

BACKGROUND

This Council provides a wide range of services to the residents and businesses in Somerset. Some services are statutory and must be provided, but others are discretionary. Councils are permitted to provide additional non statutory services and charge for these services under the Local Government Act 2003.

Fees and charges represent an important source of income, providing finance to help achieve the corporate objectives of the Council. The purpose of this policy is to set out a clear framework within which fees and charges levied by the Council are agreed and regularly reviewed.

The decisions on whether to make a charge (and the amount to charge) are not always within the control of the Council. Where they are controlled locally, however, it is important that the implications of the charging decisions being taken are fully understood and that the appropriate information is available to make informed decisions

The policy supports the Council in having 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

LEGAL FRAMEWORK FOR CHARGING

The legislative framework for charging is complex and services must ensure that any charges that are applied meet the current legal requirements. Charges for statutory services are only permissible where this is supported by legislation. In these circumstances, the charges applied must adhere to the limitations set out in the legislation or associated guidance.

The Local Authorities (Goods and Services) Act 1970 gives local authorities the power to enter into agreements with other local authorities and certain public bodies for the provision of goods and administrative, professional or technical services. The law allows us to charge for discretionary services. Some services (e.g. country parks) has its own legislation which allows charging. Where service specific legislation does not empower charging then the Council can rely on the following legislation to charge for discretionary services:

- Localism Act 2011: General Power of Competence
- Local Government Act 2003: The Power to Trade and the Discretionary Charging Powers

The Acts stated above introduced powers to charge for discretionary services that can be applied by the Council; additional guidance should be sought with regard to the specific requirements of the Acts.

An important point to note with regard to the powers to charge and trade is that whilst these are limited to discretionary services, where a service is being provided under statutorily defined limits, any enhanced provision beyond statutory requirements could be considered to be discretionary and can therefore be charged for in line with the requirements of this policy.

THE LEVEL OF CHARGE

The charges for some services are prescribed by central government. However, where the Council has discretion to set the level of charge this should be on the following basis:

- All charges should be on a full commercial basis to maximise income, increasing annually at least by September CPI.
- All charges should be aligned to the highest rate for the same service.
- The Council will have a user pays policy
- All discretionary services should be reviewed to identify the potential for new charges.

In some cases, the charging principles may not be permissible or appropriate, such as:

- Where the service does not comply with the cost recovery policy statement
- Market conditions will not sustain charges at this level, such as a service with alternative providers.
- The increase would not meet corporate objectives

DETERMINING SPECIFIC CHARGING MODELS

Each fee or charge (or group of similar charges) should be linked to one of the categories in the following table and the appropriate charging model/policy adopted in establishing and reviewing charging rates for that particular service or activity. Where new charges are being introduced or changes in charging policy are proposed, the charging policy should be made clear as part of the decision-making process.

In all cases, in determining an appropriate charging policy proper consideration should be given to the wider equality implications that could affect accessibility of council services to any groups. The charging model adopted will need to be acceptable if outside of the fees and charges principles.

Charging

Policy/Model

Full Commercial – Default Position	Council seeks to maximise revenue with the objective to recover full costs of provision.
Full Commercial with discount	As above but needs to consider market factors
Subsidised	Council policy to make the service widely accessible but users make a contribution. This could also be in place as setting charges at full cost recovery would impact on council services eg Swimming Pool.
Nominal	Service fully available but charge set to discourage unnecessary usage.
Free	Council policy to make the service fully available without charge.
Statutory	Charges are set in line with legal obligation eg Planning fees
Property Rental/Lease	Charged at commercial rate, where there is an exception this needs a clear explanation.
Cost Recovery	Council wants to make service generally available but does not want to fund the cost of the service from Council resources.

Cost recovery with
Discounts

As above, but with discounted concessions being given to enable disadvantaged groups to access the service.

DISCOUNTS AND CONCESSIONS

It may 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 prevents 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.

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.

NEW FEES AND CHARGES

Proposals for new discretionary fees and charges must be considered within the annual budget process or alternatively, if appropriate, submitted to Executive initially for approval as an in-year change. Should any proposed change fall outside of the budget and policy framework, it would also require referral to Council.

Each Proposal for new fees and charges should include a brief rationale and business case for the proposed charge. The effects of any new charge on service usage and income generated will be monitored regularly over the first 12 months and formally reviewed as part of the following budget process.

Where new statutory fees and charges are to be introduced, or when changes have been notified, ideally the Executive and/or Council should be advised of any significant budgetary or policy implications prior to their implementation by Officers, should timescales allow; this may be done through the budget process. Alternatively, any implications should be reported retrospectively through usual quarterly monitoring arrangements.

REVIEWING FEES AND CHARGES

All Fees and Charges should be reviewed annually by the Service Director, in line with the annual budgeting process for the forthcoming year.

The review needs to follow the principles of the fees and charges policy which is that the value of fees and charges will be maintained in real terms over time and increased annually in line with estimated inflation, as determined through the budget. Clearly this

assumption changes, if the adopted charging policy for a particular activity determines otherwise but this would be an approved exception to the policy principles.

The Annual Review should include:

Business intelligence on fees- customer feedback, comments,
Conducting benchmarking with appropriate groups
Review websites, national trends to keep in touch with economic trends
Communication – inform all stakeholders fees may change
Consider current and new charges and how to generate revenue
Consider supply and demand and market conditions

In addition to the annual review, if there are any significant matters arising during the course of a year, such as in cost, market forces or service levels, which materially affect current service costs and revenues, then relevant fees and charges should be reviewed. If it is reasonable for them to be adjusted in year, to keep within the budget framework, then the Director has delegated authority to do so. Any such changes must be reported to the Executive retrospectively as part of regular monitoring reports.

COLLECTION OF FEES AND CHARGES

Fees and charges income should be collected and accounted for using the Council's Debtors System and in accordance with the Council's Financial Regulations, Income Collection Policy and any supporting instructions, procedures and guidance.

To improve income collection and avoid the risk of bad debts or write offs, services should:

- Collect fees in advance of the service being provided where possible;
- Ensure all customers are assessed and billed promptly;
- Ensure all customers pay charges promptly and that an effective recovery process is in place;
- Provide transparent accounting and administration to ensure all fees and charges provide clear proof of debt.

REGULAR MONITORING OF INCOME FROM FEES AND CHARGES

When a new charge or a change in the charging approach is introduced, it is important to monitor the implications for a minimum of 12 months following the implementation. If the results of the monitoring indicate any issue these need to be highlighted to the Service Director and if appropriate addressed promptly as they could have reputational or financial impacts on the Council.

Performance monitoring should be carried out regularly to monitor the demand for the service and the income generated compared to the budget. Any significant variations outside of the budget monitoring parameters should be reported as part of the Councils budget monitoring process.

PUBLICATION OF FEES AND CHARGES

A central register consolidating the fees and charges for all services within the Council will be maintained by the Corporate Finance Team. It is the responsibility of the Service to ensure the Corporate Team are informed promptly of any amendments.

The register should include, but identify separately, those charges where there are national / external procedures or other specific procedures for determining and reviewing rates of charge.

The Council's fees and charges should be set prior to the start of each financial year. They should be widely published, including through the council's website.

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, and information on any discounts or concessions available. In the absence of any specific requirements, reasonable notice is defined broadly as one calendar month.