

## **Havering Corporate Charging Policy**

### **1. Introduction**

1.1. There are four key reasons why the Council has a corporate charging policy in place:

- Charging has a significant role to play as a policy instrument, contributing towards the achievement of corporate and service objectives
- Charges can be used as a tool to manage demand or influence behaviour, through encouraging/discouraging the use of services and/or the patterns of use of services
- The policy can provide clarity over why different charges are set for different user groups e.g. through the use of discounts/concessions
- Charging as an income source can contribute towards the achievement of financial objectives, linked to the Medium Term Financial Strategy.

1.2. The corporate policy is subject to formal consideration and approval by Cabinet and then Council. The aims of the corporate charging policy are to:

- Set a clear, flexible and equitable framework for applying charges and fees to relevant council services; and to maximise income from charges
- Promote a unified corporate approach to the levying of charges, including defined processes for the setting of fees
- Develop standards and procedures for charging in respect of discretionary and statutory services for both individual users and community groups
- Set out the basic corporate principles which are relevant to most services but which enable innovation and experimentation and provide a clear basis for decisions where the Council has discretion in setting charges.

1.3. To achieve these overall aims, the following corporate objectives need to be satisfied:

- The Council will seek to increase the annual level of income from fees and charges with a view to recovering the full cost of providing council services
- All services should over time be reconsidered for their potential to raise income and new, or revised, charges applied where appropriate
- The level of charges applied to services should, wherever possible, support the Council's priorities
- A clear and consistent approach, recognising different market profiles, will underpin the setting of charges.

1.4. This policy applies to the setting of fees & charges for Council services. All such fees & charges are subject to a formal approval and need to follow any guidance issued as part of the budget setting process. The policy does not apply to the setting of rents, service charges or other local taxation.

## **2. Why the Council Charges for Services**

2.1. Fees and charges represent an important source of income, providing finance to assist in achieving the Council's objectives. However, there are potential conflicts between raising additional income by increasing charges, and promoting access and usage of local services, particularly by vulnerable groups on low income.

2.2. The appropriate fee structure will therefore depend on the overall intention for that service area as far as Council policy is concerned. By setting charges at appropriate levels, the Council is exercising its stewardship role of public funds properly. Where income is foregone, without good reason, the burden of funding will unfairly transfer to the tax-payer.

2.3. Generally the law requires specific or implied statutory authority for the making of charges for services, and there are very many such provisions in place, some of which contain quite detailed restrictions, while others are more openly worded.

## **3. What the Council Should Charge for Services**

3.1. The Council's fees and charges fall into 4 main categories:

- Charges set by statute law which are fully outside the Council's control
- Charges set by statute law where the amount charged has to be within certain parameters
- Charges that are applied by partners managing Council owned buildings and other services commissioned by the Council, where the Council may wish to exercise some control over these charges
- Charges that are fully within the Council's control in determining the amount that should be charged.

3.2. The first step is to decide whether the Council should provide the service. Many of the services the Council charges for are required by statute. However, others are discretionary and consideration should be given to whether providing the service is the best way of meeting the Council's objectives, especially if the Council will not recover its costs.

3.3. Additional services may be provided where the Council has the discretion to charge for them, although equally, the Council may choose to provide services at no charge to some or all potential service users. The risk to the Council of making a loss must be considered when deciding whether the

service should be provided.

#### **4. Administration**

- 4.1. Charges should be simple to understand and to administer. They should be easily located by service users through the Council's website, through any other form of literature provided, or directly from Council services or establishments.
- 4.2. Where possible reasonable notice should be given to service users before any new or revised charges are implemented.
- 4.3. Methods of payment should be flexible and convenient, and take into account the needs of those on low income and people's ability to pay. The easier it is to pay, the more likely it is that payment will be made. Consideration should be given to:
  - Payment in advance: which should be the preferred means of recovery wherever possible
  - Frequency of payment: having regard to the budgetary patterns of those reliant on benefits or low incomes
  - Format of payment: including alternatives to cash.
- 4.4. The costs of collection should be evaluated. Potentially, they may make the charging proposal uneconomic or require charges to be raised further. Costs of collection must be identified and budgeted for.
- 4.5. The corporate charging policy will need to follow corporate and service policy and financial procedure rules regarding the collectability of the income and debt recovery strategy.

