

Appendix 2

DRAFT POLICY AT 4 October 2010

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BACKGROUND

Fees and charges represent an important source of income, providing funds to assist in achieving the wider objectives of the Council. The purpose of this policy document is to establish a framework within which fees and charges levied by the Council are agreed and regularly reviewed.

Obviously, it is a matter for the Council to determine and set the charging policy, including the criteria for concessions and other any discretionary reductions in fees. All fees and charges should be reviewed regularly, including an appropriate level of scrutiny by elected members.

This policy provides guidance to managers in setting appropriate levels of fees and charges, taking into account client groups and corporate objectives, and to provide for regular reviews of fees and charges within the overall service and financial planning process.

Incorporating the review of fees and charges formally into the service and planning process will also permit consideration of cross-cutting issues and impacts in the context of wider policy considerations.

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 Council objectives.

LOCAL GOVERNMENT ACT 2003

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.

GENERAL POLICY

Raising revenue from charges for services is an important element in the overall funding of the Council's services and activities. It also demonstrates the value of a service and can help to discourage abuse. Most importantly, it plays a role in furthering service and strategic objectives. Consideration should therefore be given, on a regular basis, to the scope for raising revenue through charges for services and to reviewing the appropriateness and adequacy of the levels of charges being proposed or actually in force.

This should be done within a general policy framework. It should also be carried out within the framework of the Council's service and financial planning processes.

Primary responsibility rests with Directors and Heads of service to take appropriate action in relation to fees and charges levied for services.

In establishing new charges, the basis and extent of any discounts or concessions or considering changes to existing charges, Directors and Heads of Service will have regard to the advice and guidance set out in the following sections.

In relation to the review of existing charges, there is to be a general policy presumption that the levels of fees and charges should rise, each year, in line with the rate of inflation, as determined for budget planning purposes within the Council's service and financial planning processes.

Changes in charges in line with inflation would be approved within the budget setting process. On an exception basis where, following review, changes in fees and charges are proposed other than in line with inflation as determined above, these changes would be subject to a report to Cabinet setting out the reasons for the specific changes being proposed. These matters would generally be dealt with as part of the overall Income Review process.

Following the implementation of an appropriate charging policy, new information or a change in circumstances may make it appropriate for a charge or fee to be changed substantially in-year. In these situations any changes should be approved by Cabinet and the revised charge reviewed within the next financial planning cycle.

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 Cabinet and each proposal must be considered on its own merits at that time and within the general service and financial planning framework.

NEW FEES AND CHARGES

Proposals for wholly new fees or charges must be considered within the service and financial planning process or, where necessary, submitted to Cabinet for approval as an in-year change.

Reasonable notice should be given to service users before any new charge is implemented, together with clear advice on any discounts or concessions available.

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 framework of the next service and financial planning cycle.

CHARGING POLICY

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. 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.

Charging Policy	Policy Objective
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 charge to discourage frivolous usage.
Free	Council policy is to make the service fully available
Statutory	Charges are set in line with legal obligations

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

DISCOUNTS AND CONCESSIONS

In some circumstances it may be appropriate to consider offering discounts or concessions in relation to particular activities or customer groups on a basis which is consistent with achieving the Council's overall objectives. Specific points to consider when establishing or reviewing the level of any discount or concession offered for a particular service include:

- Are we benefiting local residents?
- Can a discount policy contribute to wider policy objectives aimed at maximising access to services from among disadvantaged groups?
- Is the policy to target specific groups with discounts still valid?
- To what extent is there evidence that the discount policy is successful in benefiting the target groups?
- Are there other groups that should be considered for discounts?

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.

Given the wide range of services delivered by the Council, it would be inappropriate to set a blanket rate for discretionary charges. As a guiding principle, however, where discounted charges apply, they should normally:

- Be set at no more than 50% of the full cost (rounded up/down to the nearest 10p)
- Not be applied to group bookings
- Not be applied in addition to any other promotional event/offer

Those entitled to a discount or concession would be:

1. Thurrock residents who are 60 or over;
2. Thurrock residents currently receiving any of the following benefits:
 - Income Support
 - Working Tax Credits
 - Housing Benefit
 - Jobseeker's Allowance
3. Any library users (regardless of residence) claiming:
 - Incapacity Benefit
 - Severe Disablement Allowance
 - Attendance Allowance
 - Disabled Tax Credits
 - Disability Living Allowance

REVIEWING FEES AND CHARGES

Directors/Heads of Service must consider charging policies and current levels of charge each year as part of the service and financial planning process. As indicated earlier, 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.

