

Tewkesbury Borough Council Fees and Charges Strategy

1.0 INTRODUCTION AND PURPOSE

The Council provides a wide range of services to the local community and visitors for which it is able to make a charge – either under statutory powers (set by the Government) or discretionary (set by the Council).

This charging strategy outlines the key principles to be considered in charging for services in a transparent and consistent manner.

In the current financial climate with reducing core government support and amendments to the New Homes Bonus scheme, the opportunity to set appropriate fees and charges takes on even greater significance.

Fees and charges offer an opportunity for the authority to maximise its financial position, and to achieve policy objectives, for example by encouraging or discouraging the use of a service or to alter patterns of behaviour.

The decision on charging levels requires 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 of a service.

Section 93 of Local Government Act 2003 allows for Councils to charge for discretionary services. Section 3 of the Localism Act 2011 extends the power to charge for any service provided by exercising its power of competency under Section 1 of the Localism Act 2011. The only exceptions are where charging is specifically prohibited or a special charging regime exists. Any charges should be limited to a level that covers the costs of providing that service.

The introduction and implementation of fees and charges is an integral element of the medium term financial planning of the Authority and should be used as a key driver for the delivery of the Council priorities.

This overarching strategy provides a framework from which services can set fees and charges in a transparent and ordered manner. It details the elements that need consideration when Heads of Service make recommendations on fees and charges, the process to be followed to ensure fees and charges are approved under the correct authority and the timetable for approval to ensure that the uplift on fees and charges is accounted for within the annual budget setting cycle and there is sufficient time for consultation and communication with the Council's customers.

2.0 TYPES OF FEES AND CHARGES

The fees and charges levied by the Council have been reviewed and have been categorised into one of the following classifications.

No charge permitted

Certain areas of statutory services must be provided without charge to the end user. Examples of this include housing advice and planning applications for listed buildings.

Statutory Charges

Statutory charges are outside of the Council's control. However, it should be noted that for the purposes of budgeting and medium-term financial planning, income will be assumed to increase in line with the prevailing rate of inflation (measured by Consumer Price Inflation).

Additional income from higher fee increases, or additional user volume, will be used to support increased expenditure arising from service development or lower income in other areas within the same service.

Lower income generation (from fee increases below inflation or reduced user volume) will need to be funded from expenditure reductions or additional income from other areas within the same service.

An example of statutory charges being raised and set centrally is the fee schedule for planning applications. These are set by central Government although there is no set review period for these fees. Recently, the government has announced an increase in planning fees of 20% with effect from July 2017 which is the first increase in a number of years. There is potential for a further 20% increase which the Government will consult on in 2017.

Cost Related Charges

For those services which are statutory, but where the charges are not prescribed, the Head of Service is able to set the charge by reference to the cost of service provision.

In these areas e.g. Building Control, Public Entertainment Licences, Land Charges, etc. constraints exist where the charge must be set only to cover the cost of the service. In some areas such as Building Control the recovery of costs can be made over a reasonable period e.g. 3 – 5 years which provides scope for service investment or a commercial strategy towards market share development.

Discretionary Charges

Discretionary services are defined as those that the Council is authorised but not required to provide.

Charges for services provided under authority of statute (other than the 2003 Act), should be set with reference to the cost of service provision and in accordance with the provisions of the legislation.

Charges for new discretionary services under the 2003 Act, can be set to recover costs including overheads, but not to make a surplus.

If a service is provided with the intention of raising revenue, a company must be set up under the advice and guidance of the Section 151 Officer and One Legal.

Examples of the discretionary charges made by the Council include fees and charges for burials, the collection of bulky waste, pre-application planning advice and car parking charges.

No limit on charge

Some areas of Council service provision have no restrictions on charging levels and the council is free to set its own fees and charges, although it must still have recognition of other factors such as the market price for the good or service so as to not price itself out of the market.

The Localism Act 2011 allows local authorities to undertake commercial activities under the general power of competence and Section 95 of the Local Government Act 2003 allows local authorities to 'trade' e.g. undertaking an activity for a commercial purpose. To do this, the local authority must set up a company to undertake the activity and the company would have freedom to set its own fees and charges.