#### **5. Local Service Application**

- 5.1. The corporate charging policy should be followed by service departments when setting fees & charges. If service departments wish to deviate from the principles set out in the corporate charging policy they may do so by establishing a local charging policy. A local charging policy statement should set out the basic principles being applied to the setting fees & charges within each service area, and how these deviate from the core principles of the corporate charging policy.
- 5.2. The local policy statement should be subject to an annual review within each service area, though this only needs to be amended if local principles have changed. The statement should be agreed in consultation with the relevant

Cabinet Member.

5.3. The local statement should reflect the level of consultation required with service users.

## **6. Principle for Charging**

6.1. The corporate charging policy establishes the Council's key principles in relation to charging. Once agreed, these principles should be adhered to by all directorates, with any deviations from the charging principles set out requiring appropriate approval. Such principles are reflected in any local, service-based charging policies. Local charging policies are subject to approval by the relevant Cabinet member.

6.2. This policy sets out a number of principles that are considered to be those which are most relevant. It should be noted that these principles will generally apply to services for which the Council has discretion over the level of charging, rather than services where charging is prevented or where charges are required to be set within statutory limits.

## **7. Corporate Charging Principles**

7.1. Charges for Council services are set so as to:

- Contribute to the achievement of corporate and service objectives
- Maximise potential income, to achieve financial objectives, unless there is an explicit policy decision to subsidise the service
- Be capable of being justified, in comparison with other similar providers
- Take account of the ability of different users to pay, through the use of discounts and concessions
- Differentiate between differing levels of a service being provided e.g. faster turnaround
- Take account of the views of and minimise the impact upon users, where new or significantly higher charges are proposed, and where this is possible
- Maximise the ease of collection of charges and minimise the costs of collection
- Be regularly reviewed on at least an annual basis, using the latest available market information, and revised where appropriate

7.2. The rationale for each of these charging principles is set out in Appendix A.

## **8. Standard Principles**

8.1. The standard principles that will be applied to all fees & charges set by the Council will be as follows:

- Fees & charges will be set to recover full cost AND to maximise income recoveries, where this is likely to lead to a higher yield
- Payment will be sought in advance of the supply of goods or services using the most appropriate payment channels
- Customers will be encouraged to self-serve in both ordering and payment for goods or services
- Discounts and/or subsidies will be permitted and the basis for these will be determined locally
- The recovery of debts will take into account both ability to pay and the cost of recovery
- Comparisons will be undertaken to ensure that the proposed level of fees & charges can be justified against other, similar providers
- Fees & charges will be subject to an annual review in accordance with the budget-setting timetable, unless new or revised services are introduced
- The setting of fees & charges will take into account the ability of customers to pay and any relevant socio-economic factors
- Fees & charges will be subject to a local equalities impact assessment.

8.2. Where a local service policy deviates from these principles, a local policy statement will be prepared, setting out the basis and reason for any such variations. This will include an equalities impact assessment covering both the fees & charges, and the policy, in each local service area.

**CORPORATE CHARGING GUIDANCE**

**1. Contribute to the achievement of corporate and service objectives**

- 1.1 Charges are clearly not an end in themselves, but should be used as a means to contribute towards the achievement of specific corporate and service objectives. Managers should therefore be able to identify whether or not a service can legally be charged for and, if so, clearly articulate how, through charging for the service and in the level and application of the charge, they are contributing towards these objectives.
- 1.2 There will be instances where charging is prohibited or restricted; however, even under such statutory frameworks, it is still good practice to make the link between the level of service provided e.g. basic, enhanced, and the policy objective being addressed.
- 1.3 A summary of the types of financial policy for charging that may be adopted and the policy objective that it is primarily intended to achieve has been summarised in the table below.

