



**SOUTH  
KESTEVEN  
DISTRICT  
COUNCIL**

## Finance, Economic Development and Corporate Services Overview and Scrutiny Committee

19<sup>th</sup> November 2019

**Report of:** Councillor Adam Stokes

Cabinet Member for Finance



## Fees and Charges - Charging Policy

The Charging Policy sets out expectations when setting or revising charges for services from 2020/21. The purpose is to set the basis of charges within a more business-like framework. The key principle is that charges should be set to fully recover costs or for any subsidy provided to be planned and approved.

### Report Author

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Corporate Priority:	Decision type:	Wards:
<b>Administrative</b>	<b>Budget and Policy Framework</b>	<b>Two or more Wards</b>

<b>Reviewed by:</b>	Alison Hall-Wright, Head of Finance	18 October 2019
<b>Approved by:</b>	Richard Wyles, Director of Finance	31 October 2019
<b>Signed off by:</b>	Councillor Adam Stokes, Cabinet Member for Finance	5 November 2019

### Recommendation (s) to the decision maker (s)

- Finance, Economic Development and Corporate Services Overview and Scrutiny Committee is asked to recommend the Charging Policy**

# **1 The Background to the Report**

1.1 The current Fees and Charges Strategy was developed in 2012. With the increasing pressures on local government finances, changes in payment technologies and citizens' expectations, it was felt an appropriate time to redevelop and update the document to reflect changes in customer service requirements and the financial operating climate.

## **1.2 Purpose**

As fees and charges are becoming an important element of funding for councils as Government funding reduces, it is important to ensure that fees and charges are set in a considered and consistent manner for South Kesteven District Council. The Policy seeks to set out general principles although it is recognised that as each service is specific, there may be reasons why a particular service charging requirement does not align directly with this Policy. The key focus is to ensure that fees and charges have been set in a reasoned manner; sometimes other Council priorities may mean a specific service deviates from these principles.

## **Principles**

The following are the key principles of charging within SKDC:

Full cost recovery as a minimum is the default – the rationale for any subsidised service should be understood and should be regularly reviewed

There should be no presumption towards uniformity in charges. Where appropriate charging different prices at different times/different locations should be considered

Opportunities for premium levels of service should be identified and attract increased charges where appropriate

Fees and charges should be taken in advance of service delivery where appropriate

For recurring charges, direct debit should be the preferred solution

There should be clear reasons for discounts and these should be regularly reviewed

Full cost recovery should include an overhead recovery rate of 30% for central costs where a different rate has not otherwise been agreed

The level of fees and charges should be reviewed annually with the normal default being that annual inflation is added

# **2 Consultation and Feedback Received, Including Overview and Scrutiny**

2.1 The OSC is asked to review and provide their feedback on the proposed Policy as shown at Appendix A.

# **3 Available Options Considered**

3.1 Maintain the existing charging framework although it is recognised that residents' expectations, government funding and technology have all changed since the original strategy was developed.

# **4 Preferred Option**

4.1 Develop and endorse a new version of policy (see Appendix A) – this will enable a clear focus on the principles and ensure a document that is fit for purpose.

## **5 Reasons for the Recommendation (s)**

- 5.1 Adopting the proposed Charging Policy will set a clear direction for setting of fees and charges. The presumption of cost recovery as a minimum should ensure that any decisions to subsidise specific services is a conscious decision with the relative costs and benefits analysed.

## **6 Next Steps – Communication and Implementation of the Decision**

- 6.1 Upon endorsement the revised document will be made available via the Council's website and budgetary proposals going forward will be prepared following the guidance set out.

## **7 Financial Implications**

- 7.1 The Policy itself will not have any direct financial implications but it will ensure that the appropriate consideration is given between costs and benefits when setting charges, primarily as part of each budget cycle.

**Financial Implications reviewed by: Richard Wyles, Director of Finance**

## **8 Legal and Governance Implications**

- 8.1 The Policy makes it clear that any legal restrictions on charging (either at all, or the amount charged) needs to be considered on a service by service basis ensuring that fees and charges are set in a considered and consistent manner within each service.

**Legal Implications reviewed by: Mandy Braithwaite, Legal Executive**

## **9 Equality and Safeguarding Implications**

- 9.1 When charges are reviewed there should be consideration on equality issues. There is a specific section in the policy for discounts and exemptions from charging and equality assessments are required for service specific changes.