3.0 GENERAL

All fees and charges levied should have due regard to existing regulations and in accordance with the delegations of in the Council's Constitution.

When setting fees and charges, consideration must be given to the cost of collecting and enforcing the debt. In respect of discretionary services, the Council's preferred method of collection is advance payment or Direct Debit. Where charges are to be collected after service delivery has commenced, invoices will be issued promptly, and as necessary appropriate recovery procedures followed.

In cases where this does not occur, and there are no statutory barriers to do so, the cost of administering other payment methods should be considered for inclusion in the charge. In so doing, those customers that chose to pay by expensive methods (e.g. cash or standing order), contribute to the cost of processing their remittances. Conversely, those who pay in advance or by Direct Debit, will get better value from the efficiency offered by these collection methods.

Where possible, large fluctuations in charges are to be avoided and therefore annual reviews and uplifts are recommended.

Heads of Service should review proposed fee levels in consultation with the Portfolio Holder.

All fees and charges should be considered as part of the service planning and annual budget setting process.

Where decisions on increases in fees and charges are taken outside the budget process due regard must be given to the Medium Term Financial Plan. Reports to Executive Committee must clearly state the financial implication of any budget shortfall and that these will be funded within the service area when the budgets are prepared.

4.0 GOVERNANCE

The Council's constitution has delegated the setting of fees and charges to officers that form the Corporate Leadership Team (CLT). These officers and their service areas of responsibility are as follows:

- Chief Executive – Corporate Services
- Deputy Chief Executive – Finance & Asset Management, Community Services, Development Services and Revenues & Benefits
- Borough Solicitor – One Legal and Democratic Services

It is the Head of Service's responsibility in each service area to undertake an annual review of fees and charges and recommend an appropriate level for the following financial year. As indicated earlier this should be done, where practicable, in association with the Portfolio Holder for the service. The CLT officer will then use their delegated power to agree the fees and charges.

The delegation only applies to existing income streams. Any new income stream proposal will need to be taken to Executive Committee for approval.

It is also the Head of Service's responsibility to maintain a schedule of fees and charges for their service area and ensure appropriate communication and publication of the schedule occurs.

5.0 CHARGING CONSIDERATIONS

The following are the key principles that should be adopted in order to ensure the Authority maximises its income generation potential:

A clear corporate charging policy

- Which services should be subject to full cost recovery and which should be met from the General Fund
- Which services should be eligible for concessions within a broader equality and fairness framework
- How charges relate to and support wider corporate priorities
- The impact of any competition and whether the Council is or should be competing with local businesses in the economy

Clarity over full cost recovery or subsidy level

There should be a clear definition for each service against the criteria of full cost recovery (service users pay for the service directly) or subsidised (a combination of service users and council tax payers).

- Where possible, the total cost of providing a discretionary service should be fully recovered through charges except where the council makes a positive decision to the contrary. The council defines total cost as all costs attributable to the service, including allocated overheads and costs of administration and collection. Where a subsidy element is introduced by Council this should be agreed by members and clearly stated.
- The council could aim to maximise the potential to generate income, for example, through differential charging to tap into the value placed on the service by different users e.g. premium services.
- Where a service is 'demand-led' and/or competes with others based on quality and cost, the charge should be determined by the maximum that users are prepared to pay and take account of competitor pricing.

A perspective on fairness in charging

It is important to segment groups of service users and assess the impact of changes to the full range of council charges on specific groups to make sure that no single individual or group is adversely affected by large fee increases.

Adopting a more commercial approach to fee setting

There are a number of ways the Council can promote a more commercial approach to fee setting. Specifically these are:

- Trading – the Council can sell their expertise in certain service areas to other Authorities or public bodies. These include payroll, legal and ICT where a full cost recovery funding model can be developed
- Applying a flexible charging approach. Maximising income may not always mean increasing fees and charges. Sometimes it may be more appropriate to reduce fees in order to stimulate the market or gain a greater share of the market.
- Payment for services. In order to maximise income, services have to consider the options that users have open to them to pay for services. Payment systems that minimise cash transactions and require upfront payments are more efficient to operate and result in lower risk of bad debts or service defaults.
- An approach to premium charging. It is possible to apply a premium rate to reflect either an enhanced service or to meet additional demand. This could be introduced for customers specifying their particular delivery time for a bulky waste item, or for fast tracking an application or reflecting particular demand for

a service.

