



**LANCASTER CITY COUNCIL**  
*Promoting City, Coast & Countryside*

# **FEES AND CHARGES POLICY**

**DECEMBER 2011**

## **1. INTRODUCTION**

- 1.1. The decisions made by councils about charging for local public services affect everyone. Where councils charge for services, users pay directly for some or all of the costs of the services they use. Where no charges are made, or where charges do not recover the full cost of providing a service, council taxpayers subsidise users.
- 1.2. Fees and charges represent an important source of income, providing finance to assist in achieving the corporate objectives of Lancaster City Council. The purpose of this policy is to establish a framework within which fees and charges levied by the council are agreed and regularly reviewed.
- 1.3. The decision on whether to make a charge (and the amount to charge) is not always within the control of the council. But where it is, it is important that the implications of the charging decisions being taken are fully understood and that the appropriate information is available for the council to make informed decisions.
- 1.4. The policy therefore provides clear guidance to service heads and service managers on;
  - The setting of new fees and the policy context within which existing charges should be reviewed.
  - How fees and charges can assist in the achievement of corporate priorities.
  - The council's approach to cost recovery and income generation from fees and charges.
  - Eligibility for concessions.
- 1.5. The policy should allow the council to have a properly considered, consistent and informed approach to all charges it makes for its services. This will in turn, support the delivery of corporate objectives.

## **2. GENERAL POLICY**

- 2.1. This policy relates to fees and charges currently being levied by the council and those which are permissible under the wider general powers to provide and charge for discretionary services included within the Local Government Act 2003.
- 2.2. Statutory charges also fall within the scope of the policy, even though their level may not be determined by the council. This ensures clarity and consistency and allows subsequent reviews of the policy to be comprehensive. It also enables changes to the national legislative charging framework, and any other situations that may arise in the future, to be addressed.

### Council policies, strategies and priorities

- 2.3. Specific decisions and charging policies should support delivery of the council's Corporate Plan and other local strategies and service objectives.

Charging decisions will take account of the council's corporate priorities and have regard for the potential impact on other service areas.

#### Basis of charging decisions

- 2.4. The council will charge for all services where it is appropriate and cost-effective to do so, unless there are contrary policies, legal or contractual reasons.
- 2.5. When discretionary charges are set, the general aim shall be to cover the cost of the service or, where legally possible, the council may charge on a commercial basis. Charges will reflect the full cost of provision, unless covered by subsidies/concessions designed to meet corporate priorities or there are contrary policies or legal reasons.

#### Concessions

- 2.6. Subsidies and concessions should be used to help achieve specific targets or objectives. Concessions should be awarded and reviewed in relation to each service. Where subsidies and concessions are applied there should be an evaluation process in place to measure levels of success in meeting these objectives. Definitions and qualifying criteria for concessionary target groups should be consistent across the council.

#### Surplus Income

- 2.7. 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 50% of this surplus will be considered as a corporate resource and transferred to unallocated balances. This is on the provision that this is not prohibited by other statutory requirements or government guidance.
- 2.8. However, it is acknowledged that the ability to use charges to deliver the corporate priorities of the Council requires a degree of freedom and corporate controls (as expressed through this policy) need to avoid imposing unnecessary restrictions. Therefore, proposals for re-investing any additional income raised from charging in the expansion and development of a particular service will need to be considered as part of the annual review of charges. Each proposal will therefore be considered on its own merit and in light of financial planning process.

#### Efficient Administration

- 2.9. Arrangements for charging and collecting fees should be efficient, practical and simple to understand by users. The reasons behind any significant changes to charges should be communicated to residents and service users. The impact of charging decisions on service users and local residents will need to be taken into account.

#### Regular Review

- 2.10. Charges, and decisions not to charge, will be reviewed annually in sufficient time for the impact of any revisions to be included in the budget setting process.

### Policy Implementation

- 2.11. The policy will encompass decisions made as part of the annual fees and charges review process, where new charges are introduced or where existing charges are removed or amended.
- 2.12. The policy is undertaken in accordance with the council's Constitution (Financial Regulations). These put the responsibility with Service Heads, for recommending the level of existing or new charges, to the Council.

### **3. CHARGING POLICY**

- 3.1. Within the service and financial planning process, each fee or charge should be identified to one of the categories in the following table and the appropriate charging policy adopted in establishing and reviewing charging rates / levels. This will be subject to approval through the budget process or, for in-year changes, subject to approval by Cabinet or Service Heads under delegated authority. In all cases, in determining an appropriate charging policy, proper consideration should be given to the wider equalities implications which may be involved affecting full accessibility of all groups to council services.

