CORPORATE POLICY:

INCOME GENERATION, FEES & CHARGING

September 2017

1. Policy Framework

This policy establishes guiding principles for income generation and charging for services provided by the council. It aims to embed the general principle that *income from fees and charges should be maximized wherever possible to recover cost, whilst avoiding adverse consequences on other services, corporate objectives and recognizing the value of services delivered to citizens and their ability to pay*.

This policy will help to support the Council's strategic priorities and help inform the assumptions in the Medium Term Financial Plan and revenue budget processes.

1.1 Purpose

The Policy has been developed to ensure that all fees, charges and any concessions for services are understood and are transparent.

It aims to apply all charges consistently across the county unless the Council has made a decision to the contrary based on a business case to do so. The Council is reliant upon income to undertake many of its services and it is therefore crucial that fees, charges and concessions are set, applied and reviewed consistently. All services must comply with this Policy when setting and reviewing fees, charges and concessions.

1.2 Scope

The scope of this policy includes:

- Income generated from fees and charges to the public, business and other organisations;
- Statutory and discretionary services where charging is permissible; and
- Council delivered services, internally and externally traded services, services externalised to a third party (e.g. outsourced or a shared service).

The following sources of income are out of scope:

- Revenue support from central government, including specific grants – the objective of this policy is to reduce the Council's dependence upon revenue support from central government. Grant income needs to be taken account of, however, when calculating cost recovery;
- Council Tax;
- Investment income – this is a specialist area and is dealt with through the Council's Treasury Management Strategy;
- One-off income, such as asset disposals, as these will only deliver an individual income receipt, and may erode existing income streams (e.g. rent, room hire);
- Housing rents and service charges; and
- Fees and charges where the amount is fixed by statute or otherwise outside the Council's control.

2. Background

In recent years, there have been a number of national policy drivers encouraging greater use of charging and more commercial activity within local government. The key pieces of legislation relating to charging and trading for local authorities are:

The Local Government Act 2003:

- Section 93 contains powers for all local authorities to charge for 'discretionary services', however the income from charges must not exceed the costs of provision.
- Welsh Government Guidance on the Act states: *'Any over or under recovery that resulted in a surplus or deficit of income in relation to costs in one period should be addressed by an authority when setting charges for future periods so that over time income equated to costs'.*
- The total cost of provision is made up of all expenditure required to deliver the service including central overheads.
- The recipient of the service must have agreed to its provision and agrees to pay for it.
- Charges may be set differentially, so that different people are charged different amounts.
- However, Section 95 permits local authorities to engage in commercial trading activity for all services and to generate surpluses whereby a local authority's power to trade is only exercisable through a company. It authorises *'authorities to do for a commercial purpose anything which they are authorised to do for the purpose of carrying on any of their ordinary functions'.*

The Local Authorities (Goods and Services) Act 1970: allows Local Authorities to provide services for other Local Authorities and to make a profit. This should be used wherever possible.

3. Key Charging Principles

1. All income and charges should be linked to the strategic objectives of the Council.
2. Aim to provide a charge for all services where it is legal and appropriate to do so unless the Council has made a decision to the contrary.
3. Aim to apply all charges consistently across the County unless the Council has made a decision to the contrary, based on a business case to do so.
4. Services should only be subsidised when there is a clear case to do so based on equity and access to services or targeted at specific individuals, groups and/or households. The case will need to be made for all such circumstances in line with the Council's strategic objectives and be regularly reviewed.
5. If introducing a new charge or making changes to existing charges the Council will engage and consult with relevant stakeholders in order to inform an impact assessment.
6. All charges are assumed to increase annually by the rate of inflation (usually CPI, to be

determined by the Head of Finance) unless a business case dictates otherwise.

7. When providing services on a commercial basis, ensure the Council competes with market rate.
8. Charges and methods of payment should be clearly communicated to all stakeholders.
9. Ensure appropriate arrangements are in place within services to collect all income and manage debt in a timely manner, in line with the Council's Financial Regulations.
10. Ensure the charging scheme is cost effective to operate with efficient and accessible payment methods available
11. All service cost recovery should include central overheads (including interest and administrative costs where applicable).

4. Exceptions

The council will aim to provide a charge for all services where it is legal and appropriate to do. In so doing, the following factors should be considered:

- Is there a statutory reason preventing the setting of charges?
- Does the cost of collecting a charge outweigh the costs providing the service?
- Is there an impact or a cost introduced elsewhere due to the charging? For example, fly-tipping as a result of excessive levels of charging for Bulky Waste Collections.
- Is charging for a service linked to the strategic objectives of the Council?
- Has a specific exemption been agreed by the Cabinet or Head of Finance (depending on the scale) not to charge or to recover the full cost?

