

Appendix A: CHARGING POLICY

As adopted by:
Broadland District Council on XX XXX XXXX
South Norfolk Council on XX XXX XXXX

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1. Purpose of Policy

- 1.1 The purpose of this policy is to provide a consistent and fair approach to setting fees and charges.
- 1.2 The policy has been devised in accordance with relevant guidance, including CIPFA's Service Reporting Code of Practice (SERCOP) and the publication "A practical guide for local authorities on income generation (2019)".

2. Scope of Policy

- 2.1 Local authorities can only levy charges for certain services, and in some cases (eg planning application fees) the charges are controlled by Government.
This policy therefore only covers those services where there is discretion to levy charges.
- 2.2 The list of Fees and Charges shows for each charge whether we have the discretion to amend the charge.

3. Charging Principles

Principle 1 - All fees and charges should aim to cover the full cost of the service.

- 3.1 Fees and charges enable services to be sustained, as they provide income to help cover the costs of providing services.
- 3.2 Where local discretion exists, a balance has to be struck between the contributions from the service user and the general council taxpayer.
A key consideration is therefore whether the cost of the service should be met wholly by the council taxpayer or whether there should be a full or partial charge to the user of the service.
- 3.3 It is the Council's policy in line with its Commercialisation Strategy that, in general, service users should pay the full cost for discretionary services, rather than the general council taxpayer, except in the following circumstances:
- where the market will not support a price that recovers the full cost of the service. In this case, at least direct costs should be covered, and partial recovery of overheads should be the aim.
 - where Cabinet exceptionally determines that the level of charges shall be varied in line with specific factors, on a case by case basis.

Principle 2 - Where appropriate, consideration should be given to establishing a pricing structure that caters for people on low incomes.

- 3.4 There are equality and service access reasons for not charging the full cost for services to all customers. Such differential pricing arrangements can be:
- Specific to certain categories of users.
 - Means tested on a personal basis.
 - Aimed to help people who already receive various state benefits.
- 3.5 It is the Council's policy to be mindful of these issues, and implement differential pricing structures when appropriate.
- 3.6 Where charges are not made for a service or are reduced from the full cost recovery level, the reasons should be reconsidered as part of the annual review to ensure that they remain valid and that significant income is not being foregone.
- 3.7 Where appropriate fees and charges will also need to be subject to a equalities impact assessment.

Principle 3 - Where possible charges should be collected in advance of service delivery.

- 3.8 There is a cost to the Council in recovering overdue fees and charges. Therefore to minimise recovery costs and keep costs to users as low as possible, it is the Council's policy to, where possible, collect income in advance of service delivery unless there is an explicit rationale for collecting the income in arrears.

4. Determining Full Cost Recovery

Recovery of All Costs

- 4.1 Local government guidance (SERCOP) specifies that services should recover all costs in the organisation, including a proportion of all central overheads, depreciation, interest and working capital costs.
- 4.2 It is important that the full cost of each service is calculated. This must include not only all operating costs, but also departmental and central overheads and a charge for the use of capital.
- 4.3 It is also acceptable to include a provision to allow for future reinvestment in the service, as this ensures services are sustainable in the long term.
- 4.4 There is nothing wrong in making a surplus on the provision of services, as long as it is utilised for reinvestment in these services in the future.

Differential Charging

- 4.5 Charging structures can be used to control service demand, and to deliver policy objectives.
- 4.6 While costs should usually be recovered in full through charging, this can be done at the total service level, and does not exclude different charges to different types of customers, as long as the full cost is recovered overall.
- 4.7 There are equality and service access reasons for not charging the full cost for services to all customers. Such differential pricing arrangements can be:
 - Specific to certain categories of users.
 - Means tested on a personal basis.
 - Aimed to help people who already receive various state benefits.
- 4.8 There are other possible reasons for charging less than the full cost to certain customers such as:
 - To encourage more use of an under-used but much needed service.
 - To encourage more use at off-peak periods.
 - To achieve wider Council objectives.
 - To be competitive with outside organisations also providing similar services.
- 4.9 Where differential charging is proposed, detailed costing may need to go beyond ascertaining the full cost. It may, for example, be necessary to calculate costs at different periods of the day, so that charges can be set for off-peak periods, or to calculate marginal costs where a service is expanding geographically or to a new set of customers. Marginal costs are the extra cost of extending an existing service and would be lower than the average cost for the whole service, because, for example, overheads would not be expected to increase if there is a relatively small expansion of the service.

