



**Melton  
Borough  
Council**

# Corporate Charging Policy

|             |                            |
|-------------|----------------------------|
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## Distribution

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### **1. Introduction**

The Council is committed to moving towards a sustainable Medium-Term Financial Strategy (MTFS) of which income from fees and charges represent an important source of funds to the Council, and enable a wide range of services to be delivered. In order to ensure fees and charges are being used effectively, the Council will ensure its overall charging policy links with its corporate aims and objectives.

The setting of fees and charges is incorporated within the MTFS and budget setting process which will also link to cross cutting issues and impacts that will need to be considered in the context of wider policy objectives. This document sets out an overall policy framework to support and guide a practical approach to fees and charges that is consistent with Melton's One Council approach.

This policy also provides guidance to managers on how to cost services in order to determine the amount to be charged taking into account concessions, exemptions etc. along with the governance arrangements for approval.

## 2. General Principles

Where the Council has the option to levy a charge, and there are no good reasons why an exception should be made, it is the Council policy that a charge should be made on both statutory and discretionary charges in accordance with this charging policy.

Fees and charges are to be structured to support the achievement of the Councils priorities and contribute to the cost of service delivery. Optimum use of fees and charges is to be made without having a detrimental effect on:

- Income
- Quality
- Services levels
- Vulnerable people
- Legislation
- Health and Safety
- Creating unintentional outcomes
- Public satisfaction

For existing charges, there is a general presumption that the level of fees and charges should rise each year at least in line with the rate of inflation as determined as part of the budget planning process.

**Exceptions:** The following are cases where charging may be deemed to be inappropriate:

- The service is delivered to all residents or households equally and which could therefore be considered to be funded from Council Tax
- The administrative costs associated with making a charge would outweigh any potential income
- There is no legal basis for making a charge
- Making a charge would be contrary to achieving one or more of the Council's Corporate Objectives
- Making a charge may result in a substantial reduction in usage of the service
- It is difficult to establish the liable person

**Payment:** Service users should make a direct contribution to the cost of providing services in advance of taking the service.

### 3. Determining the amount to be charged

Where the Council controls the level of the charge to be made for a service, it is the Council policy that the charge should cover the actual costs of providing the service (including overheads). Where a service is not recovering fully the costs, it is being subsidised by the local Council Tax payer from the General Fund. Some key questions to ask therefore is:

***‘Do we want the service user to pay for the service or do we want all Council Tax payers to pay for or contribute to the costs of the service?’***

***‘Can this be used as loss leader for another added value service which we can market and promote?’***

#### **Legal Implications**

The Local Government Act 2003 (the 2003 Act) provides a general power to charge for discretionary services. It has a number of key features:

- Authorities are under a duty to ensure that, taking one year with another, the income from charges do not exceed the costs of provision
- Authorities must already have the power to provide the service
- The recipient of the discretionary service must have agreed to its provision and to pay for it
- It does not apply to services which an authority is mandated or has a duty to provide at no extra cost
- Charges may be set differentially, so that different people are charged different amounts
- Authorities are not required to charge for discretionary services. They may provide them for free if they so decide

To be able to make use of the power to charge for a discretionary service, authorities must have an existing power to provide that service.

Under ordinary legal principles, an authority has power to do anything reasonably incidental to its express powers. In circumstances where an authority wishes to charge, for example for works or supplies, the authority will need to satisfy itself that the enactment which authorises provision of a particular service would also permit the provision of anything reasonably incidental to that service. Where an authority is relying on subsidiary powers under section 111(1) of the Local Government Act 1972 to authorise the provision of a service to facilitate the discharge of a specific function, then the authority may charge under section 93(1) of the 2003 Act for that function related service by virtue of the dis-application at section 93(7)(a) of the 2003 Act.

Local Government Act 2000: Local Authorities have wide powers to provide discretionary services including powers in the Local Government Act 2000 (section 2) to do anything they consider likely to achieve the promotion or improvement of the economic, social and environmental well-being of their areas. For the purposes of the power to charge in the 2003 Act, the prohibition on raising money in relation to their power to promote well-being is to be

disregarded. This dis-application of the prohibition on raising money fulfils the commitment to provide a general power to charge for services provided under well being

Local Authority (Goods and Services) Act 1970: Local authorities are enabled to trade with other local authorities and designated public bodies for the supply of goods or materials; provision of any administrative, professional or technical services; use of any vehicle plant or apparatus including appropriate staff; works of maintenance in connection with land or buildings. Under this act, authorities can make a profit on services, if sold to another local authority, but are not allowed to trade with private sector or individual customers for profit.