<b>Financial Charging Policy</b>	<b>Policy Objective</b>
<b>Commercial trading</b>	The Council seeks to maximise revenue within an overall objective of generating as large a surplus from this service as possible e.g. the collection of commercial waste.
<b>Commercial with discounts</b>	As above, but with discounted concessions being given to enable disadvantaged groups to access the service e.g. fees for the use of golf courses.
<b>Fair charging</b>	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 e.g. charges for car parking, hire of council premises. Alternatively, a full commercial rate may not be determinable or the Council may be a monopoly supplier of services.
<b>Cost recovery</b>	The Council wishes to make the service generally available, but does not wish to subsidise the service e.g. rental charges for market trading.
<b>Cost recovery with discounts</b>	As above, but the Council is prepared to subsidise the service to ensure that disadvantaged or other groups have access to the service e.g. certain

<b>Financial Charging Policy</b>	<b>Policy Objective</b>
	social care charges, play schemes.
<b>Subsidised</b>	Council policy is to make the service widely accessible, but believe users of the service should make some contribution from their own resources e.g. leisure charges.
<b>Nominal</b>	The Council wishes the service to be fully available, but sets a charge to discourage frivolous usage e.g. fines for late returns of library items.
<b>Free</b>	Council policy is to make the service fully available and funded through corporate resources, rather than specific fees e.g. free access to parks/public open spaces.
<b>“One Off” Offers</b>	A “one off” offer (or discount) is made to encourage future business, resulting in a loss of income in the first instance, but an overall increase in income in the longer term.
<b>Statutory</b>	Charges are set in line with national legal requirements and there is no local discretion over the level of the charge e.g. planning application fees.
<b>Statutory constraints</b>	Charges are set within a national legal framework within which there is some, but not complete, discretion over the level of the charge e.g. recovering costs for licensing houses in multiple occupations.
<b>Charges not permitted</b>	Charges cannot be levied for statutory reasons e.g. core education services in schools.
<b>Other</b>	This should be identified, if not included under one of the above areas.

**Charging Principle 1.** *For each service area, the manager responsible for the service should summarise the legal basis, financial policy for charging, and relevant policy and service objective(s), to ensure that charges are in line with these objectives and that there is clarity over the purpose of the charge. These should be set out in an annual statement of the local service fees & charges policy, as a precursor to the formal setting of specific fees & charges. This policy statement will require approval by the relevant Cabinet Member.*

**2. Maximise potential income, to achieve financial objectives, unless there is an explicit policy decision to subsidise the service**

- 2.1 There will clearly be a need for charges to contribute towards the achievement of financial objectives, particularly in the context of the current financial climate (assuming that these do not conflict with the overall policy framework). If the legal powers exist to charge, managers will need to justify the reasons for any instances where charges are not being made.
- 2.2 Generating/maximising income not only has financial benefits, but can also allow the service to develop capacity, deliver efficiency and sustain continuous service improvement. The example financial policies for charging/constraints set out in the table above should assist in identifying what financial objective is intended to be achieved from the charge and, as can be seen, there will be a range of circumstances where it is not appropriate to maximise potential income.
- 2.3 However, the key issue for the Council in financial terms is to ensure that managers do not inadvertently provide a subsidised service where there is no explicit policy objective to do so. This could take place for a number of reasons, such as:
- Not taking account of the full costs of service provision e.g. capital costs, overheads/recharges, costs of collection, as well as direct costs of provision
  - Simply rolling forward historic charges by inflation annually and not taking account of the increased costs of service provision e.g. where fuel costs increase significantly above inflation
  - Charging the same amount for different types of service user e.g. a commercial operator and a member of the public
  - Instances where the charge is set inappropriately low, resulting in over-use or abuse of the service
- 2.4 For charges to be set at an appropriate level, therefore, this will require managers to have a robust understanding of the full range of costs associated with the provision of the service.
- 2.5 In addition, when setting charges, managers will need to be aware of the relationship between the level of charge and the potential impact upon demand, in terms of optimum price sensitivity e.g. as a higher charge may not necessarily maximise total income, if usage decreases disproportionately.
- 2.6 The Council's agreed charges should be viewed as a maximum charge; but managers should have the flexibility to introduce "one off" discounted charges if they believe this will generate more overall income in the longer term. This approach, if it is to be adopted, should be set out and justified in the annual policy statement.

- 2.7 In certain service areas it may be appropriate and advantageous to identify a range of charges to maximise potential income, for example in relation to private and commercial hires. This should be set out and justified in the annual policy statement.