## **10 Risk and Mitigation**

- 10.1 The Policy sets out costs and benefits that need to be considered when setting fees and charges for services. Following the principles set out in the Policy will ensure there is clearer transparency and informed decision making when setting out fees and charges.

## **11 Community Safety Implications**

- 11.1 There are no community safety implications of this report.

## **12 Other Implications (where significant)**

- 12.1 None.

## **13 Background Papers**

- 13.1 None.

## **14 Appendices**

- 14.1 Appendix A – Charging Policy

<b>Report Timeline:</b>	Date of Publication on Forward Plan (if required)	N/a
	Previously Considered by: Finance, Economic Development and Corporate Services Overview and Scrutiny Committee	N/a
	Final Decision date	27 February 2020

## Charging Policy

### Purpose

To ensure that fees and charges are set in a considered and consistent manner for South Kesteven District Council.

### Disclaimer

By the nature of the document, this Policy seeks to set out general principles. As each service is specific, there may be reasons why a specific service does not align directly with this Policy. The key focus is to ensure that fees and charges have been set in a reasoned manner; sometimes other Council priorities may mean a specific service deviates from these principles.

### Principles

The following are the key principles of charging within SKDC:

- Full cost recovery as a minimum is the default – the rationale for any subsidised services should be understood and these should be regularly reviewed
- There should be no presumption towards uniformity in charges. Where appropriate charging different prices at different times/different locations should be considered
- Opportunities for premium levels of service should be identified and attract increased charges
- Fees & charges should be taken in advance of service delivery
- For recurring charges, Direct Debit should be the preferred solution
- There should be clear reasons for discounts and these should be regularly reviewed
- Full cost recovery should include an overhead rate of 30% for central costs where a different rate has not otherwise been agreed
- The level of fees & charges should be reviewed annually, with the normal default being that inflation is added

### Setting fees & charges

Different services are provided within a Council for different reasons. Some may be focussed upon a financial return (rent for commercial property); whereas others provide wider health or society benefits which would otherwise be under-provided or under-purchased (social housing).

A good starting point is therefore to consider all services against two factors – degree of competition and amount of legislation about a service. This can result plotting services on the matrix overleaf. Examples are provided in each of the quadrants.

Those services in the top-right quadrant – the low regulation, high competition section should seek to fully recover costs and aim to make a return to the Council where possible.

Those in the bottom-left quadrant – high regulation, low / no competition should consider any regularity requirements. If there is no restriction on charging, then full cost recovery as a minimum should be the default.

<b>Level of external competition</b>  Significant          Minimal	<i>Market regulation / specialisation</i>  <b>Cost / benefit analysis</b>  <b>Specialise or regulate?</b>  <b>Community Alarms</b>	<i>Profit</i>  <b>Recover full costs / generate 'profit'</b>  <b>Off-street car parking</b>
	<i>Regulatory or 'Core' Services</i>  <b>Comparative cost and performance</b>  <b>Environmental Health</b>	<i>'Discretionary' Services</i>  <b>Cost / benefit analysis</b>  <b>Theatres</b>
	High	Low
	<b>Level of regulation</b>	

Services in either of the other two segments will need to consider the wider costs and benefits of the service when arriving at a charge.

Benchmarking can be a good indicator of the potential impact of changing price and give an indication of the efficiency of the service (whether it can meet its costs charging at a level similar to other organisations). Benchmarking should only inform rather than be the main determination of price – if we cannot cost recover in a competitive environment then we should consider withdrawing from the market in that area.

In addition, there are some other factors where price can be used to influence behaviour:

- A higher price can dissuade people from using a service (fines for littering or parking violations, less healthy options in a vending machine)
- A lower price for a service can seeks to attract people from alternative perhaps more costly public services (pre-planning advice may ease the requirements when a full planning application is submitted)
- Testing the market for a new service may require a time of 'loss-leading' while demand is established, and costs spread more widely
- Charging can increase the perception of value of the service to the user

As a minimum, services should seek to cost recover from fees & charges. Where this is not the case, the level of subsidy should be known and the reasons understood and documented.

There may be reasons why supply and demand change; whether this is based upon the time of the day, the geographical area the service is provided, wider market conditions or factors affecting costs (such as distance from base). These should be considered and the impact of differential charging be considered alongside complexity for customers, cost of collection and non-cashable costs and benefits of a decision.

