

Executive Committee

No Direct Ward Relevance

23rd April 2008

8. CHARGING POLICY AND PROCEDURES

(Report of the Borough Director))

1. Purpose of Report

To present for Members' consideration a draft Charging Policy and Procedure for Redditch Borough Council.

2. Recommendation

The Committee is asked to RECOMMEND that

the Council approve and adopt the Charging Policy and Procedure, as set out in Appendix A to the report.

3. Financial, Legal, Policy and Risk Implications

Financial

- 3.1 The Charging Policy and Procedure will facilitate a holistic approach to setting fees and charges at Redditch Borough Council. A comprehensive summary of the financial implications are set out in the covering report below.

Legal

- 3.2 There are no direct legal implications.

Policy

- 3.3 The Charging Policy and Procedure will constitute a new policy for Redditch Borough Council.

Risk

- 3.4 There is a risk that with formal policy and procedures individuals might not be treated equitably. However, equity of access is addressed in the Charging Policy and Procedure with concessions recommended for particular social groups including; young people less than 16 years of age; full time students; senior citizens in receipt of means tested benefit; people with a disability in receipt of means tested benefit; and individuals on low incomes or in receipt of means tested benefit.

Report

4. Background

- 4.1 Local authorities have a wide range of powers to charge for a variety of services. The revenue generated through fees and charges is an increasingly important source of income for local authorities. However, currently Redditch Borough Council does not have an adopted Charging Policy.
- 4.2 Currently charges are reviewed annually by the Executive Committee. Fees and charges are generally increased in line with inflation. Members have not tended to carry out detailed reviews of charging levels in comparison with the Council's Priorities in part because the volume of information is large and timescales are short.
- 4.3 The Fees and Charges Task and Finish review was initiated in July 2007 to scrutinise the Council's approach to charging. There were a number of overarching objectives for this review:
- a) to assess the contribution charging can make to funding efficiency and the strategic effectiveness of the Council;
 - b) to make recommendations that would enhance the ability of the Council's approach to charging to support the Council's strategic objectives; and
 - c) to examine and recommend ways to manage the impact of charging on equity.
- 4.4 During the course of the review the Audit Commission published a comprehensive report on the subject of local government approaches to charging, which was entitled "Positively Charged: Maximising the Benefits of Local Public Service Charges" (January 2008). This report revealed the multipurpose use of charging: as a source of income to pay for services; as a method for encouraging particular patterns in the use of services and as a significant policy instrument that can help a local authority to achieve its strategic objectives.
- 4.5 The Fees and Charges Task and Finish Group agreed that it would be useful to develop a Charging Policy for Redditch Borough Council to enable the authority to work strategically to meet its core priorities in the manner outlined by the Audit Commission. During the course of their review Members scrutinised the contents of other local authority Charging Policies and identified examples of best practice. Finally, the Group agreed the contents of the Charging Policy as set

out in Appendix A to this report.

5. Key Issues

- 5.1 Redditch Borough Council raised £4,814,325 from Council Tax and £3,786,236 directly from the users of its services through charging in 2006/07.
- 5.2 The Charging Policy attached in Appendix A has been divided into two main sections. The first section proposes procedures for reporting information about fees and charges per service level for Members' consideration. The second section contains an overarching policy and principles for charging for activities provided by the Council.
- 5.3 The Charging Policy proposes that Members should receive a Headline Review of Charges on an annual basis. This would contain information about charging arrangements for each service, though not for each activity. The Charging Policy will apply across all Council services and is intended to facilitate a strategic approach to charging.
- 5.4 The Group proposes that the charging principles adopted by each service should be reviewed at least every four years. However, actual charges for each activity will continue to be reviewed annually, when Members receive the fees and charges report that is already provided for their consideration under current arrangements.
- 5.5 There are a variety of charging arrangements for different Council services including: services where no charges are set; charges set by central government; charges set, either by central or local government, at the level of full cost recovery; and charges set at a discretionary level. A number of charges for statutory services are set at a statutory level by central government, such as the land charges fee for a personal search. The Council has no discretion to alter such statutory charges.
- 5.6 There are other statutory service arrangements which are not subject to a statutory charge, such as the proposed fee for pre-application planning advice which was recommended by the Fees and Charges Group at a previous meeting of the Overview and Scrutiny Committee. There is further flexibility available to Councils when charging for discretionary services as these are not subject to statutory fees.
- 5.7 Councils do have the power to set charges differentially so that different service users are charged different amounts. Due consideration has been given to the legal requirements by the Fees

and Charges Task and Finish Group in the development of the draft Charging Policy.

6. **Other Implications**

- Community Safety - There are no specific community safety implications.
- Human Resources - The Charging Policy and Procedures provide Heads of Service with additional powers over varying charges for particular services “in year”, following consultation with relevant Officers and Members.
- Social Exclusion - Social exclusion is addressed in the Charging Policy and Procedures by reference to equity of access and concessions for certain user groups which are designed to prevent the exclusion of particular social groups.
- Sustainability - There are no specific sustainability implications.

