



SOUTH  
KESTEVEN  
DISTRICT  
COUNCIL

## **Fees and Charges**

### **Charging Policy**

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<b>1. Purpose and Introduction</b>
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***To ensure that fees and charges are set in a considered and consistent manner for South Kesteven District Council.***

The Council is committed to having a sustainable Medium-Term Financial Strategy (MTFS) of which income from fees and charges represent an important source of funds to the Council and enable a wide range of services to be delivered. To ensure fees and charges are being used effectively, the Council will ensure its overall charging policy links with its corporate aims and objectives.

The setting of fees and charges is incorporated within the medium-term financial planning and budget setting process which will also link to cross cutting issues and impacts that will need to be considered in the context of wider policy objectives. This document sets out an overall policy framework to support and guide in the practical approach to setting fees and charges that is consistent with the corporate plan 2024-27 and the key priority of Effective Council.

This policy also provides guidance to managers on how to cost services in order to determine the amount to be charged taking into account concessions, exemptions etc. along with the governance arrangements for approval.

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.

## 2. General Principles

Where the Council has the option to levy a charge, and there is no justification why an exception should be made, it is the Council policy a charge should be made on both statutory and discretionary charges in accordance with this charging policy.

Fees and charges are to be structured to support the achievement of the Councils priorities and ideally recover the full cost of service delivery. Optimum use of fees and charges is to be made without having a detrimental effect on:

- Income
- Quality
- Services levels
- Vulnerable people
- Legislation
- Health and Safety
- Creating unintentional outcomes
- Public satisfaction

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 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

### 3. Determining the amounts to be charged

Where the Council controls the level of the charge to be made for a service, it is the Council policy that the charge should cover the actual costs of providing the service (including overheads). Where a service is not recovering fully the costs, it is being subsidised by the local Council Tax payer from the General Fund or Rent Payer for the Housing Revenue Account. Some key questions to ask therefore are:

***‘Do we want the service user to pay for the service or do we want all Council Tax payers / Rent Payer to pay for or contribute to the costs of the service’?***

***‘Can this be used as loss leader for another added value service which we can market and promote’?***

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.

It is recognised that this will not be appropriate in all circumstances and the actual amount proposed will need to take into account:

- Relevant Council strategies and policies
- Any subsidy or concessions given
- Market conditions and prices charged by competitors and/or other Local Authorities
- The need to avoid potential distortion of the market which might occur from pricing below the levels charged by the private sector for similar services
- The need to avoid exploitation of customers who have no option but to use Council services
- The impact of increased usage on a particular service
- The need to increase Council income
- Service users’ views where provided

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.

Level of external competition	Significant	<i>Market Regulation / Specialisation</i>  <b>Cost / benefit Analysis</b>  <b>Specialise or Regulate</b>  <i>Building Control</i>	<i>Profit</i>  <b>Recover full costs / Generate profit</b>  <i>Off-street car parking</i>
	Minimal	<i>Regulatory or 'core services'</i>  <b>Comparative cost and performance</b>  <i>Environment Health</i>	<i>Market Regulation / Specialisation</i>  <b>Cost / benefit Analysis</b>  <i>Theatres</i>
		High	Low
		<b>Level of regulation</b>	

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 (e.g. fines for littering or parking violations)
- A lower price for a service can seek 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

Appendix A provides some further guidance around the impact of different charging options, understanding costs and income and consideration of what the public think which will be helpful for budget holders when setting their charges.

**VAT:** Consideration needs to be given in all cases as to whether VAT is applicable.

## **Approach to Charge Setting**

Within the service and budget planning process fees and charges should be identified to one of the categories in the table below and the appropriate charging policy adopted in establishing and reviewing charges rates/levels.

<b>Approach</b>	<b>Policy Objective</b>
Full Commercial – the default position	Aim to maximise revenue within an overall objective of generating a surplus from this service which can then support the delivery of other council services
Full commercial with discounts	As above, but with discounts being given to reflect market conditions and enable trade. Discounted costs are met out of the service budget
Full commercial with concessions	As above, but with discounted concessions being given to enable disadvantaged groups to access the service determined from the Equalities Impact Assessment (EIA)
Statutory	Charges are set in line with legal obligations and charges are only made for added value services
Cost recovery	The Council aims to recover the costs of providing the service from those who use it, including all overheads, investments, costs of sales and development.
Cost recovery with concessions	As above, but the Council is prepared to subsidise the service to ensure disadvantaged groups have access to it
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
Free	Service fully available at no charge as set by Council policy which we can potentially use as a marketing tool for selling added value services.
Subsidised	The Council wishes users of the service to make a contribution to the costs of providing it. This might be to meet a service objective or allow competition with other providers. This may be applicable for services that contribute to the councils objectives but where full cost recovery would make the service unviable. The Council should enhance its reputation with its customers by promoting this.