It is recognised that this will not be appropriate in all circumstances and the actual amount proposed will need to take into account:

- Relevant Council strategies and policies
- Any subsidy or concessions given (see page 6)
- Market conditions and prices charged by competitors and/or other Local Authorities
- The need to avoid potential distortion of the market which might occur from pricing below the levels charged by the private sector for similar services
- The need to avoid exploitation of customers who have no option but to use Council services
- The impact of increased usage on a particular service
- The need to increase Council income
- Service users' views where provided

Appendix A provides some further guidance around the impact of different charging options, understanding costs and income and consideration of what the public think which will be helpful for budget holders when setting their charges.

**VAT**: Consideration needs to be given in all cases as to whether VAT is applicable. Advice can be received from Financial Services.

### **Charging Strategy**

Within the service and budget planning process fees and charges should be identified to one of the categories in the table below and the appropriate charging policy adopted in establishing and reviewing charges rates/levels.

| <b>Charging Strategy</b>               | <b>Policy Objective</b>   |
|--|---|
| Full Commercial – the default position | Aim to maximise revenue within an overall objective of generating a surplus from this service which can then support the delivery of other council services       |
| Full commercial with discounts         | As above, but with discounts being given to reflect market conditions and enable trade. Discounted costs are met out of the service budget                        |
| Full commercial with concessions       | As above, but with discounted concessions being given to enable disadvantaged groups to access the service determined from the Equalities Impact Assessment (EIA) |

| <b>Charging Strategy</b>       | <b>Policy Objective</b>  |
|--------------------------------|--|
| Statutory                      | Charges are set in line with legal obligations and charges are only made for added value services  |
| Cost recovery                  | The Council aims to recover the costs of providing the service from those who use it, including all overheads, investments, costs of sales and development.  |
| Cost recovery with concessions | As above, but the Council is prepared to subsidise the service to ensure disadvantaged groups have access to it  |
| Free                           | Service fully available at no charge as set by Council policy which we can potentially use as a marketing tool for selling added value services.   |
| Subsidised                     | The Council wishes users of the service to make a contribution to the costs of providing it. This might be to meet a service objective or allow competition with other providers. This may be applicable for services that contribute to the councils objectives but where full cost recovery would make the service unviable. The Council should enhance its reputation with its customers by promoting this. |
| Nominal                        | The Council wishes to make the service available but sets a charge to discourage frivolous usage   |
| Fair Charging                  | To maximise income but subject to a defined policy constraint  |
| Property Rental / Lease        | Properties are rented or leased to third parties should be done so at a commercial rate. Where this does not occur the Portfolio Holder for the area should be consulted and signed off.   |

### **Costing the services provided**

The charge for services to the users should generally be calculated on the full cost of providing the service which should include items such as:

#### Direct Costs

- Salary and associated on costs (National Insurance and Pensions) taking into account non productive time
- Travel costs
- Specialised or additional equipment required for the provision of the service
- Cost of sales or recovery of any investments made to provide the service

#### Indirect Costs

- Overheads such as HR, ICT, Finance as well as any corporate recharge costs
- Taking into account any previous years surplus or deficit

There may be other associated costs which need to be taken into account that are incurred to deliver the service which budget holders will need to quantify when establishing a total cost for the service. The total cost may then need to be allocated out across the estimated number of users (which would need to be evidenced) in order to arrive at a suitable charge.

Budget holders may also need to set fees and charges based on officer time in order to allocate their costs to arrive at a set charge and therefore appropriate systems for time recording will need to be implemented. A charging template to assist in the calculating hourly rates has been established – a copy can be obtained from Financial Services.

Where there is any statutory or legislative guidance on which costs are allowable when calculating a charge these need to be adhered to.

If a commercial rate is appropriate budget holders will need to first undertake an analysis of their costs to ensure it is achieving cost recovery but will need to supplement this with relevant benchmarking information to ensure the fee is set appropriate taking into account market prices so that the service remains competitive through maximising the fee earning potential but also being aware of what the market can bear.

Where the income for a service isn't recovering it's cost officers will need to consider:

- Can the service be delivered in a more cost effective and efficient manner to reduce expenditure?
- Use this service as a 'loss leader' to sell added value services which would cover the shortfall
- Challenge whether we still want to deliver the service at a cost and subsidy?