7. **Conclusion**

The Charging Policy and Procedures clarifies how Redditch Borough Council should, in the opinion of the Task & Finish Group, approach setting fees and charges and should enable the Council to make strategic use of charging in support of the Council’s core priorities.

8. **Background Papers**

Audit Commission, “Positively Charged: Maximising the Benefits of Local Public Service Charges”, (January 2008).

Babergh District Council, “Strategic Charging Policy”, (February 2005).

Ballymena Borough Council, “Draft (Leisure) Pricing Specification, 2005/06”, (October 2005).

Cherwell District Council, “Charging Policy”, (2008).

Cornwall County Council, “Charging Policy: Charges to Parents”, (2008).

Essex County Council, “Discretionary Services Charging Policy”, (2008).

Fees and Charges Task and Finish Group notes and agenda (Thursday the 10th January 2008; Thursday the 17th January 2008; Thursday the 28th February 2008; and Thursday the 20th March 2008).

The Local Government Act 2003.

Mid Bedfordshire District Council, "Mid Bedfordshire District Council Charging Policy Appendix A", (2006).

Nottingham City Council, "Fees and Charges for Sport and Leisure Parks Services 2007/08", (2007).

Rugby Borough Council, "Draft Medium Term Financial Strategy 2006/11", (2006).

Stockport Metropolitan Borough Council, "Lifelong Learning, Leisure and Cultural Services Scrutiny Committee Charging Policy for Sport and Active Recreation", (February 2005).

Thanet District Council, "Thanet Leisure Force: Your Return is our Reward", (October 2005).

Wyre Forest District Council, "Finance Strategy", (2006).

9. Consultation

Relevant Officers, particularly Officers in the Corporate Management Team, have been consulted by the Fees and Charges Group during the development of the attached Charging Policy and Procedures, and in the preparation of this report.

10. Author of Report

The authors of this report are the Chair of the Fees and Charges Task and Finish Group, Councillor Colin MacMillan, and Jess Bayley (Overview and Scrutiny Support Officer), who can be contacted on extension 3268 (e-mail: jess.bayley@redditchbc.gov.uk for more information.

11. Appendices

Appendix A - Draft Redditch Borough Council Charging Policy and Procedures.

Redditch Borough Council
Charging Policy and Procedures

1. Introduction

- 1.1 Charging is an important and appropriate way to finance services. It is, however, just one aspect of the Council's overall financial management and planning process. Members and Officers must ensure that services are provided efficiently and effectively and that costs are scrutinised and adjusted whenever necessary. When new charges are being considered, or current charges reviewed, Members and Officers must be confident that all steps have been taken to minimise the net cost of the service.
- 1.2 This Policy sets out clear principles to ensure the Council's overall approach to charging is effective. Therefore, the Council must determine:
 - a) which services it should charge for;
 - b) which service users will be affected by charges; and
 - c) what levels of subsidy, if any, should be given for the use of specific services.
- 1.3 The Council must clearly communicate its approach and policy on charging to the public and must explain why it is appropriate to maintain, introduce or increase charges by following the principles and processes outlined in this Charging Policy.
- 1.4 The Council must set charges for services in a holistic manner, in line with the Council's corporate priorities. Members and Officers must review all relevant issues when considering the possible introduction of new charges or reviewing current charges.
- 1.5 The Council must adopt a strategic approach to charging. Members and Officers must review the impact of charges on the provision of services in terms of their effect on the community and the Council's financial position. When setting charges, the following considerations should be addressed by Heads of Service and Members:
 - a) Why is the service being provided?
 - b) Who benefits from the service - individuals or the community?
 - c) Should this service be subsidised?

- d) What is the subsidy achieving?
- e) How much do residents, communities and businesses value the service?
- f) How willing and able are residents and businesses to pay for the service?
- g) What effect does charging have on the supply and demand for a service?
- h) How can the level of charges affect behaviour and assist service objectives?

2. Reporting Procedures and Information Guidelines

- 2.1 Members must be provided with accurate and detailed information, and any rationale, about charges for consideration at meetings of the Executive Committee and full Council. Charges must be set in accordance with the terms set out in the Charging Policy and there must be a strategic review of charging principles, at service level, by elected Members and Officers, at least every 4 years.
- 2.2 Officers must present a 'Headline Review' of charges at activity level for the consideration of Members on an annual basis. This Headline Review should contain information about the total income generated by services and the level of subsidy particular services receive from Council Tax. In order to not overwhelm Members or Officers with the amount of information to be produced, collated and considered the dates on which charges are reviewed must be spread throughout quarters 3 and 4 of each year.
- 2.3 Subject to any requirements imposed by the Council's standing orders, charges for individual services may, by exception, be varied 'in year' at the discretion of the responsible Head of Service, following discussion with the Chief Finance Officer and the appropriate Portfolio Holder, and must be notified to the Executive Committee and full Council.
- 2.4 The responsible Portfolio Holder must review proposed changes to charges before they are submitted to the Executive Committee. The Portfolio Holder should append any comments they have to the proposals being placed before the Executive.
- 2.5 An information suite, comprising the following, should be developed and be made readily available to Members:

