Council has discretion over the level of charge and also the level of service provided, it is important that the charge reflects the degree of usage of service resources and value added.
- 5.2 For example, charges for providing birth certificates where these are needed for a passport application may differ between the basic fee and the fee for a quicker return. Whilst the same level of staffing resources may be required for both, the service user is receiving higher added value under the latter option and therefore pays a premium for the service.

Conclusion - Charging Principle 5

Charges set should be differentiated so as to fairly reflect the differing demand placed upon service resources and the value provided to the service user.

6) Take account of the views of and minimise the impact upon users, where new or significantly higher charges are proposed, and where this is possible

- 6.1 Where the Council is operating in a competitive environment, users have the freedom to use alternative providers if similar services are provided at lower cost. Consultation is most important, however, where the Council is in a monopoly position and needs to provide equity to service users.
- 6.2 Where charges are being regularly reviewed, there will be instances where the review identifies that higher service charges are required e.g. to take account of higher service costs. This may be even more of an issue where service charges have not been reviewed for some time, and have not therefore kept pace with increasing costs.
- 6.3 It is important that the impact upon service users of any proposed changes to charges is identified, both from an individual perspective e.g. affecting their ability to pay/use the service, and also from a Council-wide perspective e.g. affecting the extent to which policy objectives will now be achieved and the potential demand for, and therefore the level of income received for, the service.
- 6.4 This will be assisted by an understanding of the impact of previous changes in charges on levels of service use for different groups of service users; although, as such information may not be readily available, it will be important that this is collected in future, whenever such changes are made. In addition, consultations on services (and on Council finances more generally) should take account of user views on levels of charges and the perceived value for money received.

Conclusion - Charging Principle 6

Any significant proposed changes to charges should be consulted upon with key service users and groups. Managers should seek to ensure that they are aware of the potential impact upon differing service users of changes to charges, considering whether any such changes to pricing policies could potentially be phased in over time, if possible, where the impact is high.

7) Maximise the ease of collection of charges and minimise the costs of collection

- 7.1 The efficient collection of charges clearly has significant benefits in terms of minimising potential arrears levels i.e. the easier that it is made for charges to be paid, the more likely that payment will be made in practice.

- 7.2 In terms of administering charges, there are a number of areas which should be explicitly considered:
- Service charges and the way in which they will be paid /collected should be transparent to users
 - The costs of collection should be taken into account against the actual level of income being collected
 - A range of alternative payment methods e.g. format, frequency, venues, should be offered to users, with potential incentives being considered for the most efficient payment methods e.g. electronic payment
 - Procedures for the collection of arrears and write-off of debts should be clearly set out and consistently followed for all service users
 - Where arrears have built up, this information should be reported to managers responsible for providing the service, in order that they are aware of service users experiencing difficulties in paying for the service or who are refusing to pay for the service

Conclusion - Charging Principle 7

Charges should be administered so as to maximise the ease of collection of charges and minimise the costs of collection, considering both the Council and service user perspective, in order to optimise the likelihood of payment.

8) Be reviewed on at least an annual basis, using the latest available market information, and revised where appropriate

- 8.1 As identified previously, service charges should be contributing to the achievement of defined policy, service and financial objectives and it is therefore vital that charges (and eligibility criteria/discounts/concessions) are reviewed on at least an annual basis to ensure that this continues to be the case.
- 8.2 The Council approves a schedule of fees & charges annually as part of its budget-setting process. As part of this process, managers should take into account any intelligence gathered on costs, demand and market intelligence. Reviews may take place outside this timetable, although these would generally be on an exceptional basis, unless new services are being introduced.
- 8.3 It is important that areas not currently charged for (but which could potentially be) are also considered. In terms of scope, all external charges should be considered, and it may also be appropriate to include charges made through external SLAs e.g. to schools.
- 8.4 For such review to be effective, managers will need to take into account relevant market information e.g. changes in legislation, patterns of service use, benchmarking data, price sensitivity, opportunities to introduce or extend charges etc.
- 8.5 This need not necessarily be a highly detailed exercise, but managers should at least be certain that charges are achieving their intended objective(s) and have been set appropriately. If this is not the case, clearly managers will need to amend charges accordingly e.g. increasing charges if the costs of provision have increased or amending discount/concession schemes if they are no longer relevant.

Conclusion - Charging Principle 8

Managers must review all charges for which they are responsible on at least an annual basis as part of the budget process and confirm that charges have been reviewed on a systematic basis. Heads of Service should ensure that their service area has completed an annual policy statement on charging, to be signed off by the relevant Lead Cabinet Member, prior to the completion of the Council's annual budget setting process.

ANNEX B

MATTERS TO BE CONSIDERED WHEN SETTING CHARGES (Section 5)

The cost of providing the service:

- All direct costs are to be included.
- All overheads related to the provision of the service, which may be attributed to the cost of the service, are to be included.
- Best estimates may be made of costs where it is not practical to obtain precise data or identify precisely those overheads attributable to the service.
- Unit costs are to be calculated by reference to realistic user numbers based on actual experience, either in relation to this Council or, if appropriate comparable services elsewhere.

