

Neath Port Talbot County Borough Council

Policy and Resources Cabinet Board

1st November 2017

Report of the Head of Financial Services

Matter for decision

Wards Affected:

All Wards

Corporate Charging Policy

Purpose of report

1. To request that members approve and adopt a Council Corporate Charging Policy.

Executive Summary

2. Attached as an appendix to this report is a proposed Corporate Charging Policy which members are asked to approve and adopt as a formal policy of the Council.

Background

3. Charging for services is an important part of the Council's operation in terms of raising revenue to help contribute to the achievement of policy objectives. The 2003 Local Government Act gave Councils the power to charge for discretionary services, giving them far more scope to set and manage charges than previously existed.
4. The Council has charged for various services for many years and there are controls and processes in place to regulate how charges are agreed, set, processed and monitored. There has until now however, been no formal Corporate Charging Policy which brings these controls and processes together.
5. This policy clarifies the important role that charging and income generation has in supporting the Authority's Budget Strategy. It provides a clear and consistent approach to charging across the Council, including a set of key principles for charging plus an annual

review process which will form a key part of the annual budget setting process.

Financial Impact

6. There are no direct financial impacts from this report, though the policy itself will impact on the charging for services across the Council.

Equality impact assessment

7. There is no requirement for an equality impact assessment.

Workforce impacts

8. There are no workforce impacts arising from this report.

Legal impacts

9. There are no legal impacts arising from this report.

Risk management

10. There are no risk management issues arising from this report.

Consultation

11. There is no requirement under the Constitution for external consultation on this item.

Recommendations

12. It is recommended that members approve the attached draft policy.

Reasons for proposed decisions

13. For the Council to adopt a formal Corporate Charging Policy.

Implementation of decision

14. The decision is proposed for implementation after the three day call in period.

Appendices

15. Appendix 1 – Draft Corporate Charging Policy

List of background papers

16. None

Officer contact

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Neath Port Talbot County Borough Council
Draft Corporate Charging Policy

Purpose

This policy exists to clarify the important role that charging and income generation has in supporting the Authority's Budget Strategy. It provides a clear and consistent approach to charging across the Council. The key aims are:

- To create a consistent and co-ordinated approach to charging, that is applied across services
- To outline the key principles for charging by Neath Port Talbot CBC.
- To set out an annual review process for all discretionary charges. This annual review will form an integral part of the annual budget setting process.

Background

Charging is an important issue for Local Government for raising revenue which contributes to the achievement of policy objectives. The 2003 Local Government Act provides Councils with the power to charge for discretionary services, giving them far more scope to set and manage charges than previously existed.

Fees, charges and trading represent a significant opportunity for Councils to both raise revenue and pursue local objectives (Trading opportunities are currently limited in Wales as we do not have the equivalent legislation as is in place in England. This is something that the Welsh Government is looking at as part of the local government reform agenda).

The Council's priorities and corporate objectives are refreshed each year, to ensure that priorities and planned outcomes remain in line with residents' needs and the resources available. The Council needs to ensure that the charging policy contributes towards the achievement of its priorities, and makes it easier for the Council to operate and do business, whilst at the same time making sure it doesn't add an additional layer of bureaucracy to processes that may already be complicated.

Key principles

This document primarily relates to discretionary charging for services. There are some services charges that are mandatory, and the fee is set nationally, whilst for other services the Council is expressly prohibited from charging. Therefore, the basic assumption is that the Council will apply and collect statutory charges as appropriate and that such statutory charges then fall outside the scope of this document.