There should be no presumption towards uniformity in charges. Where appropriate charging different prices at different times and/or at different locations should be considered.

### **Premium Services**

It may be possible to provide a differential service for some customers, who may wish to receive a faster service, more support or a different output from the service compared to others. In these circumstances it may be possible to provide different service levels and charge more for the premium level of service. There are a series of things that should be considered:

- Legislation - is it possible to offer different tiers of service / does statute set prices or quality to prevent such charging?
- If the service is statutory, are all current elements of the service statutory? Are any elements of the overall offer divisible (e.g. such as when pre-planning advice was split from post-submission planning determination)?
- Are there other value added or additional services that could be provided alongside the main offer?
- Has there been any customer feedback about the service that would suggest demand for additional or differential services?
- Compare potential tiers of service to current levels of performance and any statutory requirements in terms of speed / quality
- Determine if there are cost / resource implications of providing a higher level of service
- Determine if there are cost / resource savings of reducing the standard level of service to statutory minimums
- Determine any impact on current quality of provision if a premium alternative was offered
- Define minimum quality standards for both the standard and premium offering
- Map expected take-up, carry out sensitivity for both changes to costs and income
- Consider need for consultation or a pilot

Where a service is provided at different service levels then a higher price should be associated with the higher service level. Where it is possible to differentiate service, but it is decided not to, the reasons for this decision should be clearly documented.

### **Collection methods**

Chasing debt takes time, costs money and some debts get written off – this can be a particularly large cost for small value fees & charges. It is therefore preferable to take payments before a service is provided.

There are reasons why this might not be possible:

- Legislation may require us to act (especially in an emergency) then seek to recover costs back (for example repairs to homes falling into dangerous disrepair)
- If competitors charge via invoice, then only offering payment in advance may lead to people choosing them
- Larger companies may prefer or require paying via invoice, so that they can process via their standard payment processes (and for recovery of VAT)

Payments should be taken in advance of service provision. Where this is not the case, the reasons for this should be clearly documented.

For periodic payments (where the customer will have a regular service from us, such as trade waste collection or leisure subscription fees) the default should be by direct debit. This is the easiest and cheapest way for collection over a series of payments, whilst also giving protections to the consumer (via the direct debit guarantee scheme). This may involve making sure Direct Debit is offered as the first method of payment; opt-in campaigns and/or considering a one-off discount for changing (see section below).

Direct Debit should be the preferred solution for reoccurring payments

### **Discounts / Exemptions**

There may be several reasons why discounts are given; ranging from incentivising a method of payment, through to encouraging use of a service from a disadvantaged group. Some questions to consider when setting a discount:

- What is the purpose of any discounts given (e.g. encourage uptake from disadvantaged groups, to encourage certain payment methods)?
- Is there evidence to support that the discounts support the purpose given?
- When was the last time the discounts / exemptions were reviewed?
- Do the discounts lead to an overall subsidy for the service or is the discount recovered from other users?
- If a service is means tested, what test is used? Could (with appropriate permissions granted by the customer), the Council's own systems be used as evidence (for example using Council Tax benefit as the main means test)?
- If payments are settled by invoice, what is the payment profile, are elements written off? Would an early payment settlement or discount for in advance / via direct debit be cost effective for the service / the Council as a whole?
- Does demand change through the day/week/season/year? Have discounts been considered for times of lower demand?
- Is there a different market for individuals and businesses? Could a bulk discount offered to a company lead to multiple sales justifying a larger discount?

Discounts should be linked to specific objectives and the measurement of those objectives periodically reviewed.

### **Cost Recovery – including central costs**

Recent changes to local government finance rules resulted in central support costs (finance, legal, ICT) no longer being recharged to service department budgets (with some ring-fenced exceptions such as the Housing Revenue Account). This makes it harder to determine the full cost of a service; which in turn makes it harder to determine the price of full cost recovery.

Where full cost recovery is the aim, the direct (gross) service cost should be increased by 30% to cover central costs, unless a different charge has been specific to a service area.

### **Considering impact of change**

As with any change to services, Equality analysis should be undertaken if there is likely to be a change to potentially disadvantaged groups. The results of this should be given full consideration alongside all other costs and benefits from making a change.