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## **Corporate Charging Policy**

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## 1. Background

- 1.1 The 2016-2020 Corporate Strategy sets out the Council's mission to become a commercially-focused organisation with a national reputation for high quality services. Income generation will play a key part in successfully achieving this goal. The purpose of the Corporate Charging Policy is to put in place clear guidance for all officers on when, what and how to charge for the provision of our services.
- 1.2 It is important to note that the Council cannot charge for all the services it provides. Generally, a local authority cannot charge for services which it is obliged or has a duty to provide. A local authority has a general power to charge for discretionary services i.e. services that are provided under no legal obligation, but the charge cannot exceed the cost of providing that service.
- 1.3 The ability to charge, or in many cases how much to charge, for discretionary services is not always within the control of the Council. However, where it is, it is important that decisions are made consistently and adhere to the principles which are laid out within this document.
- 1.4 Charging is an instrument to help the Council achieve its strategic objectives for example by targeting service users, influencing behaviour and meeting financial targets. In addition, the introduction of charges and additional cost recovery will allow a discretionary service to enhance its provision, thereby improving the offer to the customer.
- 1.5 The overriding principles of the Corporate Charging Policy are:
  1. The Corporate Charging Policy should be used to assist the Council in achieving its corporate objectives set out in the 2016-2020 Corporate Strategy.
  2. Services should look to raise income wherever there is a possibility to do so, unless the introduction of a charge would prohibit the achievement of specific corporate and service objectives.
  3. The income raised should generally cover total costs including all expenditure required to deliver the service and also central overheads. This approach is defined by CIPFA as the '*modified total cost*' and is the current recommended statutory guidance.
  4. Any departures from this policy should be justified in a transparent manner with reference to the Council's priorities and objectives, relevant statute or other material factor.

## 2 Statute

2.1 Unfortunately for local authorities, charging decisions are fettered by a complex series of statutes and regulations. Services fall into five main categories for charging purposes. These categories are set out in the table below:

Category	Examples of charge
No charge permitted	<ul style="list-style-type: none"><li>• Housing advice</li><li>• Planning application relating to a listed building</li></ul>
Charges or charging scheme set by government or in legislation – little or no local input	<ul style="list-style-type: none"><li>• Planning application fees</li></ul>
Charging scheme set locally but must be in accordance with government-prescribed principles	<ul style="list-style-type: none"><li>• Community Infrastructure Levy</li></ul>
Charge set locally, but essentially income cannot exceed the cost of providing the service	<ul style="list-style-type: none"><li>• Charge for a discretionary service with no other charging rules e.g. Trade Waste</li><li>• Charge for a service provided using the general power of competence</li></ul>
No limit on charge	<ul style="list-style-type: none"><li>• Commercial property rents</li></ul>

2.2 **This policy is focussed on the power to charge for discretionary services as it is in this area where the Council has greatest scope for setting charges and the most guidance is required.**

2.3 Section 93 of the Local Government Act 2003 provided local authorities with new powers to charge for discretionary services in order to promote or improve economic, social and environmental wellbeing.

2.4 A discretionary service is by nature non-statutory (i.e. a service which the Council is not mandated or under a duty to provide) and thereby provided at the discretion of the Council. In addition to this, the Council can offer a range of add-ons or enhancements to existing statutory services, which may also be classed as discretionary services.

2.5 CIPFA guidance, '*A practical guide for local authorities on income recognition*' 2015 edition, states the discretionary income powers derived from the Local Government Act 2003 have a number of key features:

- Income from charges should not exceed the costs of provision, although there is a recognition that for new services it may take a while to establish the true cost.
- The Council must have the power to provide the service.
- The recipient of the discretionary service must have agreed both to its provision and to pay for it.
- As outlined above it does not apply to services which the Council is mandated or has a legal/statutory duty to provide.
- Charges may be set differentially, so that people are charged different amounts as long as cost recovery is not exceeded. The Council are not required to charge for discretionary services; they may provide them free of charge.

### 3 General principles

3.1 In general terms, it is the Council's policy that unless there is a good reason why an exception should be made, a charge should be levied for all discretionary services in accordance with this policy.

3.2 With regard to non-discretionary services, where the Council has control over whether a charge should be levied and the scale of those charges, it is the Council's policy that a charge should be made unless there are good reasons why an exception is made. In the case of some non-discretionary services the fees are set out in statute and the Council has no option but to charge these fees.

3.3 In some cases, it may be inappropriate to make a charge for a discretionary service; examples of these could include:

- Where it is specifically prohibited to make a charge for a service.
- Where the service is delivered to all residents, indicating it could be considered to be funded by Council Tax.
- Where administration costs of making a charge are greater than any income generated.

- Where making a charge would be contrary to achieving one of the Council's objectives set out in the 2016-2020 Corporate Strategy.

3.4 The introduction of charging may not be simply to achieve a financial objective: in many cases charges can also be used to achieve non-financial objectives. For example, a charge was introduced for bulky waste collections in 2001 as part of the Council's waste minimisation strategy. This has proven to be successful and has led to a reduction in collection requests from 11,500 in 2002/3 to 1,500 in 2012/13.

3.5 All charges within the Council's control should be reviewed annually. As part of the annual review an appropriate increase or decrease should be included for factors such as inflation and the changing cost of support services.

3.6 All discretionary services provided for which a charge could be made but is not must be reviewed periodically in order to assess whether a charge should be introduced. Any discretionary service which does not make a charge should be as a consequence of the consideration of, and agreement to an appropriate business case.

## 4 Establishing the charge

4.1 The decision regarding the level and basis of calculation of charges should be transparent and open to scrutiny.

4.2 It is also important that the calculation of the charge is not too bureaucratic or overly complicated. Although care must be taken to ensure cost recovery is not exceeded, when calculating the cost of support services a percentage of overall costs in that particular cost centre should be included. Due to the number of variables that could be considered when allocating these costs, it would be unreasonable to expect total accuracy when setting charges.

4.3 Where the Council controls the level of the charge, it is the Council's policy that the amount charged should look to recover the full modified total cost of providing the discretionary service.

4.4 However, if the modified total cost of providing the service is far in excess of what the market will bear, charges can be set at the market rate where full modified total cost recovery is not achievable.

4.5 For the purpose of simplicity, we will define the modified total cost as being made up of direct labour costs, direct plant and equipment costs, consumables and overheads:

Title	Detail
Direct labour	Direct employee costs whilst providing service i.e. hourly rate.
Direct plant and equipment	Hourly unit cost price of any CBC owned assets used in providing the service.
Consumables	Any one-off costs involved in providing the service such as materials, stationery, fuel, etc.
Overheads	Percentage surplus added to direct costs. This is calculated on a cost centre basis: $\frac{\text{TOTAL FOR SUPPORT SERVICES}}{\text{TOTAL EXPENDITURE}}$

- 4.6 The individual charge is calculated by dividing the total cost by the estimated annual units of provision of the service to produce a cost per service provided. It is recommended that this charge is reviewed on an annual basis.
- 4.7 Service managers should look to collect income via advanced payment and also online where possible. This not only cuts down the cost of providing the service but also helps to demonstrate that the customer consents to the charge.