**Charging Principle 2.** *The default position is that a charge should be made where legally permitted, any charge should take account of the full direct and indirect costs of service provision and is set at a level so as to maximise income, taking account of price against demand. This will also include setting charges at maximum levels/cost recovery where statutory constraints apply. Where there is an explicit policy objective to subsidise the service, and therefore to deviate from this principle, this reason should be clearly set out, together with the financial consequences of the subsidy, where identifiable.*

### **3. Be capable of being justified, in comparison with other similar providers**

- 3.1 Clearly, where Councils have discretion over the level of their charges, they are free to exercise local political and service choice, taking into account factors such as the type and quantity of chargeable services that they provide and therefore the level of charges and associated subsidy.
- 3.2 Charges often vary considerably, even between similar authorities, and there may be reasons why charges may vary in this manner e.g. the use of alternative models of service provision. However, there are equally areas for which authorities are unable to explain why their service charges (or even expenditure as a whole) differs so widely from other, similar providers and where they may not even be aware of such differences in the first instance.
- 3.3 There is therefore a need to compare charges, both with other authorities and with private sector providers, where there is an external market, and understand reasons for any differences. Such differences are not necessarily a cause for concern e.g. higher charges may have been levied as a result of a deliberate policy to provide a higher level of service, to seek to discourage excessive use etc., but should be capable of being validated.

**Charging Principle 3.** *Where it is available, benchmarking information should be used by managers to compare their charges against other, similar authorities and private sector providers when setting charges annually. Where charges differ significantly from other such comparators, managers should be aware of and be able to explain the main reasons for such differences.*

### **4. Take account of the ability of different users to pay, through the use of discounts and concessions**

- 4.1 As identified previously, there will be a number of instances where it is appropriate for charges to be subsidised for different types of users. These could include, for example:

- To achieve a specific policy objective e.g. encouraging healthy living through subsidised use of leisure facilities
- Structuring charges differently e.g. a lower rate per hour for car parking at off-peak times, to ration service use at peak times when demand exceeds supply
- Where users have limited financial means e.g. as measured by receipt of certain types of benefit and/or reduced rates for children and older people
- To encourage the use of a service by specific groups where take-up is under-represented e.g. ethnic minorities, disabled people
- Applying concessions for certain types of users e.g. free parking for local residents, lower burial charges for residents
- Discounts linked to loyalty/take-up of the service e.g. for frequent users

4.2 The Council may have a corporate policy on service user groups which receive subsidised access to all (or many) services e.g. children's and older people's discounts. For certain services, such as social care, eligibility criteria for services will also be clearly established. In other cases, there may be a specific area where take-up is particularly low amongst certain groups and a service therefore wishes to increase use, e.g. hire of leisure centre halls by clubs encouraging participation from minority groups.

4.3 Key factors that the Council will need to take into account when considering the use of eligibility criteria/discounts/concessions include:

- The link between the discount/concession and the policy/service objective that the charge is intended to contribute towards
- The link between the discount/concession and the Council's diversity/equalities policies
- Whether a generic concession should be applied for all services e.g. those in receipt of means-tested benefits, or whether the concession should be targeted towards a specific user group, depending upon individual service issues
- How the discount/concession will be funded e.g. from other users of the same service, from Council Taxpayers more widely, and the financial implications of the subsidy
- The need to review the degree to which eligibility criteria/discounts/concessions remain appropriate over time e.g. as take-up increases by a previously under-represented group
- Minimising the burden upon those applying for discounts/concessions e.g. ensuring that they do not have to provide duplicate information to more than one Council directorate

- The link between take-up of benefits and maximising overall Council resources e.g. where benefit take-up contributes towards funding received from central government
- Whether the concession or discount is funded through cross subsidy by other service users through higher charges or whether it is funded corporately.

**Charging Principle 4. Managers should:**

- *Identify the nature of discounts/concessions that are in place for services where charges are made*
- *Identify the types of users intended to benefit in terms of the link between discounts/concessions and policy/service objectives*
- *Identify the level of subsidy provided/cost of the discount*
- *Review discounts/concessions to ensure that they remain appropriate.*

**5. Differentiate between differing levels of a service being provided e.g. faster turnaround**

- 5.1 Where the Council has discretion over the level of charge and also the level of service provided, it is important that the charge reflects the degree of usage of service resources and value added.
- 5.2 For example, charges for providing birth certificates where these are needed for a passport application may differ between the basic fee and the fee for a quicker return. Whilst the same level of staffing resources may be required for both, the service user is receiving higher added value under the latter option and therefore pays a premium for the service.