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- a) categorisation of services, by the responsible Portfolio Holder, in accordance with the following headings;
 - i) 'No Charges set';
 - ii) 'Charges set by Central Government';
 - iii) 'Charges set, either by Central or Local Government, at the level of Full Cost Recovery'; and
 - iv) 'Charges set at a Discretionary Level';
 - b) provision of the following details for each service;
 - i) information regarding usage levels and patterns will be compiled and collated. This will be accumulated ideally by an actual count of users or if this is not possible by an appropriate sampling technique;
 - ii) information regarding costs, both direct and indirect and including an allocation of overall overheads will be logged and recorded;
 - iii) information regarding income generated by direct charges, grants and the amount of subsidy will be logged and recorded; and
 - iv) information regarding annual income generated will be available in a concise and entire form;
- 2.6 A review of charges (and the information contained in section 2.5b) must be made available to Members annually.

3. Policy and Key Principles

- 3.1 When charges are reviewed Heads of Service must carry out an analysis of charges for activities against the principles for charging set out in this Policy. This information must also be made available to Members so that they can make informed choices about the level of charge to be set. The result of such reviews must be included in the annual fees and charges report, so that Members can ensure that charges are fair, appropriate and comparable to local alternatives. The 'right' price for an activity must not be established solely by adding an inflationary increase to last year's charge.
- 3.2 Charging arrangements must be efficient and practical and should demonstrate responsible asset management for the benefit of the whole Borough.

- 3.3 Where charges are set by Central Government the Council must focus on the costs of delivering an activity and Members should be aware of what the Council has to pay to subsidise the activity.
- 3.4 Where the Council aims for full cost recovery (including all overheads) through charges there must be no subsidy.
- 3.5 Concessions must be service specific and not subject to a general rate set across the Council.
- 3.6 Services, where charges do not apply, must be regularly reviewed to establish whether they could be introduced. However, it is recognised that for certain activities there are important exceptions that make charging inappropriate. These include the following circumstances:
 - a) where the Council is prohibited by legislation from levying a charge;
 - b) where the administrative costs associated with making a charge would outweigh any potential income;
 - c) where making a charge would be contrary to achieving one of the Council's corporate objectives. These include objectives contained within the Equal Opportunities Policy, Anti-Poverty Strategy, Leisure Strategy and Environmental Policy; and
 - d) where charging would be counterproductive (i.e. it may result in a substantial reduction in use of the service).
- 3.7 Charges may be levied to raise revenue for the general improvement of services, to offset Council Tax rises or to help fund specific projects.
- 3.8 Proposals for 'reinvesting' any additional income raised from charging in the expansion and development of a particular service will be considered as part of the annual review of charges, with each proposal being considered on its own merits.
- 3.9 Where appropriate, charges can also be used to influence demand and change behaviour in order to meet the Council's corporate objectives.
- 3.10 Unless there is good reason why an exception should be made, a charge should be levied for all discretionary services. Service users should make a direct contribution to the cost of providing services at their point of use. When charges for services are reviewed it will be

against this background and in each case Members and Officers must consider whether any exceptions should be made.

- 3.11 Appropriate use of the discretionary powers introduced by the Government in 2003 to charge for services must be considered.
- ~~3.12 With regard to discretionary services everybody, even those in receipt of benefits/income support, must contribute something via charges at the point of use.~~
- 3.13 If equity of access is a policy objective then it should be achieved through a discount regime.
- 3.14 When charges are reviewed concessions may be applied for the following groups:
- a) young people less than 16 years of age;
 - b) full time students;
 - c) people with a disability in receipt of a means tested benefit;
 - d) both male and female senior citizens aged 60 years or more; and
 - e) individuals on low incomes and/or in receipt of means tested benefit.
- 3.15 When setting charges the Council must have regard to:
- a) relevant Council Strategies or policies (e.g. Equal Opportunities), and any subsidy or concessions which may be appropriate;
 - b) market conditions and prices charged by competitors and/or other Local Authorities;
 - c) the need to avoid any potential distortion of the market which might otherwise occur from pricing services below the levels charged by private sector concerns for similar services;
 - d) the need for all charges imposed by the Council to be reasonable;
 - e) the need to avoid any exploitation of customers who have no option, but to use the Council's services;
 - f) the desirability of increasing usage of a given service;

- g) the need to increase Council income; and
 - h) the level of subsidy (contributions to the cost of the service from non-users via Council Tax, Housing Rents etc).
- 3.16 When setting charges users' views, when provided to the Council, must be considered.
- 3.17 Meaningful objectives for charges must be set and these should be viewed over the long-term, not just as short-term financial targets.

4. Definitions:

- Council** Redditch Borough Council as an organisation.
(Where the document is referring to the formal body of all Councillors the text refers to 'full Council').
- Service** The Service area, for example Environmental Health or Planning.
- Activity** A particular activity delivered as part of one of the Council's services, for example hire of a badminton court at the Abbey Sports Stadium.