Nominal	The Council wishes to make the service available but sets a charge to discourage frivolous usage
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If a commercial rate is appropriate budget holders will need to first undertake an analysis of their costs to ensure it is achieving cost recovery but will need to supplement this with relevant benchmarking information to ensure the fee is set appropriate taking into account market prices so that the service remains competitive through maximising the fee earning potential but also being aware of what the market can bear.

Where the income for a service isn't recovering it's cost officers will need to consider:

- Can the service be delivered in a more cost effective and efficient manner to reduce expenditure?
- Use this service as a 'loss leader' to sell added value services which would cover the shortfall
- Challenge whether we still want to deliver the service at a cost and subsidy?

All calculations will need to be updated annually by the service areas and also reviewed by the finance team to sense check the information and methodology being applied. Budget holders should remember that any systems and procedures should be proportionate to the importance and scale of the income involved and any risks of legal challenge arising from regulatory requirements.

### Costing the services provided

The charge for services to the users should generally be calculated on the full cost of providing the service which should include items such as:

#### Direct Costs

- Salary and associated on costs (National Insurance and Pensions) taking into account non productive time
- Travel costs
- Specialised or additional equipment required for the provision of the service
- Cost of sales or recovery of any investments made to provide the service

#### Indirect Costs

- Overheads such as HR, ICT, Finance as well as any corporate recharge costs
- Taking into account any previous years surplus or deficit

There may be other associated costs which need to be taken into account that are incurred to deliver the service which budget holders will need to quantify when establishing a total cost for the service. The total cost may then need to be allocated out across the estimated number of users (which would need to be evidenced) in order to arrive at a suitable charge.

Budget holders may also need to set fees and charges based on officer time in order to allocate their costs to arrive at a set charge and therefore appropriate systems for time recording will need to be implemented. Further support can be obtained from Financial Services.

Where there is any statutory or legislative guidance on which costs are allowable when calculating a charge these need to be adhered to.

#### **4. Concessions.**

There will be some circumstances where it may be appropriate to consider offering discounts or concessions in relation to particular services/activities or customer groups on a basis which is consistent with achieving the Council's objectives.

When reviewing or establishing the level of discount or concession offered for a particular service the following should be considered:

- 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?
- What will the impact on income for this service be by offering a concession? Is there a business case to support short-term reduction in charges with the aim to increase overall take up and overall income yield for the service in the long term.

Recognising the broader agenda to maximise access to services and to ensure equity and fairness in charging, concessions/discounts should be considered for the following groups:

- Young people aged 16 years or younger
- Full-time students
- Senior Citizens over pensionable age
- Individuals on low incomes in receipt of means tested benefit
- People with a disability in receipt of a means tested benefit
- Individuals receiving a 'carers allowance'



- Ex-members of the Armed Forces

An assessment of the desirability of offering concessions (including the financial implications) should be part of the evaluation of an appropriate charge.

Managers should be able to demonstrate the effect on usage, access and finance of any concessions in calculating the charge and the income that is derived.

## 5. Income Collection

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)

Where invoices are required to be issued the following points should be noted:

- Invoices should be raised for all fees/charges where appropriate, authorisation to raise invoices should be processed through the finance system preferably in advance of service delivery
- Where a cancellation of service is required they should be sent to Sundry Debt team promptly with an appropriate explanation (e.g. invoice raised incorrectly, service not provided) using existing documentation.
- Requests for write-offs should be sent to the Sundry Debt team with the appropriate explanation
- Any arrangements or circumstances to stop/suspend recovery action should be promptly notified to Sundry Debt team
- Budget Holders should be prepared to provide sufficient documentary evidence to enable legal action to be taken through the Courts

## 6. Governance

All fees and charges must be approved by Council as laid out within the constitution. The setting of fees and charges forms part of the annual budget process as summarised below:

- **Budget holders** undertake review of fees and charges in September as part of the preparation of the draft budget – these take into account the principles and approach as outlined in this Corporate Charging Strategy.
- Proposals should be discussed and agreed with the relevant **Portfolio Holder**
- Budget consultation including fees and charges proposals is undertaken with the **Budget – Joint Overview and Scrutiny Committee** in order to provide feedback to Cabinet.
- **Cabinet** then formally recommends the draft fees and charges after the budget scrutiny meeting to Council
- **Council** formally approves the fees and charges for the following financial year

### Reviewing of Fees and Charges

- Fees and charges **should annually be subject to a detailed review** and, should at least, increase in line with the rate of inflation as part of the budget setting process. The rate of inflation will be set by the Section 151 officer.
- Where fees and charges are set on a full commercial or subsidised basis (where the subsidy is linked to perceived market conditions), annual benchmarking needs to be undertaken. This information together with any other market intelligence will need to be considered as part of the annual review process. Budget holders will also need to explain and demonstrate how market information has influenced pricing decisions.
- As part of the annual review each service should consider if services currently provided free should be subject to a charge to ensure this is still appropriate.
- Where there are any significant changes during the course of a year, such as costs, market forces or service levels which materially affect current charge and revenues, then a report will need to be presented to Cabinet for approval as part of the delegation within the constitution for amending charges outside the annual fee setting process with Council.
- Where there is to be a change or new charge, then the budget holder should ensure that this is carried out in a timely manner, undertaking any consultation and meeting any legal obligations required including undertaking an EIA.