<b>CHARGING POLICY</b>	<b>POLICY OBJECTIVE</b>
Full commercial	The council seeks to maximise revenue within an overall objective of generating as large a surplus (or a minimum loss) from this service.
Full commercial with discounts	As above, but with discounted concessions being given to enable disadvantaged groups to access the service.
Fair charging	The council seeks to maximise income but subject to a defined policy constraint. This could include a commitment made to potential customers on an appropriate fee structure. Alternatively, a full commercial rate may not be determinable or the council may be a monopoly supplier of services.
Cost recovery	The council wishes to make the service generally available, but does not wish to allocate its own resources to the service.
Cost recovery with discounts	As above, but the council is prepared to subsidise the service to ensure disadvantaged groups have access to the service.
Subsidised	Council policy is to make the service widely accessible, but believe users of the service should make some contribution from their own resources. Could also be due to the adverse impact a cost recovery or commercial charging policy would have on other council services.
Nominal	The council wishes the service to be fully available, but sets a charges to discourage frivolous usage.
Free	Council policy is to make the service fully available.
Statutory	Charges are set in line with legal obligations.

- 3.2. In applying the appropriate charging policy, the issues which may need to be considered in setting the level of fee and charge for any particular service include typically those set out below:

CHARGING POLICY	POLICY OBJECTIVE
Full commercial	<ul style="list-style-type: none"> <li>• Are the charges high enough for the service to be profitable? If not, consider whether the service should be provided.</li> <li>• Are competitors charging similar prices?</li> <li>• Does the council offer any premium in terms of service levels that customers would be prepared to pay more for?</li> <li>• How would changes in pricing structures affect demand for the service and potentially its profitability?</li> <li>• How does the proposed fee structure fit in with the long-term business plan for the service?</li> </ul>
Fair charging	<ul style="list-style-type: none"> <li>• How do the charges compare to other providers of similar services?</li> <li>• Has the loss of income from not charging on a commercial basis been evaluated?</li> <li>• Is the policy constraint justifying this charging policy still valid?</li> </ul>
Cost recovery	<ul style="list-style-type: none"> <li>• Do charges recover the full costs, including overheads, capital charges and recharges?</li> <li>• Is it possible to charge on a full commercial basis and if so has the loss of income from not charging on a full commercial basis been evaluated?</li> <li>• Are Members aware of the effect on demand for this service from this charging policy?</li> <li>• What would be the effect of changing the policy to a different one e.g. subsidised?</li> </ul>
Subsidised	<ul style="list-style-type: none"> <li>• Has the cost of the subsidy been evaluated?</li> <li>• What has been the impact on demand and on service levels from adopting this approach?</li> <li>• Does this approach fit in with the requirements of other funding streams i.e. grants?</li> <li>• Is this approach legally required?</li> <li>• Is there a problem of frivolous use of the service?</li> </ul>
Nominal	
Free	
Statutory	<ul style="list-style-type: none"> <li>• Are charges in line with statutory requirements?</li> <li>• Are they set at the maximum permitted levels?</li> </ul>

#### 4. SUBSIDIES AND CONCESSIONS

4.1. It might be appropriate to consider subsidising some services, particularly if this helps to achieve corporate priorities and supports local strategies and policies. The main reasons for charging less than full cost are set out below;

- There is a sound financial and policy justification for the council tax payers subsidising this service.
- The desire to encourage particular sections of the community to use specific services, and they could not afford, or might otherwise be deterred by, full cost charges.
- Charging full cost discourages or prevent uptake, which may have a detrimental impact on the council's finances in the long run.

- Use of the service is sensitive to a change in price – an increase in charges reduces demand and income.
  - The council incurs higher costs than other providers because the service is provided in a way that is appropriate and accessible for all sectors of the community.
- 4.2. When considering using a subsidy, the following points should be taken into account;
- That it supports a corporate priority, objective, or policy.
  - There is evidence to suggest that the impact of the policy can be measured.
  - The cost of the subsidy can be estimated and accommodated within the council's budget.
  - That the proposal is the most effective approach available to deliver the policy objective.
- 4.3. It is recognised that in some circumstances discounts may not be appropriate and that, in all cases, it will be necessary to carefully consider the impact on income before introducing discounts or concessions to service areas which do not currently offer them.