All calculations will need to be updated annually by the service areas and also reviewed by the finance team to sense check the information and methodology being applied. Budget holders should remember that any systems and procedures should be proportionate to the importance and scale of the income involved and any risks of legal challenge arising from regulatory requirements.

#### 4. Concessions.

There will be some circumstances where it may be appropriate to consider offering discounts or concessions in relation to particular services/activities or customer groups on a basis which is consistent with achieving the Council's objectives.

When reviewing or establishing the level of discount or concession offered for a particular service the following should be considered:

- Are we benefitting local residents?
- Can a discount policy contribute to wider policy objectives aimed at maximising access to services from disadvantaged groups?
- To what extent is there evidence that the discount policy is successful in benefitting target groups?
- Is the policy to target specific groups still valid?
- Are there other groups that should be considered for discounts?
- What will the impact on income for this service be by offering a concession? Is there a business case to support short-term reduction in charges with the aim to increase over all take up and overall income yield for the service in the long term.

Recognising the broader agenda to maximise access to services and to ensure equity and fairness in charging, concessions/discounts should be considered for the following groups:

- Young people aged 16 years or younger
- Full-time students
- Senior Citizens over pensionable age
- Individuals on low incomes in receipt of means tested benefit
- People with a disability in receipt of a means tested benefit
- Individuals receiving a 'carers allowance'
- Ex members of the Armed Forces

**Size of discount/concession:** This is down to the relevant service but it would not be inappropriate to offer a concession of up to 50% of the full charge in some cases.

**Evaluation:** An assessment of the desirability of offering concessions (including the financial implications) should be part of the evaluation of an appropriate charge.

Managers should be able to demonstrate the effect on usage, access and finance of any concessions in calculating the charge and the income that is derived.

## **5. Determining how surplus income will be used**

Income that is derived from charging for services will firstly be used to offset the cost of providing the service. Any surplus will be returned to the General Fund to be distributed as required by Members. This enables resources generated from charging to be used wherever the highest priority exists. However, there may be statutory guidance which outlines what surpluses can be spent on for example with the car parking trading account or some services may need to consider previous year surpluses when setting future charges as in the case of taxi licencing.

The Council policy is therefore that any surplus income generated from charging will be used as a Corporate Resource to be used where the need is greatest unless:

- Prohibited by other statutory requirements or Government guidance (e.g. building control)
- Directors can demonstrate at budget setting that surplus monies should be used to reinvest in the development of the service

## 6. Governance

### New fees and Charges

- Proposals for new fees and charges must be considered within the service and budgetary planning process, or where necessary submitted to SLT. Reasonable notice should be given to service users before implementation, together with clear advice on discounts or concessions available
- An Equalities Impact Assessment (EIA) should be completed including any appropriate consultation with relevant groups
- The effects of any new charge should be monitored regularly over the first 12 months and reviewed within the next service and budget planning process

### Reviewing of Fees and Charges

- Fees and charges **should annually be subject to a detailed review** and, should at least, increase in line with the rate of inflation as part of the budget setting process. The rate of inflation will be set out in the budget framework approved in consultation with the Portfolio Holder for Finance and Resources.
- Where fees and charges are set on a full commercial or subsidised basis (where the subsidy is linked to perceived market conditions), annual benchmarking needs to be undertaken. This information together with any other market intelligence will need to be submitted as part of the annual review process. Budget holders will also need to explain and demonstrate how market information has influenced pricing decisions.
- As part of the annual review each Director should consider if services currently provided free should be subject to a charge. They should also ensure a comprehensive list of any free charges are compiled and approved on an annual basis in consultation with the relevant Portfolio Holder. This list should also include more detailed information and explanation of the reasons for not charging for each item listed, including an indication of potential income forgone. An officer delegated decision should be completed for all reviewed charges which should include all charges made by the services and those provided free of charge. A copy should be provided to finance to support the budget process.
- Where there are any significant changes during the course of a year, such as costs, market forces or service levels which materially affect current charge and revenues, then that charge should be reviewed and updated by the service in consultation with the relevant Portfolio Holder. A copy should be provided to finance.
- Where there is to be a change or new charge, then the budget holder should ensure that this is carried out in a timely manner, undertaking any consultation and meeting any legal obligations required including undertaking an EIA. In some cases it may be relevant to take a report to Cabinet for their approval rather than under delegated authority. Further information around decision making processes and procedures can be found at the link below or by engaging with Democracy Team:

## Decision Making Process

- When promoting your fee or charge to the public this should be conveyed in a manner appropriate to your audience free of jargon and 'Local Government speak'. Where new charges are being introduced a marketing plan should be established to understand how we can commercially maximise income received.

