

Corporate Charging Policy



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1. **Introduction**

For a number of years local authorities have been operating in an environment of continued reductions in revenue support grants from central government. These significant reductions makes delivery of the Councils core services and key objectives extremely challenging.

The Council recognises that it needs to become more self-sufficient and to develop financial resilience with less reliance on government grants. An effective and appropriate charging strategy helps to manage demand for services and contributes towards the Councils financial objectives which are set out in the Medium Term Financial Plan.

This policy applies to external fees and charges for Council services. It provides a guide to internal charging arrangements permitted under statutory powers and is also subject to CIPFA’s ‘Code of Practice on Local Authority Accounting’.

Over the life of the Medium-Term Financial Plan 2024/25 to 2029/30 services will align their charges with this policy.

1. **Scope**

The basis for charging falls into four categories as set out in **Table 1** below:

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| **Table 1: Basis for Local Authorities Setting Fees & Charges** |
| **Basis for Charging** | **Examples** |
| Discretionary – there is no limits on the amounts that can be charged, but local authorities must act reasonably and must set charges only for the purposes authorised by the statute granting the power to charge. | Leisure ServicesTrade WasteBurial Fees |
| Charges set by the authority but the income from the services cannot exceed the cost of providing the service. | Taxi LicencingBuilding Control FeesLocal land chargesDiscretionary activities where the general charging power in S93 of the Local Government Act 2003 applies |
| Nationally prescribed or charge levels with little or no discretion | Premises licence fees |
| Charging is not permitted | Household waste collectionLicencing of food premises |

This policy applies to the setting and reviewing of all fees and charges for Council services, where the Council has discretion over the level of charge applied.

The following fees and charges are out of the scope of this policy:

* Statutory Charges i.e. charges which are determined by Central Government
* Council Tax
* Business Rates
* Land & Building charges i.e. leases
* Any charges which may have grant funding conditions
* Any other charges where there are legal or contractual reasons to exclude

**3. Aims and Objectives**

The aim of this charging policy is to encourage a more commercial approach to setting fees and charges, applying consistency and business-like practices to ensure the costs associated with the services are understood and used appropriately to set fees and charges. The objectives of this policy are as follows:

* to promote the principles of commercialism and efficiency in order to support the Medium-Term Financial Plan and the Gedling Plan.
* to endorse a culture where discretionary services are largely supported by service users rather than subsidised by the Council Tax-payer.
* to provide a clear, transparent and equitable framework for setting fees and charges.

We will do this by:

* setting out the processes and frequencies for reviewing existing charging levels or introducing new charges for areas of the Council’s work for which charges could in principle be set;
* providing guidance on the factors that need to be taken into consideration when charges are reviewed on an annual basis;
* establishing parameters for calculating different levels of charges;
* recommending the criteria for applying concessions or discounted charges on a consistent council wide basis;

requiring more active use of market intelligence relating to different services

1. **Statutory Powers for Charging and Trading**

The specific powers that allow Councils to charge and generate income for its service are set out below:

* **Local Authorities Goods and Services Act 1970** – Introduced powers for councils to enter into agreements and other Local Authorities and public bodies for the supply of goods and services.
* **Local Government Act 2003** – Enables Councils to trade in activities on a commercial basis and make a profit through a trading company, which can be reinvested back into services.

**Localism Act 2011** – Introduced the General Powers of Competence allowing councils to do anything that an individual may do. However, any charging must not exceed the cost of providing the service (Unless it’s through a trading company).

1. **Processes and Frequencies for reviewing Charges**

The following arrangements for reviewing charges will be applied throughout all areas of the Council where charges for services already exist or could in principle be set:

* Each service area should have a written charging strategy in place, that sets out its approach to charging, this should include the legal basis on which it bases its fees and charges, the benchmarking it will undertake, identifies market sensitivity, customer preferences, and any justification for any subsidy that the Council as a whole makes to the service.
	+ This is a new requirement for 2025/26.
* a review of each service’s charging strategy will take place at least once every three years on a rolling programme to ensure consistency with the Council’s priorities, policy framework and service aims.
* annual reviews will be carried out for all of these services as part of the budget process, to ensure that fees are aligned to revised service delivery costs, take into account any inflation and any increases are proposed whilst remaining within legislative requirements.
* the relevant Director may propose revisions to charges between annual reviews where this is considered necessary to protect usage and income in response to significant market developments.
1. **Factors relevant to the Annual Review of Charges**