All discretionary charges will be covered by this policy, taking into account the following key points:

- The starting point for consideration of fees and charges is that they should cover the full cost of providing the service, including the correct allocation of overheads.
- Any decision not to fully recover costs through fees and charges should be evidence based.
- Where charges are not made for a service, or are reduced below full cost recovery level, the reasons for this should be considered as part of the annual review process to ensure that significant income is not being lost.
- Charging should contribute towards the achievement of the Council's priorities and annual revenue budget targets.
- The policy should be simple and easy to apply.
- Charges should be reviewed on an annual basis, using clear and transparent evidence and knowledge to set the level of charges

If a service or department believes that a specific charge should be exempt from this policy or should adopt a different approach to concessions, then a clear case for exemption will need to be approved by members.

When to charge

Whenever consideration is given to funding sources for specific services, it will be expected that the Council will charge for services, except where a clear decision is taken not to do so for one of the reasons given below. Reasons for not charging are:

- There is a legal or statutory reason forbidding the levy of charges
- The Council has entered into other contractual arrangement which prevents the levy of charges

- The costs incurred in generating the income exceed the actual income generated
- The potential risks to the Council incurred as a result of charging outweigh the benefits

Setting of Fees and Charges

Charges should be set using clear and transparent evidence and knowledge to support the level of charge. The Council's Forward Financial Plan (FFP) assumptions state that generally, income from fees and charges will be increased by an inflationary percentage, however, each service has the ability to determine their own increases. When determining specific charges, it is appropriate to take into account some or all of the following:

- Encouraging specific activities and use of certain services
- Ensuring regulatory compliance
- Contributing to long-term sustainability of some activities or services
- Local market factors
- Consideration of charges for similar services raised by other local authorities or private sector competitors
- Whether in some cases reduced charges should be available to some groups to promote inclusion
- Whether less than full cost recovery should be considered
- Whether scope exists to increase take-up through more effective marketing and publicity and the form that this might take.

Different charging strategies

The following are charging strategies that should be taken into account when setting the fees and charges:

1. **Full cost recovery** - The Council will aim to cover the cost of providing the service from those who use it. The full cost of the service, including properly charged overheads will be a starting point for calculation the charges.
2. **Subsidised** – Users of the service to make a contribution to the costs of providing it. Clear evidence has to be made available to support this option.

3. **Free** – The Council may choose to make the service available at no charge to meet a service objective, the cost of the service will therefore be met by Council tax payers.
4. **Statutory** – Charges will be set in line with legal requirements.
5. **Commercial Charges** – Where commercial activities are in place the Council will aim to cover the cost of providing the service and make a surplus to fund other priority services (in line with legislative requirements). The full cost of the service, including all overheads will be a starting point for calculating the charges.

Where any future decision is taken to charge for a service, the Council will aim to set charges reflecting the full cost of the service, unless the review conducted comes to a different conclusion.

If the income from a service does not meet the costs, this should be as a result of a conscious decision, consistent with Council priorities. The service will then be subsidised by tax payers.

Where charges for a service are set below the full cost recovery level, the reasons should be reconsidered annually as part of the review of fees and charges.

Annual Review

All charges will undergo a thorough annual review as part of the budget process. The process will consider the following factors:

- Previous years income
- Trends in user demand and the impact of any changes to the charge
- Inflationary pressures
- Council priorities
- Council budget saving targets
- Need for any investment in the service
- The likely impact of any increase/decrease on service users, particularly vulnerable groups at risk of social exclusion; and any alternative charging structures

Existing charges should be reviewed, including any charges where the full cost is not recovered. The reasons why the full cost is not recovered must be reviewed annually. In addition any service where no charge is

levied, but the possibility a charge could be made must be reviewed annually to ensure the Council is maximising/generating appropriate levels of income, whilst also protecting the needs of the most vulnerable groups within the County Borough.

The corporate charging policy itself should also be subject to review every three years to ensure it remains up-to-date and relevant. Therefore the next review will take place in 2020.

Individual Service Charges

Adopting the principles contained within this Corporate Charging Policy, individual services are required to develop and maintain their own schedule of service specific charges which will be reported for approval to the relevant Cabinet Boards. Individual directorates through their Group Accountants should maintain an accurate and up to date register of charges for their services.