5. Factors to be Considered in Determining a Charging Policy for any Service

- 5.1 It should be confirmed what legal powers the Council is using to levy a charge. Where this is unclear, the Monitoring Officer should be consulted.
- 5.2 When a charge is legally possible, the feasibility of levying and collecting a charge should be determined. To do this, the following questions need to be answered:
 - Is it possible to control access to the service so that users can be identified?
 - Can the charge be related to the extent of use of a service or would it be an arbitrary charge?
 - Would the incidence of charge (ie who pays and how often) be substantially different from that of the current system?
 - Could the charge be collected economically?

6. VAT

- 6.1 Many charges will be subject to VAT and this needs to be considered as individual customers will not be able to reclaim VAT.
- 6.2 The position on VAT should be clarified with the Finance Team before any new charge is set.

7. Consultation on Fees and Charges

- 7.1 Formal consultation on the level of fees and charges is required where there is a statutory duty to consult, or where there is an established legitimate expectation of consultation creating a common law duty to consult.
- 7.2 Informal consultation may also be used to test the market for particular changes to prices.
- 7.3 The Council would normally formally consult on changes to the following fees and charges.
 - Hackney Carriage and Private Hire Licence Fees
 - Premises and Services regulated under the Gambling Act 2005.

8. Decisions on Charging

- 8.1 Fees and Charges should be reviewed at least annually. If charges are not reviewed regularly a situation may develop whereby large increases may be necessary.

BDC

- 8.2 The BDC Constitution specifies that Council will set Fees and Charges.
Part 3 Responsibility for functions
Section 17 Powers Reserved to the Council
Bullet 26 Setting discretionary fees and charges.

SNC

- 8.3 The SNC Constitution specifies that Cabinet or Directors will set Fees and Charges
Part 4 Rules of Procedure
Part 4.3 Rules for Financial Governance
Para 9.1 Directors Shall
a. agree with the Cabinet which fees and charges the Cabinet will approve and which the Director will approve;
b. review all fees and charges on an annual basis in accordance with the Council's charging policy in consultation with the Section 151 Officer (or their Deputy) and the relevant Cabinet member.
- 8.4 There are 3 specific exemptions to this which are as follows:

Building (Local Authority Charges) Regulations 2010

- Part 3 Responsibility for functions*
Part 3.7 Specific Delegation of Exercise of Functions to Officers: Building Control
Para 1.3.1 The approval of the Council's charging schedule is reserved for Cabinet, who are required to give due consideration to the views of the CNC Building Control Board.

For non-Licensing Act 2003 Licensing and Registration functions

- Part 4 Rules of Procedure*
Section 11 The Licensing, Appeals and Complaints Committee
11.1.1 (c) The Licensing, Appeals and Complaints Committee to advise the Cabinet on general arrangements for the exercise of the non Licensing Act 2003 licensing and registration functions, including the level of fees and charges to be made.

Leisure Fees

Cabinet December 2015. Cabinet agreed to implement a pricing structure for core prices for leisure services. Cabinet agreed to delegate any other decisions on pricing at the leisure centres, including incentive schemes to the Head of Leisure.

Cabinet 17 February 2020. Cabinet agreed to the continued delegation to the Director of People & Communities for non-core pricing increases.

9. Inflation and Charging

- 9.1 In the normal course of the economy, prices tend to rise. This means that where fees and charges remain the same in nominal terms, the real level of those fees and charges can fall significantly over time.
- 9.2 By not increasing fees to keep pace with inflation, the Council is effectively decreasing those fees each year. This is not sustainable in the context of councils being expected to be financially self-sustainable. The impact of not adjusting fees is cumulative and increases over time.
- 9.3 Therefore as a general rule, all fees or charges are increased by the level of inflation (as measured by the Retail Prices Index published in September) with the increase being applied from the 1st of April each year.**
- 9.4 Where officers feel there is a case for not applying this general increase to a specific service then they will make this case through the annual budget setting process.
- 9.5 Alongside the annual inflationary increase, fees and charges should be periodically reviewed as costs, charge levels and income levels do not necessarily increase in parallel.

10. Policy Review

- 10.1 This charging policy should be reviewed at least every five years.