## **Maximising Income**

In order to maximise income, that contribute to strong performance income generation that Director may wish to have regard to:

- **Adopting a commercial approach** - there are a number of areas where benefits can be gained from developing a more commercial approach to service delivery
- **Trading** – Services could look to sell their expertise and skills to other local authorities or public bodies or provide a service on a regional basis for their neighbours
- **Applying a flexible approach** – Maximising income generation may not always involve increasing fees and charges. In areas where there is competition for Council Services or where demand is reducing, it may be more appropriate to reduce fees to gain a greater share of the market. This requires the need to understand your service and service users on an in-year basis.
- **Culture of self-sufficiency in services** - A positive attitude towards charging amongst service managers and staff is vital to help create an entrepreneurial culture to identifying and realising opportunities for services to become more financially sustainable in the current economic climate
- **Every penny Counts** – creating positive culture is part of a process to reducing comments such as “its not worth it, it will only generate a few thousand pounds each year” = 20 or 30 ideas such can quickly add up to make a material difference.
- **Payment for Services** – Online facility for making payments should be maximised to encourage receipt of income and ensuring take-up of service
- **An approach to premium charging** – it is possible to apply a premium price to some services to reflect either additional demand or an enhanced service  
e.g. Melton applies a premium to car parking on market days. Other ideas include a premium price for nominating a specific time to deliver a service, fast tracking an application process or the provision of certificates, out-of hours services
- **Charging for Packages** – packaging of a number of services, for a discounted price.
- **Charges linked to environmental objectives** – it is possible to charge directly to support wider corporate objectives e.g. linking taxi-license charges to emissions or have discounts for LPG/Bio diesel powered vehicles.
- **Marketing** – developing a market plan to help maximise income. Identifying objectives and strategy as part of any plan looking at customer segmentation and market position. Alongside this developing marketing tactics around market penetration, promotion and communication messages.

## **Equity of Charging**

- In accordance with the EIA for this policy it is expected service areas will undertake their own EIA for the charges they are responsible for to ensure the appropriate equalities considerations have been taken into account when setting the fees and charges.
- Information to support and guide managers through the EIA process can be located on MIKE at:

### [Equality Impact Assessment Guide](#)

- As charges are reviewed on a service-by-service basis, equity of charging can be overlooked. Therefore Senior Leadership Team should assess the impact of changes to fees and charges against the full range of Council charges on specific groups to make sure that no individual or group is adversely affected by large price increases. (This could be achieved through segmentation of groups of service users).

## **Collection of fees and Charges**

- Where it is reasonable to do so, all fees and charges should be collected in advance or at the point of service delivery
- Invoices should be raised for all fees/charges where appropriate, authorisation to raise invoices should be passed to finance promptly preferably in advance of service delivery
- Where a cancellation of service is required they should be sent to finance section promptly with an appropriate explanation (e.g. invoice raised incorrectly, service not provided) using existing documentation.
- Requests for write-offs should be sent to the Financial Support Officers with the appropriate explanation
- Any arrangements or circumstances to stop/suspend recovery action should be promptly notified to Revenues Team
- Budget Holders should be prepared to provide sufficient documentary evidence to enable legal action to be taken through the Courts
- Where required budget holders need to be aware Consumer Contracts (Information, Cancellation and Additional Charges) Regulations 2013 and the Consumer Rights Act 2015 on the Council to ensure the Council is compliant when providing additional services to the public (further information can be found on the councils website – see link below)

### [Sale and Goods- Consumer Rights](#)

## **7. Summary**

Fees and charges are an important and valuable part of the Councils income. It is vital that all fees and charges are reviewed annually and in accordance with this policy. This enables the Councils policy to be fair, joined up and transparent to all its customers irrespective of which part of the Council provides the service.

The review of fees and charges will be conducted at the same time and will form an integral part of the annual budget cycle, policy, planning and monitoring of the Councils income. Melton is committed to continuous improvement and it is critical that new approaches and ways of working are introduced.

This policy will be reviewed in line with any changes in legislation with any minor approved by the Section 151 officer in consultation with Senior Leadership team and members as appropriate. Significant changes will be formally review and approved by Cabinet.