Annual reviews of charges will consider the following factors:

* inflationary pressures generally and input costs specific to the service;
* the actual or potential impact of any competition in terms of price or quality;
* trends in user demand and the forecast effect of price changes;
* customer survey results;
* Council wide and service budget targets
* cost structure implications arising from developments such as investments made in the service;
* consistency with other charges;
* alternative charging structures that could be more effective;
* proposals for targeted promotions during the year, and evaluation of any that took place in the previous year.
* Legislation associated to the fees and charges.
1. **The calculation of the Standard Charge**

The Council will apply the concept of Standard Charges for most services where charges are applied. It should be applied to charges made by the Council to individuals, groups, organisations and other bodies for goods, services admission, charges and use of facilities etc. (i.e. items in Sales, Fees and Charges budgets). It is not intended to apply to rents, internal charges or rechargeable works, nor will it apply where charges are governed by statutory regulation or guidance.

Standard Charges will apply to all users, and will be set at a level to maximise take-up and income targets and wherever possible covering or exceeding (where permissible) the full cost of providing the service in question. Any subsidy arising from Standard Charges being set at a level below full cost should be fully justified in terms of achieving the Council’s priorities.

This calculation of full cost should be based on the direct cost of service provision including staff, supplies and services, equipment and premise costs. Overheads and capital asset depreciation charges should be included but consideration may be given to a less than full cost recovery of these elements where inclusion would distort competition.

1. **Charging Models**

**Table 2** below sets out the 3 charging models that should be considered when introducing a new fee or when reviewing existing fees:

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| **Table 2: Charging Models** |
| **Charge** | **Definition** | **Application** |
| 1. Full Cost Recovery – Standard Charge
 | Full cost recovery is defined as CIPFA’s ‘total cost’ model. Aim to charge the user the full cost to the Council, of providing this service. The total cost includes all direct costs and an appropriate proportion of overhead and central support costs. | This is the councils default charging model “The Standard Charge” |
| 1. Direct Cost Plus
 | As a minimum the Council would recover the direct cost of providing the service plus wherever possible a contribution to overheads.The level of overhead contribution will be made operationally and be dependent on the circumstances of the service. | This allows flexible pricing to take account of external market conditions.There are circumstances where setting fees and charges at more than full cost recovery may be appropriate (e.g. when trading with other local authorities).This model also allows charges to be set below full cost recovery (e.g. to help achieve a particular objective), However, in line with the standard charge, the aim will always be to recover the full cost of a service over time. |
| 1. Subsidised
 | A subsidised charge is where the charge is not sufficient to cover the direct costs of the service, the Council therefore, needs to make a contribution. | This model provides the option for full or partial subsidy of the service. The level of subsidy will be determined by a rational for the subsidy, and approved on a case by case basis. The financial impact of the subsidy will be identified and actively managed and reviewed. |

1. **Concessionary Charges**

The function of Concessionary Charges is:

To extend all Gedling Borough residents opportunities for improved social well-being in terms of health, safety, independence, educational achievement, lifelong learning and personal self-esteem.

Entitlement to Concessionary Charges is designed to reduce barriers to participation arising from:

* Age;
* Level of income;
* Family circumstances;
* Educational circumstances.

Services wishing to adopt a concessionary charging scheme must demonstrate the scheme is practicable in terms of assessment, collection and evidencing for audit purposes.

Concessions will not apply to retail sales form shops or cafes.

Concessionary Charges may also be made available to organisations whose purpose is to assist the Council in meeting specific objectives in its priorities and policies framework, or which contribute to the aims of key local partnerships in which the Council has a leading role.

Concessionary Charges should not normally apply to peak times or in situations that would result in the loss of income from customers paying Standard Charges. Neither would they normally be available to organisations that are based outside of the Council’s area other than on a reciprocal basis.

Only one concession can be applied to the Standard Charge at any given time.

Concessionary Charges relate to the following categories:

* Young people aged 18 years or younger;
* Full time students holding a valid Student Union card under the age of 21;
* Senior citizens aged 60 and over;
* Individuals on a low income and in receipt of a means tested benefit.
* Individuals living with a disability
* Care leavers
* Ex Military (for some service areas)

Cabinet will review the variations from Standard Charge from time to time but at least every three years. There should be no further variation to the levels of charges where the service or facility is clearly comparable.

