



October 2015

## Charging Strategy

### 1. Introduction

- 1.1 This charging strategy outlines the key considerations of the council to ensure that fees and charges for services are set in a transparent and consistent manner.
- 1.2 In the current economic climate, grants from central government do not offer any prospect of real-term growth. Council tax settlements remain at risk of a referendum if increases are more than a prescribed Government limit.
- 1.3 Fees and charges offer an opportunity for the authority to maximise its financial position in the current economic climate, and to achieve policy objectives, for example by influencing the use of a service or to alter patterns of behaviour.
- 1.4 Any decision on charging levels should be based on an understanding of the market in which the service operates, benchmarking of costs against other public sector bodies and, where appropriate, the private sector, as well as consideration of the likely impact that any changes in charging levels may have on the use of a service. In the majority of cases, this information will be held by staff within the service.

### 2. Statutory background

- 2.1 The ability of the council to charge for services it provides falls into three categories:
  - **Statutory prohibition on charging** - Local authorities must provide such services free of charge at the point of service. Generally these are services which the authority has a duty to provide.
  - **Statutory charges** - Charges are set nationally and local authorities have little or no opportunity to control such charges. These charges can still contribute to the financial position of the authority. Income can be assumed to increase in line with other fees and charges (usually inflation).
  - **Discretionary services** - Local authorities can make their own decisions on setting such charges. Generally these are services that an authority can provide but is not obliged to provide and this charging strategy will apply to discretionary services.
- 2.2 The Local Government Act 2003 introduced the power for local authorities to charge for discretionary services.

### 3. Charging policy

- 3.1 The charging policy of the council is based on three fundamental principles:
- **Services should raise income wherever there is a power or duty to do so.** This maximises opportunities for income generation in the current economic climate.
  - **As a minimum**, the income raised should cover the full costs of providing the service. This enables the council to respond to any increases in the cost of the delivery of services and, in effect, minimises the subsidy provided by council tax payers.
  - **Any departures from this policy must be justified in a transparent manner.** Any deviation from the policy should be explicitly outlined and agreed by the relevant Director, presented to Management Team for consideration and notified to the appropriate Lead Member.
- 3.2 All fees and charges should be reviewed annually as part of the budget setting process, and in accordance with Finance Procedural Rules in the Constitution<sup>1</sup>.
- 3.3 A fees and charges report, produced in conjunction with the Civic Budget, will allow Members to scrutinise fees and charges on an annual basis.
- 3.4 Fees and charges income will be monitored by budget holders and reported to Management Team to enable early identification of where financially-significant income streams are not performing as expected. Variances in expected fees and charges levels will also be reported to Members through the periodic budget monitoring reports.

### 4. Roles and Responsibilities

- 4.1 Market knowledge on setting charges will be retained with front line staff in the majority of cases. Service Managers are responsible for rigorously reviewing fees and charges on an annual basis as part of their budget setting process.
- 4.2 Service Managers will liaise with Lead Members to consider any revisions to charges, ensuring that the Assistant Director (Finance), who has overall responsibility for ensuring that budget setting and budget monitoring reports reflect fee income accurately, is notified on any intended changes.
- 4.3 The setting of fees and charges contributes to maintaining the ongoing financial position of the council; as such, the Finance Team will maintain overall responsibility for the framework of reviewing fees and charges, namely:
- The Charging Strategy
  - Annual fees and charges report (published with the Civic Budget each year).

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<sup>1</sup> Annex 2: Procedural Rules, Annex 2.6: Finance Procedural Rules, Section 12: Fees and Charges

- A fees and charges schedule (published with the Civic budget each year).
  - A standard approach on concessions, including consideration of the financial impact. Concessions for services should follow a logical pattern so as not to preclude, where appropriate, access to Council services on the grounds of ability to pay
- 4.4 Members will scrutinise charges in line with the charging strategy, either to ensure that income streams are maximised or to support policy objectives.
- 4.5 The Finance Team will provide periodic reports on fees and charges income to Management Team. Management Team will review this information to ensure that income streams are accurately reflected in the Medium Term Financial Plan, and that appropriate and early management action is taken where fees and charges income is not at the predicted level.

## **5. Key Questions for Service Managers in setting the level of fees and charges**

- What strategic objectives are we supporting with the charges?
- Are there statutory or legislative restrictions that apply to the fees or charges levied?
- How much income are we trying to generate and why?
- Whose use of services do we want to subsidise (if any), and by how much?
- Whose behaviour are we hoping to influence, and in what ways?
- How will charges help improve value for money, equity and access to services?
- How do our charges compare with similar local authorities / neighbouring authorities / other service providers?
- How are our charges structured?
- To what extent are the charging objectives being met - for example:
  - Are income targets as laid out in the MTFP being achieved?
  - What is the impact, intended or unintended, of charges on local people?
  - Are concessions being taken up by the people at whom they are targeted?
- Have service users been consulted at any stage of the process about:
  - The level of charge being levied for the service provided?
  - Opinion of value for money received?