The strategy would apply to any service that the council has a power and discretion to provide to the community, or has a statutory duty to provide, and has discretion to set a charge.

Concessions for certain service users

Decisions to exempt a particular service from the full cost recovery requirement may be taken by the Council:

- To support a particular group or group of users in support of achieving its corporate objectives
- Where it would be impractical (e.g. public access to parks)
- Where charging would not be cost effective
- To users on low incomes. This will normally be defined as those in receipt of housing or council tax benefit, pension credit or working tax credit
- Where a business case is made to support a short-term reduction in charges aimed at increasing take-up and the overall income yield for the service in the long-term.

Concessionary charges may be available in the following circumstances:

- Where a service is subsidised as a result of a positive decision by the council, the level of subsidy will be made explicit and the decision will be subject to regular review.

6.0 COST RECOVERY

As previously stated the council is committed to recovering all of the costs associated with delivery a service. This will include all of the usual direct costs of supplying the good or service such as direct employee costs, transport costs, supplies and services costs and third party payments. Additionally a charge will be made to cover an apportionment of the overheads of the service and property charges.

The council also retain the right to use modified total costs for calculation of fees and charges. Under this regime a charge is made for the cost of Corporate and Democratic Core and also Non-distributed costs such as payments towards the past service deficit on the pension fund.

Income derived from charging will be used to offset the costs of providing the service being charged for, including support service costs. Where a surplus, over budget, is generated from charges this will be considered as a corporate resource to be used in accordance with the Council's overall priorities. Any consideration of the investment of such surpluses in development of services would be subject to a report to the Executive and each proposal will be considered on its own merits at that time and within the general service and financial planning framework.

7.0 FEES AND CHARGES REVIEW

In normal circumstances a service will be expected to conduct a full review of fees and charges on an annual basis to ensure the new levels of charge are reflective of the increasing costs of providing the service. However, this can sometimes be an onerous exercise for services to undertake and so, as a minimum, services can decide to carry out a full review every three years but ensure that an inflationary increase is applied for the years in between.

It is important to uplift charges, which are not set by statute, annually, even on a simple inflationary basis, to ensure that the previously assessed value of fees and charges are maintained as costs increase, to keep the overall budget of the council in balance and to pursue small annual increases for customers rather than large ad hoc increases.

To help this process a simple principle should be applied which reflects local inflation in supplying goods and services. By following this principle, the increasing costs for local authorities in particular employee pay awards, changes to national insurance contributions and the increasing cost of pension contributions are factored into the calculation as well as allowing for national inflationary pressures associated with goods and services, energy and fuel.

If there are any significant changes in the course of a year, such as in costs, market forces or service levels, which materially affect current charges and revenues, then that charge should be reviewed and any change approved by the Executive as an in-year change.

One particular area that is excluded from this annual review requirement is car parking charges. Given the sensitivity and importance of this service area to the local economy, charges will only be set following a full review undertaken by a working group of the Overview and Scrutiny Committee and following consultation with the local community. It is the responsibility of the Head of Development Services to review the current charges and call a working group as and when required.

8.0 PROCESS

Head of Service are responsible for their service areas undertaking an annual review of fees and charges before sign off by an officer of CLT. In order to support and coordinate the process, Financial Services will ensure the timetable as outlined in the next section is adhered to and assistance is given to confirm the validity of the cost recovery calculations and the setting of appropriate fees and charges.

The s151 officer of the Council will take responsibility for coordinating this activity in line with the timetable below and preparing proposals for consideration and sign off by CLT.

9.0 TIMETABLE

The setting of fees and charges must be aligned to the annual budget cycle of the Council in order that estimates of income are properly compiled for the following year. It is therefore recommended that the following annual timetable is adopted:

Review and first draft proposal	October
Final draft proposal	November
Financial Services due diligence	December
CLT sign off	December
Customer communication	January - March

10.0 CONSULTATION

Service areas are responsible for ensuring any requirements for consultation of users of the service occurs at the appropriate time.