1. **Discounts and Supplements**

For certain services it will be normal practice to set Promotional Discounts, Frequent User Discounts or Group Discounts.

Promotional discounts are defined as short-term charges that are targeted to increase take-up or awareness of the services that are available.

Frequent User Discounts are to be used only for commercial reasons such as generating customer loyalty where alternative provision from competitors exists, and where market analysis shows a real risk of reduced income if they are not offered.

Group Discounts are to be used to encourage take up by organisations able to block book, and Family Discounts to encourage parents’ and children’s take up.

Discounts can be applied to both the Standard Charge and Concessionary Charge.

Certain employee discounts may apply in accordance with the employment and retention policy.

In certain areas it may be deemed appropriate to charge a supplement to the Standard Charge for non-residents in order to help control demand, an example of this would be Burial’s.

Any supplements to the Standard Charge must comply with statutory charges set out in **Section 4** of this policy.

1. **The Use of Market Intelligence**

All managers of services for which a charge is made should take steps to identify competitors offering similar or related services, and make use of comprehensive and dynamic market intelligence in evaluating:

* their Charging Strategy;
* the range of services provided;
* the quality of services provided;
* their cost structure.

The Council has implemented a Marketing and Sponsorship Strategy, the principles in this strategy should be taken into account when setting fees and charges.

All managers of services for which a charge is made should consult with customers and interested groups on the range, quality and cost of services provided prior to the triennial review.

Consultation should also take place with potential customers and target groups to determine improvements needed to encourage participation at least every five years.

Comprehensive and accurate usage statistics will be maintained for all services and at all facilities where charges are to be made, to enable analysis of usage, justification of any subsidy given by the Council, and accurate forecasting of the effect of price changes on usage.

Benchmarking should be undertaken regularly with other Councils in the local area, with relevant national groupings of authorities, and other external bodies as deemed necessary to ensure that charges are at comparable levels and that significant differences are understood and justified.

Benchmarking with other local authorities should not just focus on charges levied by other authorities, it is important to consider the costs other Councils incur when delivering services and what their charging policy states. Making charging decisions based purely on other Councils charges could contradict the ‘standard charge’ principal set out in this policy.

1. **Collection and Payment of Fees and Charges**

The collection of income is subject to Financial Regulation set out in Gedling Borough Councils Constitution. The following is an extract from Financial Regulations and sets out the key controls for receiving income.

**Section 25 of the Constitution Financial Regulations – Regulation 6 – 6.7 Income.**

Income can be a vulnerable asset and effective income collection systems are necessary to ensure that all income due is identified, collected, receipted and banked properly**. Wherever possible, charges for the use of council services should be collected in advance of service delivery, reducing the need to raise debtor invoices and avoiding the time and cost of administering debts.**

**Key controls.**

The key controls for income are:

* 1. all income due to the authority is identified and charged correctly, in accordance with an approved charging policy, which is regularly reviewed
	2. all income is collected from the correct person, at the right time, using the correct procedures and the appropriate stationery
	3. all money received by an employee on behalf of the authority is paid without delay to the Chief Financial Officer or, as he or she directs, to the authority’s bank and properly recorded.
	4. Wherever practical, the responsibility for cash collection will be separated from that for identifying the amount due, and for reconciling the amount due to the amount received;
	5. effective action is taken to pursue non-payment within defined timescales
	6. formal approval for debt write-off is obtained in line with the following limits;
		+ Chief Financial Officer up to £10,000
		+ Chief Executive up to £25,000
		+ Executive - All other amounts
	7. appropriate write-off action is taken within defined timescales
	8. appropriate accounting adjustments are made following write-off action
	9. all appropriate income documents are retained and stored for the defined period in accordance with the record retention and disposal policy.
	10. money collected and deposited is reconciled to the bank account by a person who is not involved in the collection or banking process.
1. **Governance**

Financial Regulation states that it is the responsibility of the Corporate Director to establish a charging policy for the supply of goods and services, including appropriate charging of VAT, and to review it regularly in line with corporate policies.

Any formal reviews and variation to fees and charges will be overseen by the Portfolio Holder of those services and approved by Cabinet.