## INFORMATION THAT WILL HELP TO SET CHARGES

APPENDIX 1

### Clarity on the objectives

|                                |   |
|--------------------------------|---|
| Why is this an issue?          | <ul style="list-style-type: none"> <li>• A problem within the service area that charging could influence?</li> <li>• A corporate target that charging could help achieve?</li> <li>• A desire to increase take-up or discourage use?</li> <li>• A need to generate income in order to maintain service levels within the service or elsewhere?</li> </ul> |
| What are we hoping to achieve? | <ul style="list-style-type: none"> <li>• Reduction in problems in certain service areas?</li> <li>• Generate economic growth?</li> <li>• Encourage access to services by under-represented groups?</li> <li>• Meet costs and raise money for related objectives?</li> </ul>   |
| What are the constraints?      | <ul style="list-style-type: none"> <li>• Wider council strategic issues</li> <li>• One Council Delivery Plan</li> <li>• Agreed charging policy framework</li> <li>• Lack of market intelligence</li> </ul>  |

### The Impact of different charging options

| Factors to consider  | The data that will help   | The analysis that is needed  |
|--|---|--|
| Who is using the service and when?                                   | <ul style="list-style-type: none"> <li>• Data on service use, as applicable:</li> <li>• By location</li> <li>• By time of day</li> <li>• By day of week</li> <li>• Seasonal information</li> </ul>  | <ul style="list-style-type: none"> <li>• Use compared to target</li> <li>• Analysis of customers by age, gender, race, disability, socio-economic group, reasons for service use</li> </ul>  |
| The impact of changes to service-on-service use and other objectives | <ul style="list-style-type: none"> <li>• Historical data on the impact on service use when the council made changes to other local charging levels</li> <li>• Impact and evaluation data from similar council who have implemented changes</li> </ul> | <ul style="list-style-type: none"> <li>• Forecasts of the likely impact of the charging options on user type and location</li> <li>• Analysis of the impact of changed charges in previous years</li> <li>• Forecast of impact of changes on wider objectives</li> </ul> |

### Understanding costs and income

| Factors to consider   | The data that will help  | The analysis that is needed  |
|---|--|--|
| What are your current costs and income?                               | <ul style="list-style-type: none"> <li>• Total costs and total income generated</li> <li>• Income data from similar councils</li> </ul>                                      | <ul style="list-style-type: none"> <li>• Analysis of income data to show cost and income by location/type/service level</li> <li>• Analysis of cost and income over time and by location</li> </ul>  |
| The impact of changed chargers on income                              | <ul style="list-style-type: none"> <li>• Income data from similar councils who have made changes to charging levels</li> </ul>   | <ul style="list-style-type: none"> <li>• Forecast of the likely impact of the options on income, using forecasts for changes in car park use</li> </ul>  |
| Does the level of income generation/subsidy reflect local priorities? | <ul style="list-style-type: none"> <li>• The current level of subsidies</li> <li>• Comparison of subsidies with similar councils, with similar community profiles</li> </ul> | <ul style="list-style-type: none"> <li>• Analysis of whether income is making desired contribution to the overall income of the council</li> <li>• Analysis of whether any subsidies can be linked to other council priorities (for example reduced charges to promote economic growth)</li> </ul> |
| Will further cost pressures be faced in the future?                   | <ul style="list-style-type: none"> <li>• Data on the efficiencies that the council has planned to make</li> </ul>  | <ul style="list-style-type: none"> <li>• Forecast of potential future cost pressures, including changes in service, the impact of regeneration</li> <li>• Analysis of impact of future pressures on income</li> </ul>  |

### What do the public think?

| Factors to consider                                | The data that will help  | The analysis that is needed   |
|--|--|---|
| How acceptable are the proposals to the public?    | <ul style="list-style-type: none"> <li>• A breakdown of public views by customer group, geographical area and type of service user</li> <li>• Historical data on how the public reacted to other changes to charging made in previous years</li> </ul> | <ul style="list-style-type: none"> <li>• Analysis of complaints, enquiries from focus groups to understand the concerns locally</li> <li>• Analysis of what happened after previous changes to charging levels</li> </ul>                           |
| What impact will the proposals have on the public? | <ul style="list-style-type: none"> <li>• Comparisons of satisfaction levels in similar councils, with similar community profiles, who made similar changes to charging levels</li> </ul>   | <ul style="list-style-type: none"> <li>• Analysis and forecast of the impact that each option may have on the public satisfaction levels</li> <li>• Analysis of the views and the potential impact on other, for example local retailers</li> </ul> |