In addition, any source of income with an annual budget in excess of £250,000 per year should be subjected to detailed review annually within the service and financial planning process. Guidance on the matters to be covered in the review is set out in Appendix A. This provides a template for reporting the outcome of reviews. Sources of income that are expected to be less than £250,000 per year should be subject to detailed review over a three year period as a minimum.

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 Cabinet as an in-year change.

COLLECTION OF FEES AND CHARGES

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.

RECORDING OF FEES AND CHARGES

Each Directorate 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. In all cases, however, the schedule should indicate:

- The nature of the service or supply being charged for;
- By whom charges are determined;
- The basis of charge;
- Current rates of charge;
- Estimated revenue income in current year.

And on review within the service and financial planning process,

- Proposed increase;
- Percentage increase;
- Proposed rate of charge;
- Effective date for increase;
- Estimated revenue income in full year.

This will facilitate the proper consideration and approval of fees and charges, and subsequent changes, through the service and financial planning cycle and budget setting process.

The Directorate should also maintain records of service users who receive a concession or discount.

Appendix A

HOW TO CALCULATE COST RECOVERY

In circumstances where the Council wishes to make a service generally available, but does not wish to allocate its own resources to the services, fees or charges should be set to recover full annual costs of provision, including overheads, capital charges, recharges and cost of collection.

NB: It should be noted that in some cases the methodology for calculating appropriate cost recovery is prescribed by statutory instrument or by grant conditions from a sponsoring government department or agency. It is only where the Council is free to make its own calculations that the following methodology should be used.

1. The main features to be taken into account in measuring the annual cost of a service are:
 - Total employment costs of those providing the service including national insurance and superannuation contributions (currently 23%)
 - Accommodation (including capital charges for freehold properties)
 - Materials and stocks
 - Fixtures and fittings
 - Maintenance (including cleaning)
 - Utilities
 - Distribution costs
 - Advertising
 - Office equipment (including IT systems)
 - Postage, printing and telecommunications
 - Bad debts
 - Depreciation

2. The following costs must be excluded:
 - Enforcement costs
 - Replacement costs of insured items
 - Start up costs which have been capitalised

Not everything in these lists will apply to every service. It is important that the calculation is comprehensive, including all relevant overheads and non-cash items.

To assist members and officers, the Accountancy Team calculate these costs each year for the entire Council and translate them into a single multiplier that can be applied across the organisation. **For financial year 2010/11, the full cost recovery multiplier is 1.92 of employment costs (including national insurance and superannuation.** This can be used where a more detailed analysis of service specific costs is not readily available.

WORKED EXAMPLE

The Council provides a service for which it wishes to charge a fee that will recover full costs. The service is provided by four officers each earning £20,000. It is estimated that 12,000 people will use the service each year.

STEP 1: Apply national insurance/superannuation uplift to base salaries:

$$£20,000 \times 4 \times 1.23 = £98,400$$

STEP 2: Calculate total costs using the cost recovery multiplier:

$$£98,400 \times 1.92 = £188,928$$

STEP 3: Divide the total from STEP 2 by the estimated number of users per annum:

$$£188,928 / 12,000 = £12.5952$$

Therefore, the full cost recovery fee will be £12.60 per item

Appendix B

TEMPLATE FOR REVIEWING 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. In particular, where a concession or discount is to be offered, there should be a clear explanation of how this will further the aims and objectives of the Council.

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

Financial Information	
Level of charge	Recommended of proposed new level of charge
Degree of change	Percentage change compared to existing charge
Start date	Proposed implementation date for new level of charge, although it could be related to a future event
Budgeted income (current year)	If forecast income will be significantly different to current budget, then this should be disclosed here
Budget income (after change to charge)	This should use the same assumptions as the current budget however this may not always be possible. If so, a revised forecast should be given and should be clearly identified as a revision
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 Analysis on Users

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 Service Areas

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

Method of Collection

Proposals for new or revised 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 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 changes to charges (cost cutting, reducing recharges, sponsorship etc).

Consultation

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