## **7. Summary**

Fees and charges are an important and valuable part of the Councils income. It is vital that all fees and charges are reviewed annually and in accordance with this policy. This enables the Councils policy to be fair, joined up and transparent to all its customers irrespective of which part of the Council provides the service.

The review of fees and charges will be conducted at the same time and will form an integral part of the annual budget cycle, policy, planning and monitoring of the Councils income.

This policy will be reviewed in line with any changes in legislation with any minor approved by the Section 151 officer in consultation with Corporate Management Team and members as appropriate.

Significant changes will be formally reviewed and approved by Council.

## INFORMATION THAT WILL HELP TO SET CHARGES

## APPENDIX A

Clarity on the objectives		
Why is this an issue?	<ul style="list-style-type: none"><li>• A problem within the service area that charging could influence?</li><li>• A corporate target that charging could help achieve?</li><li>• A desire to increase take-up or discourage use?</li><li>• A need to generate income in order to maintain service levels within the service or elsewhere?</li></ul>	
What are we hoping to achieve?	<ul style="list-style-type: none"><li>• Reduction in problems in certain service areas?</li><li>• Generate economic growth?</li><li>• Encourage access to services by under-represented groups?</li><li>• Meet costs and raise money for related objectives?</li></ul>	
What are the constraints?	<ul style="list-style-type: none"><li>• Wider council strategic issues</li><li>• One Council Delivery Plan</li><li>• Agreed charging policy framework</li><li>• Lack of market intelligence</li></ul>	
The impact of different charging options		
Factors to consider	The data that will help	The analysis that is needed
Who is using the service and when?	Data on service use, as applicable: <ul style="list-style-type: none"><li>• By location</li><li>• By time of day</li><li>• By day of week</li><li>• Seasonal information</li></ul>	<ul style="list-style-type: none"><li>• Use compared to target</li><li>• Analysis of customers by age, gender, race, disability, socio-economic group, reasons for service use</li></ul>
The impact of changes to service on service use and other objectives	<ul style="list-style-type: none"><li>• Historical data on the impact on service use when the council made changes to other local charging levels</li><li>• Impact and evaluation data from similar council who have implemented changes</li></ul>	<ul style="list-style-type: none"><li>• Forecasts of the likely impact of the charging options on user type and location</li><li>• Analysis of the impact of changed charges in previous years</li><li>• Forecast of impact of changes on wider objectives</li></ul>

Understanding costs and income		
Factors to consider	The data that will help	The analysis that is needed
What are your current costs and income?	<ul style="list-style-type: none"> <li>• Total costs and total income generated</li> <li>• Income data from similar councils</li> </ul>	<ul style="list-style-type: none"> <li>• Analysis of income data to show cost and income by location/type/service level</li> <li>• Analysis of cost and income over time and by location</li> </ul>
The impact of changed chargers on income	<ul style="list-style-type: none"> <li>• Income data from similar councils who have made changes to charging levels</li> </ul>	<ul style="list-style-type: none"> <li>• Forecast of the likely impact of the options on income, using forecasts for changes in car park use</li> </ul>
Does the level of income generation/subsidy reflect local priorities?	<ul style="list-style-type: none"> <li>• The current level of subsidies</li> <li>• Comparison of subsidies with similar councils, with similar community profiles</li> </ul>	<ul style="list-style-type: none"> <li>• Analysis of whether income is making desired contribution to the overall income of the council</li> <li>• Analysis of whether any subsidies can be linked to other council priorities (for example reduced charges to promote economic growth)</li> </ul>
Will further cost pressures be faced in the future?	<ul style="list-style-type: none"> <li>• Data on the efficiencies that the council has planned to make</li> </ul>	<ul style="list-style-type: none"> <li>• Forecast of potential future cost pressures, including changes in service, the impact of regeneration</li> <li>• Analysis of impact of future pressures on income</li> </ul>
What do the public think?		
Factors to consider	The data that will help	The analysis that is needed
How acceptable are the proposals to the public?	<ul style="list-style-type: none"> <li>• A breakdown of public views by customer group, geographical area and type of service user</li> <li>• Historical data on how the public reacted to other changes to charging made in previous years</li> </ul>	<ul style="list-style-type: none"> <li>• Analysis of complaints, enquiries from focus groups to understand the concerns locally</li> <li>• Analysis of what happened after previous changes to charging levels</li> </ul>
What impact will the proposals have on the public?	<ul style="list-style-type: none"> <li>• Comparisons of satisfaction levels in similar councils, with similar community profiles, who made similar changes to charging levels</li> </ul>	<ul style="list-style-type: none"> <li>• Analysis and forecast of the impact that each option may have on the public satisfaction levels</li> <li>• Analysis of the views and the potential impact on other, for example local retailers</li> </ul>