

Oadby and Wigston Borough Council Corporate Charging Policy

DRAFT

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Oadby & Wigston
BOROUGH COUNCIL

1. Introduction and Purpose

- 1.1 The Council provides a wide range of services to local residents, businesses and visitors for which it is able to make a charge either under statutory powers set by the Government or discretionary powers where charges are set by the Council.
- 1.2 Currently, the Council generates over £1.5m (2020/21) in local income in return for providing a wide range of services to local residents, businesses and visitors. Local income generation, when done in the right way, presents an opportunity for the Council to maximise its financial position and, in the case of the General Fund, an opportunity to reduce its reliance on government grant. In addition, charging for services can also present opportunities to achieve the Council's corporate priorities, for example by encouraging or discouraging the use of a service or to alter the behaviour patterns of residents or businesses.
- 1.3 This policy co-exists alongside the Council's new Medium Term Financial Strategy (September 2022) which identifies financial sustainability challenges on the General Fund as a result of increasing cost pressures, reduction in Revenue Support Grant, and, in 2022 a largely unanticipated significant impact as a result of inflation and the UK economic conditions. The introduction, implementation and ongoing monitoring and review of charges is an integral element of the medium term financial planning of the Council.
- 1.4 This policy outlines the key principles to be considered in charging for services in a transparent and consistent manner. It is not intended to be over-prescriptive, but instead provide a framework for how the Council approaches the question of charging for its services. The application of this Policy should bring greater clarity to the process for setting charges and will therefore assist the Council in achieving its Corporate Objectives. It is also intended to help guide the process of reviewing charges for existing services and setting charges for any new services that may be introduced in the future.

2. Local Authority powers to trade commercially – the statutory background

- 2.1 The Local Government Act 2000 gave local authorities a wide power to act for the economic, social and environmental well-being of their areas. The general power to charge for discretionary services was included in the Local Government Act 2003. The Council is permitted under the general power of competence to charge individuals for discretionary services. No additional legal structure is needed for this but, the Council is only permitted to recover its costs of delivering the relevant service – it cannot make profits.
- 2.2 If the Council intends to carry out commercial activities with individuals and private organisations then section 4 of the Localism Act 2011 and section 95 of the Local Government Act 2003 require those commercial activities to be carried out through a company. Such activities must relate to the Council's discretionary functions only. A business case must be prepared and approved by the Council before the activities are carried out. The cost of support provided to the company by the Council must be recovered from the company.
- 2.3 The Council may trade with public bodies listed under the Local Authorities (Goods and Services) Act 1970 and its subsequent statutory instruments. It may also make its staff available to work for certain type of public body under section 113 Local Government Act 1972. The Council may make

a profit on its activities under these Acts. No additional legal structures are required to trade under these powers although these activities do need to be identifiable in the Council's accounts.

2.4 The decision on whether to make a charge (and its level) is not always within the control of the Council and so it is critical that officers considering implementing or revising charges are aware of the statutory context in which they are delivering services

2.5 Services that we charge for are split into two areas:

a) **Chargeable Statutory Services** - These are statutory services that we must provide but are able to charge for – either the methodology in determining charges or the charges themselves are prescribed. These charges can still contribute to the financial position of the council.

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

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

3. How we will determine charges


3.1 Charges will not be limited to a level that covers the costs of providing that service, but rather levels will be set based on market conditions with reference to the Council's policy objectives, the statutory constraints surrounding the ability for all Local Authorities to make profits and the alternative models for delivery available (as outlined in section 2 above).

3.2 The implications of charging decisions taken must be fully understood. Members (or officers who have charge setting powers delegated) must have the appropriate information they need to make informed choices.

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

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

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

- 3.6 Charges should be set at levels that, as far as possible, do not preclude members of the public from using or benefiting from a service. Consideration should be given to the ability of individuals, including those of limited means, to meet the charges and benefit from the service available.
- 3.7 Adoption of these principles will be undertaken on both new and current charges. Where there is a disparity between the current charging position and the desired charging strategy (see Table 1), steps should be taken as part of the annual review of charges.
- 3.8 Effective charging decisions require a solid market knowledge, benchmarking of costs against other public sector bodies and sometimes the private sector, and also an understanding of the impact such charges have on the use and in some circumstances, the delivery of a service.
- 3.9 There are situations where the Council may decide not to raise income when it is empowered to do so or not to recover the full cost of providing a particular service. Members or Officers must be supplied with the information to allow them to make these decisions in a structured manner in line with the charging strategies contained within this policy. A decision to forego income or to subsidise a service is a policy decision having regard to resources and is significant as any decision made in the budget setting process.
- 3.10 Discretion around the recovery of organisational overheads will be allowed to ensure that charges are not disproportionate with the actual level of corporate or directorate support likely to be consumed in delivering a chargeable service.
- 3.11 It is recognised that it will not be appropriate to recover the full costs in all circumstances and the actual amount of charge proposed could mean that a subsidised charging strategy is adopted as a result of:
- Any relevant Council strategies or policies and any subsidy or concessions given;
 - Market conditions and prices charged by competitors and/or other local authorities;
 - The need to avoid any potential distortion of the market which might otherwise occur from pricing services below the levels charged by private sector concerns for similar services;
 - The desirability of increasing usage of a given service; and/or
 - The possibility of increasing savings for the Council
 - The need to be competitive and not recover organisational overheads.
- 3.12 Consideration should be given in all cases as to whether VAT is applicable and appropriate advice from the Council's insurer's with regards to additional insurances required should be obtained. Advice on both of these matters can be provided by the Finance Team.
- 3.13 Income that is derived from charging for services must be used to offset the cost of providing the service. Any surplus must be paid to the General Fund/Housing Revenue Account, as applicable, but must be considered in reviewing charges.
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3.14 Under the Full Cost Recovery methodology, where a surplus has been generated, the estimated cost of providing the services for the next year must be assessed to ensure that a surplus is not generated over the five year period of the Medium Term Financial Plan.