How much income is it desired to generate and why?

- Is the service providing a subsidy or aiming for break-even?
- Does income from the service make a significant contribution to reducing the net amount of the Council's revenue budget?
- Have any targets been set for the income or class of income of which it is a component?
- Is income needed to fund future investment?

Comparison of charges made by neighbouring or similar councils or other providers of similar services

- In making this comparison it will be necessary to establish whether the services being provided by these other bodies are comparable to those provided by the Council and to make adjustments where this is not so.
- Is there a logical reason for significant differences between this Council's charges and those of others?
- Will customers be lost to other service providers if charges are set too high? Will that result in a greater loss of income overall?

Whose use of services is it desired to subsidise and by how much?

- Can all potential users afford to pay the full cost of the service or the same charges as other users?
- Is it desirable to subsidise all users of the service, for example because there is likely to be a desirable outcome for the community as a result
- Are there particular classes of users that should be subsidised, such as the unemployed, benefits recipients, the elderly, disabled persons or children?
- Should subsidies be given by reducing the charges payable or by offering concessions to offset the charge?

Whose behaviour is it desired to influence and in what ways?

- Is it desirable to influence users to use particular facilities, for example where they are under-used, by charging less for their use than for other similar ones?
- Is it desirable to persuade users to behave in a way which is more acceptable to the community in preference to any other or others less acceptable and can this be promoted by setting charges at a level which might achieve this?
- Is it desired to promote a particular pattern of use, for example short stay parking as opposed to another, such as long stay parking or to discourage peak time use of facilities?
- Should some behaviour or activities be discouraged by setting high charges or penalties?
- Can anti-social behaviour be reduced by charging for services which discourage people from behaving irresponsibly at a level which they will find attractive, for example charges for the collection of bulky waste to discourage fly-tipping?
- Are there desirable outcomes which the Council wishes to see realised, in line with its corporate objectives, which could be assisted through the charging regime, for example maintaining the economic vitality of the town centres through the provision of reasonably priced facilities such as car parking?

How will charges help to improve value for money, equity and access to services?

- What are users' perceptions with regard to what constitutes a fair and reasonable charge?

- Are there any issues relating to social inclusion or equalities?

Will the cost (including staff time) of collecting the income due outweigh the amount of income likely to be collected?

- Is it worth making a charge?
- Should a charge be made anyway as a matter of principle?

Any other relevant factors

It will be a matter for the Council to determine what the charge will be, based on its consideration of the above factors.

ANNEX C

FRAMEWORK FOR SETTING CHARGES (Section 6)

Determine which services are / should be charged for

- The requirement to charge for a service, and what level that charge should be set at, is in some cases set in statute. Similarly, there are some services which cannot by law be charged for. When reviewing charges for a service, any legislation relating to the service must be considered, as it may rule out the need for any further work in setting or revising charges.
- Aside from those charges influenced by legislation or delivered to the majority of Council citizens, charges could, in theory, be set for all discretionary services provided by a local authority.

Identify the objective of charging

- Of the discretionary services, there may be existing charges set for the service(s) in question. If there are not, that does not mean that introducing a charge should be disregarded. Priorities for a service may have changed since charges for it were last considered and identifying what the current and future priorities are, and how charging can be used to contribute to the delivery of these wider service priorities, is paramount when setting charges.
- The objective of a charge may be more straightforward than this. A service which is being run at a loss could introduce or increase a charge to ensure that all costs are recovered. This can then mean resources are freed up to expand a service or can be reinvested elsewhere to improve service delivery. This could also be the case where the Council wishes to reduce the level of subsidy awarded to a service.
- Another potential charging objective could be to rationalise the use of a service, if there are more effective alternatives. The introduction of a nominal fee could be used to manage demand on the service. In addition, the introduction of a charge would mean that costs of delivering the service to those customers who still requested it would be partly met.
- It is essential that the reason for introducing the charge is clear. This will help when determining the level of the charge, and in advising service users of the rationale behind charging decisions.

Consider the costs of service provision

- Depending on the objective of charging, the costs for delivering a service will have to be considered. While it would be best practice for services to know the accurate recharge rate / unit cost for all the services they delivered, this is sometimes not the case. Where cost information cannot be clearly established, services wishing to recover costs will have to take into account the total cost of all inputs and break this back into a unit charge.
- The cost of collecting income for a service should also be identified, including, for example, an invoice having to be raised and sent to the customer. If it later transpires that demand for the service is below a certain point, it may not be cost-effective to levy a fee if the income generated is lower than the associated administrative cost. While the Council does not currently have a specific policy on a minimum invoice value, payment in advance, or at the point of delivery, should be used wherever practicable.

