

Appendix 1 – Fees and Charges Policy

1. Overview

- 1.1. It is proposed that the overall principal aim will be to ensure that the Council's fees and charges are set within a framework of value for public money, whereby financial, performance, access and equality are considered fully and appropriately, and decisions taken represent a transparent and balanced approach.
- 1.2. Fees and charges will be reviewed annually as part of the budget setting process and in line with the agreed corporate timeline for each relevant year to be submitted as part of the budget proposals, or other such timeline as the Council may agree.
- 1.3. The legal basis for charging is based on the specific provisions contained in the Local Government Act 2003. In addition to existing statutory provisions which expressly authorise charging section 93 of the 2003 Act allows a local authority to charge for any services which it has discretion to provide. Charges cannot be made for any services for which there is a duty to provide or where legislation expressly prohibits the charging for discretionary services.
- 1.4. In exercising its charging powers, a local authority is under a duty to ensure that taking one financial year with another the income from any charges for a service does not exceed the cost of providing the relevant service. This means that over a realistic period of time any surpluses or under recovery of income should be addressed through a review of the charging policy. However the reinvestment of any income generated in excess of the cost of providing the service would not represent a surplus. The underlying principle behind the legislation is that one service should not be cross subsidising another as each service must be viewed as distinct for charging purposes. Statutory Guidance has been issued by the Secretary of State which needs to be taken into account in considering the exercise of the charging powers and which addresses the above principles in greater detail.
- 1.5. The key features included in the policy are outlined below:
 - Fees and Charges will be structured to support the Authority's priorities.
 - The income generated from Fees and Charges will be used to support the work of the Authority.
 - Fees and Charges will normally be calculated on a marginal or full cost recovery basis, depending on the state of the market and any other

relevant factors. Any concessions will be specified and separately agreed if it meets a Council policy objective.

- Market research, comparative data, management knowledge and any other relevant information will be used where appropriate to ensure that charges are properly prepared.
- Fees and Charges will not be used in such a way that would restrict access to information or services.
- The impact on income from fees and charges will be taken into consideration when a decision is taken to change any services provided by the Authority.
- The cost of collection will be considered to ensure that fees and charges are economical to collect.
- Highlighting the impacts of not increasing charges should be an essential part of the budget setting process.

- 1.6. The general principle for all charging areas should be full cost recovery and the service will have to justify any deviation from this approach and highlight implicit subsidies arising from any decision not to pursue full cost recovery. However, the Council can decide through a policy objective not to charge full cost recovery and effectively create a subsidy paid by the council tax payer to achieve that objective. In such cases, these decisions will be highlighted through the annual fees and charges review.
- 1.7. In the longer term the Council should aspire to identify and highlight, within internal financial processes and to Government, implicit subsidies provided in service areas such as adult social care where regulations prevent recovery of the full costs of providing a service.
- 1.8. The income generated from fees and charges will be monitored on a monthly basis as part of the overall budget monitoring process.
- 1.9. It is proposed that, to ensure all areas regularly review and update charges, fees and charges are reviewed each financial year, based on prior year information and current year budgets. All fees and charges will then be approved by Cabinet each financial year with fees and charges changes implemented thereafter. This will be undertaken by service areas with support from finance and in conjunction with the relevant Cabinet Member.
- 1.10. This will allow a schedule of fees and charges to be agreed and published each year, which will be updated during the year to reflect any decisions made at other agreed times. As part of this policy therefore, the opportunity will be taken on an annual basis to review the rationale behind and potential for charging for services.

- 1.11. Where full cost recovery is not the basis for the level of the fee, the default position should be an inflationary increase. Decisions not to increase a charge by inflation and / or not to recover full costs will need to be justified. It should be noted that the process of fee setting may not suggest a change in fees but should demonstrate that fees have been reviewed and an informed decision made not to change the fee.

2. What level of fee to set

- 2.1. It is important to fully consider statute/legislation that governs each service before setting a charging structure.
- 2.2. When charging for discretionary services, authorities can recover up to the cost of provision for each 'kind of service'.
- 2.3. Different users may be charged differentially or not at all, e.g. free or reduced fees to children
- 2.4. Considerations that need to be taken into account are:
 - the impact of increased charges on residents and service users;
 - what level of charge the market will bear; and
 - whether full cost recovery will create perverse incentives, i.e. encourage fly-tipping.
- 2.5. These considerations may mean that fees are set below full cost recovery.
- 2.6. It is noted that different considerations apply in the case of parking charges, which as well as cost recovery are also set on the basis of transport policy considerations.

3. How to decide what the scope of the service is for full cost recovery

- 3.1. When charging for discretionary services, authorities can recover up to the cost of provision for each 'kind of service'. A 'kind of service' referring to a group of services that can realistically be classed together rather than each discrete service being classified on its own.
- 3.2. The level at which services are grouped at should be decided upon through professional judgement. For example, within licensing where there is program specific legislation this will be used as the boundary of cost recovery. Therefore, using the gambling act as an example, the fee

will be based only on the total cost to deliver the Gambling act, as opposed to the cost to deliver several different licensing regimes.

4. How to calculate fees for full cost recovery

- 4.1. Authorities have a degree of discretion in defining what the cost of provision is.
- 4.2. Prior year surpluses or deficits should be taken into consideration when calculating the new charge as services should not over-recover 'taking one year with another'. Any over- or under-recovery that resulted in a surplus or deficit of income in one period should be addressed by an authority when setting its charges for future periods so that, over time, revenue equates to cost.
- 4.3. Standard methodology for calculating the cost of a service includes:
 - employee costs;
 - premises and transport;
 - supplies and services;
 - third party payments (Services supplied and charged by external parties such as other local authorities or private contractors);
 - transfer payments (payments transferring through the council such as Housing benefits monies and adults social services clients);
 - support services and overheads (including any allocation of management or commissioning costs) and
 - depreciation.
- 4.4. Some costs such as overheads may need to be apportioned. Where these are included in the calculation, an appropriate allowance should be made for management and overheads where this is not produced automatically by accounting systems.
- 4.5. To ensure charges stand up to audit it is imperative that all apportionment and allocation of costs to various charges are carried out on the Council's financial system and have backing documents to support your method of allocation/apportionment.