**Charging Principle 5. Charges set should be differentiated so as to fairly reflect the differing demand placed upon service resources and the value provided to the service user.**

**6. Take account of the views of and minimise the impact upon users, where new or significantly higher charges are proposed, and where this is possible**

- 6.1 Where the Council is operating in a competitive environment, users have the freedom to use alternative providers if similar services are provided at lower cost. Consultation is most important, however, where the Council is in a monopoly position and needs to provide equity to service users.
- 6.2 Where charges are being regularly reviewed, there will be instances where the review identifies that higher service charges are required e.g. to take account of higher service costs. This may be even more of an issue where service charges have not been reviewed for some time, and have not therefore kept pace with increasing costs.

- 6.3 It is important that the impact upon service users of any proposed changes to charges is identified, both from an individual perspective e.g. affecting their ability to pay/use the service, and also from a Council-wide perspective e.g. affecting the extent to which policy objectives will now be achieved and the potential demand for, and therefore the level of income received for, the service.
- 6.4 This will be assisted by an understanding of the impact of previous changes in charges on levels of service use for different groups of service users; although, as such information may not be readily available, it will be important that this is collected in future, whenever such changes are made. In addition, consultations on services (and on Council finances more generally) should take account of user views on levels of charges and the perceived value for money received.

**Charging Principle 6.** *Any significant proposed changes to charges should be consulted upon with key service users and groups. Managers should seek to ensure that they are aware of the potential impact upon differing service users of changes to charges, considering whether any such changes to pricing policies could potentially be phased in over time, if possible, where the impact is high.*

## **7. Maximise the ease of collection of charges and minimise the costs of collection**

- 7.1 The efficient collection of charges clearly has significant benefits in terms of minimising potential arrears levels i.e. the easier that it is made for charges to be paid, the more likely that payment will be made in practice.
- 7.2 In terms of administering charges, there are a number of areas which should be explicitly considered:
- Service charges and the way in which they will be paid/collected should be transparent to users
  - The costs of collection should be taken into account against the actual level of income being collected
  - A range of alternative payment methods e.g. format, frequency, venues, should be offered to users, with potential incentives being considered for the most efficient payment methods e.g. electronic payment
  - Procedures for the collection of arrears and write-off of debts should be clearly set out and consistently followed for all service users
  - Where arrears have built up, this information should be reported to managers responsible for providing the service, in order that they are aware of service users experiencing difficulties in paying for the service or who are refusing to pay for the service

**Charging Principle 7.** *Charges should be administered so as to maximise the ease of collection of charges and minimise the costs of collection,*

*considering both the Council and service user perspective, in order to optimise the likelihood of payment.*

**8. Be reviewed on at least an annual basis, using the latest available market information, and revised where appropriate**

- 8.1 As identified previously, service charges should be contributing to the achievement of defined policy, service and financial objectives and it is therefore vital that charges (and eligibility criteria/discounts/concessions) are reviewed on at least an annual basis to ensure that this continues to be the case.
- 8.2 The Council approves a schedule of fees & charges annually as part of its budget-setting process. As part of this process, managers should take into account any intelligence gathered on costs, demand and market intelligence. Reviews may take place outside this timetable, although these would generally be on an exceptional basis, unless new services are being introduced.
- 8.3 It is important that areas not currently charged for (but which could potentially be) are also considered. In terms of scope, all external charges should be considered, and it may also be appropriate to include charges made through external SLAs e.g. to schools.
- 8.4 For such review to be effective, managers will need to take into account relevant market information e.g. changes in legislation, patterns of service use, benchmarking data, price sensitivity, opportunities to introduce or extend charges etc.
- 8.5 This need not necessarily be a highly detailed exercise, but managers should at least be certain that charges are achieving their intended objective(s) and have been set appropriately. If this is not the case, clearly managers will need to amend charges accordingly e.g. increasing charges if the costs of provision have increased or amending discount/concession schemes if they are no longer relevant.

**Charging Principle 8.** *Managers must review all charges for which they are responsible on at least an annual basis as part of the budget process and confirm that charges have been reviewed on a systematic basis. Heads of Service should ensure that their service area has completed an annual policy statement on charging, to be signed off by the relevant Lead Cabinet Member, prior to the completion of the Council's annual budget setting process.*