## **5. NEW FEES AND CHARGES**

- 5.1. Proposals for new fees and charges must be considered within the financial planning process or, where necessary, submitted to Cabinet for approval as an in-year change.
- 5.2. Proposals for new fees and charges should be analysed using the guidance in the appendix to this policy. This effectively provides a brief rationale and business case for the proposed charge.
- 5.3. The effects of any new charge on service usage and income generated will be monitored regularly over the first 12 months and reviewed within the Performance Management framework.

## **6. REVIEWING FEES AND CHARGES**

- 6.1. Service Heads must consider charging policies and current levels of charge each year as part of the service and financial planning process. The presumption is that the value of fees and charges will be maintained in real terms over time and increased annually in line with inflation as set within the service and financial planning process.
- 6.2. If there are any significant changes in the course of a year, such as in cost, market forces or service levels, which materially affect current charges and revenues, then that charge should be reviewed and any change approved by Cabinet or through delegated authority as an in-year change.

### Annual review of fees and charges

- 6.3. Service Heads should review the charge and anticipated yield from fees and charges in sufficient time to be able to influence the annual budget process.

- 6.4. As part of this process, the Head of Financial Services will determine the percentage rate for “typical” fees and charges increases. Additionally, Cabinet may decide to set income targets for specific service areas as part of an effort to identify efficiencies and/or generate additional income.
- 6.5. Service Heads will review existing fees and charges in line with this policy and the financial planning process. Any proposal to significantly amend an existing fee or charge will require a full justification and explanation to be provided.

## **7. COLLECTION OF FEES AND CHARGES**

- 7.1. In line with the Debt Management Policy, wherever it is reasonable to do so, charges will be collected either in advance or at the point of service delivery. Where charges are to be collected after service delivery has commenced, invoices will be issued promptly, and as necessary appropriate recovery procedures followed.

## **8. RECORDING OF FEES AND CHARGES**

- 8.1. Each service should maintain a schedule of fees and charges levied. This schedule should include, but identify separately, those charges where there are national / external procedures or other specific procedures for determining and reviewing rates of charge.
- 8.2. The council's fees and charges are set prior to each financial year. They are widely published including the council's website, and consist of a schedule of charges across each service area.
- 8.3. Reasonable notice should be given to service users before any decisions to amend or introduce new fees and charges are implemented, together with clear advice on VAT, together with any discounts or concessions available. Reasonable notice is defined as one calendar month.

## GUIDANCE FOR NEW FEES AND CHARGES

### Charging Policy

The charging policy objectives must be stated here, together with why this policy (Full Commercial or Fair Charging etc.) has been adopted. The intended aims of the charges should also be clearly thought out and explained. Any legal issues should be identified.

### Comparative Information

Include here details of comparative information collected from other authorities or competitors etc.

### Financial

Information Required	Description
Level of charge	Recommended or proposed new level of charge.
Start date	Proposed implementation date for new level of charge, although it could be related to a future event.
Budgeted income	Level of income to be generated from the new charge.
Surplus / deficit as a percentage of cost	The total cost of supplying the service (including recharges and other overheads) should be calculated and deducted from the income generated. This surplus or deficit should then be compared to the total cost as a percentage. Calculating total cost may require the use of judgement and reasonable assumptions. This is acceptable, so long as a clear audit trail of those assumptions is maintained.
Surplus / deficit per usage	The difference between income generated and the total cost of providing that service, divided by the expected number of users of that service.

### Impact Assessment

Any proposals must identify likely impact on the service's users including; who currently benefits from the service, the effects on them of any changes and who will benefit from new exemptions and discounts together with how demand and usage is expected to change. Equality issues must specifically be considered and reported.

### Impact on Other Areas

The likely consequences in terms of reduced or increased demand for other council services must be identified here as well as any extra costs to other services. Equality issues must specifically be considered and reported.



**Method of Collection**

Proposals for new charges must identify what collection methods will be used. If this is a change in current arrangements it will need to identify the following:

- What the likely impact is on the rate and costs of collection;
- What account has been taken of how long low income users can pay; and
- How cost effective will the new methods be?

**Alternatives**

Explain here the other measures that have been considered instead of, or as well as, the proposed charge (cost cutting, reducing charges, sponsorship etc.).

**Consultation**

Include here the extent of consultation conducted, which will be dependent upon the impact of fee and/or charge, and the results of that consultation.