Consider information on service users

- The following questions need to be considered when determining charges for a service however each charge may have discrete issues which will also require consideration. Generic questions include:
 - Who are the service users?
 - How often is the service used?
 - When (days and times of day) is the service used? When is there excess demand for the service? When is there excess supply of the service?
 - How have increases to an existing charge, the introduction of charging for a similar service, or the introduction of a charge by other councils or organisations for the same service affected customer demand for a service in the past?
 - How much do residents / businesses value the service and how much would they be willing to pay for it?
 - Are there other providers of the same or similar services which users could switch to?

- Where demand for services provided on a discretionary basis is very low, the provision of that service should be reviewed to establish if it is meeting the objective(s) for which it was introduced. Should a review find that an adjustment to, or cessation of, a service be recommended, the appropriate Member approval would be required.

Consider Charging options

- There may be several charging options available to deliver the same objective. The fees for the use of a service at busy times could be increased to discourage use at those times. Concessionary discounts could be applied to encourage particular groups of customers to use a service to achieve social objectives or provide equity of access.
- There are three broad pricing structures which can be applied either individually or in some combination when setting charges. These are: cost-based pricing, competition-based pricing and demand-based pricing. It is acknowledged, however, that there may be social pricing implications where community benefit may offset some of the actual costs – this is particularly relevant to high-cost services with people-centred outcomes.
- The basics of cost-based pricing were outlined in 2.3. Given the difficulties associated with identifying the unit cost of some services, charging in terms of units of input, rather than units of measured output, could be considered. Where an accurate unit cost is available, however, charges could be set according to output.
- Competition-based pricing involves benchmarking other providers' prices as a guide for setting the service's charge. It may not necessarily mean setting charges at an identical level to other organisations providing the same service, but rather that charges are set at a level which takes account of market conditions, comparisons with private providers of the same service or with an appropriate range of local authorities. The objective of the charge will again have some bearing on the level of charges being considered, as will the quality of the service being offered in comparison to that of other providers. The Best Value option will consider all of these elements.
- Setting charging levels based on demand for a service is largely concerned with the extent to which customers value a service and what they perceive to be value for money with regard to that service. Where a service is over-subscribed at certain times of the day or the week, while at other times there is excess supply (i.e. less demand than capacity available), and particularly where price is the central concern to potential or existing service users, introducing an off-peak discount, such as mid-week or day-time, should increase the demand for the service at that time and potentially divert some of the demand from the busier times.
- Once all potential options for charging have been identified, they should be appraised against a set of criteria which reflect the objective of the charging to determine which would achieve the desired outcome, bearing in mind the potential impact of charging on groups of customers.

Assess the impact

- The Equality Act 2010 sets out a general public sector equality duty which requires public authorities to pay due regard to the need to eliminate discrimination; advance equality; and foster good relations across a range of protected characteristics. These requirements apply across the 'protected characteristics' of age; disability; gender reassignment; pregnancy and maternity; race; religion and belief; sex and sexual orientation. To ensure that the proposed charges will not have a detrimental effect on any particular individuals or groups, the service should carry out an Integrated Impact Assessment.
- If the assessment identifies that any adverse impact amounts to unlawful discrimination, the relevant provisions must be removed. The Council may consider taking action to address any other issues identified, wherever possible mitigating any negative impacts, and promoting and/or maximising positive benefits. It is important that this consideration is recorded as evidence that due regard has been paid to the general duty. In relation to disabled people this should include considering steps to take account of disability and it will not be unlawful if this results in more favourable treatment of disabled people. It is also important to recognise the cumulative impact of changes affecting particular user groups in any such assessment.
- The sustainability impact of any charging decisions must also be considered. Any potential social, environmental or economic impact that the introduction of a charge, or change to an existing charge, may have must be identified and any subsequent decisions must ensure that

any negative or unfair impact is mitigated or removed. In instances where a negative impact is the objective of charging, e.g. a charging objective designed to reduce demand, this must be identified and managed through mitigating action where possible.

Forecast demand and potential income

- Depending on the objective of the proposed charge, the demand for the service and subsequent income received must be estimated to ensure charges will have the desired effect.
- Through having accurate and up-to-date user information, future demand and income can be more effectively forecast. For services which customers value highly, their sensitivity to price changes may be lower, and increases in charges will not necessarily lead to a huge drop in demand. Conversely, for services which are not valued so highly by customers, an increase in the cost of those services may result in a shift in demand away from the Council, towards alternative and cheaper providers.

Set the charge

- Informed by the results of the previous stages, the Council will be in a position to introduce a charge, increase/decrease an existing charge or introduce a concessionary scheme – whichever option is determined to be the most effective in meeting its objectives without detrimentally affecting any particular group of customers.

Monitor and review charges and their impact

- The extent to which charges are serving their purpose should be monitored on at least an annual basis. The income received from charges should be monitored as part of the service's own budget arrangements.
- Charges should also be reviewed at least annually as part of the budget-setting process. However, there may be other reasons why they should be reviewed more frequently or at other times of year, such as the service being subject to a Best Value review, or the charges not having the desired effect.