5. Level of Charge

Where a decision has been made to charge:

- The council will achieve full cost recovery unless there are legal, strategic or contractual reasons for not doing so and;
- The council will generate enough income so that the service meets its costs (including on-costs). If a service does not meet its costs this should be as a result of conscious decision.
- The level of charges should be compared with those of other public, private and third sector services to ensure they reflect current market value. If pricing decisions are made independently of current and future market conditions there is a risk of under or over supplying a service to the public.
- Full use of differential charging, discounting and other alternative pricing structures should be made to maximise commercial benefit and target service take-up amongst particular groups where appropriate.
- The impact of charges on specific groups of users and the wider population needs to be understood to ensure continued access to services and any wider social and

economic consequences
- When providing services on a commercial basis we must ensure that the Council responds in a timely manner to market changes.

6. Income Collection

The council will:

- Use cost effective methods of payment and collecting charges.
- Communicate charges and methods of payments clearly to all stakeholders.
- Ensure all appropriate avenues for making payments and generating income are developed.
- Develop online payment methods and accessibility of services to complement existing payment arrangements.
- Ensure appropriate arrangements are in place within services to collect all income and manage debt in line with Financial Regulations.
- Actively pursue non-payment of any charges and fees.

7. Subsidy

A decision to subsidise a service needs a clear rational which is likely to include:

1. Providing a wider public benefit
2. Encouraging service take-up

The financial impact of subsidy decisions on the council needs to be identified, both individually and collectively and actively managed and reviewed.

In deciding whether to subsidise services which are also provided by other suppliers on a fully commercial basis, the potential distortion to competition (as set out in EU State Aid regulations) must be fully considered, and legal advice sought where appropriate.

8. Concessions

There are two types of concessions:

- Mandatory and determined by statute
- Discretionary which are wholly within the power of the council.

Discretionary concessions should only be granted if they:

- Charges should be based on ability to pay
- Ensure charges are targeted at specific individuals and/or households.

A business case is required if any new concession scheme is needed and will be approved by the Head of Service, in consultation with the Head of Finance. This will assure that concession schemes are applied in a consistent and transparent approach across all council services.

The impact of concession schemes should be monitored, reviewed and evaluated.

9. Trading

Services with the ability to achieve full cost recovery on a consistent basis should be encouraged to operate more commercially in order to reduce dependence on revenue support.

This will be done by the preparation of a robust business case following the council's procedures for assessing alternative methods of service delivery.

The impact on current and future income should be fully considered when decisions to commission service provision outside of the council are being taken.

10. Procedure for Introducing or Changing Fees, Charges and Concessions

All new and existing income proposals need to be taken forward through a business case approach to include a clear rationale for charging, the development of charging options, modelling of net benefits, impact and risks.

Heads of Service are responsible for setting and reviewing charges in their respective service area and ensuring that the rates at which charges are consistent with the principles outlined in this policy.

Heads of Service are also responsible for ensuring there has been appropriate consultation with elected members and other stakeholders when reviewing or introducing new charges. It may be prudent to refer certain contentious decisions to elected members, even though the power is delegated to officers in the council's constitution.

Charging policies, including any concessions will be considered annually as part of the revenue budget process.

11. Monitoring and Reviewing

To enhance the income governance arrangements the following steps will be taken (these will enable the council to manage income transparently and make effective decisions):

- All fees and charges will be assumed to increase annually by the rate of inflation (with CPI being the default, to be confirmed annually by the Head of Finance) in the preparation of the budget unless a business case or previous decision dictates otherwise.

- Reviews of all fees and charges will be undertaken as an integral part of the budget process each year and evidenced.
- Maintaining a summary of service fees and charges as a central point of reference as part of the annual budget process.
- In year monitoring of income will continue as part of the monthly financial reporting process to Cabinet.
- Any deviation from applying the set fees and charges can only be done with formal approval (see point 3.6 and Section 10 above).

12. Impact on Equality & Wellbeing

Heads of Service will need to ensure that a Wellbeing Impact Assessment has been completed when changes to charging policies or the introduction of new policies are being considered.

13. Approval and Review of this Policy

This policy is subject to approval by the cabinet. The Policy will be reviewed periodically by the Head of Finance.