3.15 In summary, there are four fundamental principles to the Council’s Corporate Charging Policy:

1. **Council fees and charges are consistent** - Services should raise income wherever there is a power or duty to do so and are best placed to determine the charge level based on the impact to customers and the fulfilment of corporate priorities;
2. **There is a defined Charging Strategy** – For any area that charges for services, the strategy for determining the level of fees or charges should be set out. For the Council to maximise its income position, charges should be set in order to generate a surplus for reinvestment in Council services, assuming it is possible to balance this position with the impact to customers and it is lawful to do so within the appropriate trading structure. If this is not possible or when it is not appropriate for profits to be generated it is proposed that charges are set to sustain a full cost recovery position. Subsidising of charges should be considered where the customer impact means it is necessary or where service take-up meets a council objective and is in line with the council’s public sector ethos. Any departures from the policy (once approved by Members) must be justified in a transparent manner with reference to the relevant charging strategy and how the charge promotes financial sustainability, manages the impact on customers and/or meets the Council’s priorities;

Charging Strategy	Objective	
Statutory	Charges are determine in line with legal requirements	
Free	The council chooses to make the service available at no charge to meet a service objective	
Subsidised	Social-Community Value	The council wishes users of the service to make a contribution to the costs of providing the service in order to meet a service objective.
	Subsidised in general	The council wishes all users of the service to make a contribution to the costs of providing the service, in order to meet a service objective, but recognises that the service users will not be able to contribute in full.
	Business Development	The council wishes users of the service to make a contribution to the costs of providing the service in order to: <ul style="list-style-type: none"> - allow competition with other providers/secure market share whilst the service is established; or - as part of a wider business strategy that sustains a better financial position with a product/service sold at a loss.
Full Cost Recovery	The council aims to recover the costs of providing the service from those who use it	
Profit Generating	The council aims to recover the cost of providing the discretionary service and make a surplus where it is able to do so	

3. **The Impact to Customers is considered** - The impact to customers in determining charges must be fully considered and an Equality Impact Assessment (EIA) (or other impact assessment for corporate or public sector bodies as necessary) must be completed; and
4. **Charges are reviewed on a cyclical basis** - Charges should be reviewed annually with members to ensure effective scrutiny and accountability of charging strategies and decisions.

4. Annual review of existing charges

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

5. Varying charges in year

- 5.1 Where there is a strong case for any of the following, service areas should discuss with their Head of Service and finance. If variations are in line the approved charging strategy, the Strategic Directors and Chief Executive are able to determine the level of charges. The Policy, Finance and Development Committee is required to approve Heads of Service proposals in respect of fees and charges where these are not in accordance with the approved strategy.

- Varying charges in-year
 - Proposals for short term promotions / sales in-year and/or the introduction of a concession or an amendment to an existing concession
- 5.2 Proposals must consider the impact to customers and complete an Equality Impact Assessment (or other impact assessment for corporate or public sector bodies as necessary),. This assessment must be presented alongside financial and other relevant information.
- 5.3 It is considered to be good practice that, where possible, a minimum of one month's notice should be given to customers before any new or revised charges are implemented.
- 5.4 Appropriate records must be retained in line with section 8 of this policy.

6. Introducing new charges

- 5.5 Where there is a case for introducing a new charge for an existing or new service, service areas should discuss with their Head of Service. If the introduction of a new charge is in line with an approved charging strategy, the Strategic Directors and Chief Executive are able to determine the level of charges. The Policy, Finance and Development Committee is required to approve Heads of Service proposals in respect of fees and charges where these are not in accordance with the approved strategy.
- 6.1 Before a new charge is introduced the financial and legal context for charging must be determined. A careful calculation of the costs of provision, utilising financial monitoring information for the service area, and appropriate level of charge alongside anticipated demand must be undertaken. Financial and Legal advice must be sought and the legal authority for levying the charge must be established.
- 6.2 As above, the Council must calculate how much it needs to spend to provide services and how much income it can expect from charges and the amounts from specific government grants it will receive. This policy does not prescribe the format in which officers will prepare an estimate of charges.
- 6.3 As above, proposals must carefully consider the impact to customers and an Equality Impact Assessment must be completed to demonstrate this (or other impact assessment for corporate or public sector bodies as necessary). This assessment must be presented alongside financial and other relevant information to officers or members as appropriate as part of the decision making process so that the impact to customers is fully considered.

7. Administration

- 7.1 The principles for administering charges are:
- The financial data used to set charges should be maintained by the service area on an ongoing basis and charges should be set with reference to this for the relevant service area to evidence the current/proposed charging strategy;
 - Charges should be simple to understand and administer;
 - Charges should be well promoted so that customers can clearly understand the charging structure and methods of payment before they become liable to be paid;

- Where possible methods of payment should be flexible, convenient and take into account the needs of disadvantaged groups in the community (the easier it is to pay, the more likely it is that payment will be made);
- Wherever possible and practicable, payment should be made prior to the service being received or at the point of delivery; and
- The Council's preferred payment method is Direct Debit, BACS or direct payment through the Council's website followed by PayPoint and telephone payments.
- In some circumstances it may be appropriate to consider offering a subsidy to all users or certain key groups where it is consistent with achieving the Council's corporate priorities. Recognising this, it is Council policy that when charges are reviewed, concessions where appropriate should be considered for certain groups of customer. In some circumstances concessions may not be appropriate and it will be necessary to consider the impact on income levels before introducing the concession.

