

## **Bridgend County Borough Council Income Generation and Charging Policy**

### **Purpose**

This policy exists to clarify the important role that charging and income generation has in supporting the Medium Term Financial Strategy. It provides a clear and consistent approach to charging across the Council. Its key aims are:

- To create a consistent and coordinated approach to charging, that is applied across services;
- To outline the key principles for charging by Bridgend County Borough Council;
- To set out the annual review process for all discretionary charges.

### **Key Principles**

For some services charges are mandatory, and the fee is set nationally, whilst for other services the Council is expressly prohibited from charging. Therefore, a basic assumption is that the Council will apply and collect statutory charges as appropriate and further consideration is therefore outside of the scope of this document.

However discretionary fees and charges represent an important source of revenue, providing finance for activity that is designed to achieve the Council's objectives. Nevertheless, there is a potential conflict between raising revenue, promoting access and the usage of services whilst considering the challenges of poverty and social exclusion that exist within the Borough and also the effects on local taxpayers. A consistent and informed approach to charging across the different services of the Council will enable this conflict to be reconciled and managed in the interests of achieving the Council's objectives. All discretionary charges will be covered by this policy.

The Local Government Act 2003 gave local authorities the general power to charge for discretionary services which are not covered by any other legislation with the following restrictions:

- the income from charges for a service should not exceed the cost of providing that service (over a "reasonable" but unspecified period, e.g. 3 years);
- the recipient of the service must have agreed to its provision and agreed to pay for it;
- different people and/or organisations may, where it is fair to do so, be charged different amounts.

## **When to charge**

Whenever future consideration is given to funding sources for specific services, it will be expected that the Council will charge for services, except where a clear decision is taken not to do so for one of the reasons given below. In particular, charges should be levied to support Council corporate priorities and to encourage behaviour change of our customers.

Reasons for not charging are:

- i. There is a legal or statutory reason forbidding the levy of charges.
- ii. The Council has entered into other contractual arrangements which prevent the levy of charges.
- iii. The costs incurred as a result of collecting a charge would be greater than the income generated.
- iv. The potential risks to the Council incurred as a result of charging outweigh the benefits. Introducing a charge would result in a high risk that:
  - There would be a significant fall in demand and as a result the Council would not achieve one or more of its corporate priorities as defined in the Corporate Plan or the cost of doing so would become prohibitively expensive.
  - The reputation of the Council would be significantly damaged.
  - Charging would change behaviour of customers resulting in a high likelihood that costs would be incurred elsewhere in the business which would be greater than the income generated.

## **Setting of Fees and Charges**

Charges should be set using clear and transparent evidence and knowledge to support the level of charge. The MTFs states that generally, income from fees and charges will be increased by CPI (at the prevailing rate) plus 1%, or in line with statutory or service requirements. However, when determining specific charges, it is appropriate to take into account some or all of the following:

- Encouraging specific activities and use of certain services;
- Discouraging some undesired activities and frivolous demands for a service;
- Ensuring regulatory compliance;
- Whether the Council wishes to act as a supplier of last resort;
- Contributing to long-term sustainability of some activities or services;
- Local market factors;
- Consideration of charges for similar services raised by other local authorities or private sector competitors;
- Whether in some cases reduced charges should be available to some groups to promote inclusion;
- Whether discounts (for example age related charges) or promotion (for example seasonal charges) will be offered;
- Whether scope exists to increase take-up through more effective marketing and publicity and the form that this might take.

The objectives of different charging strategies are as follows:

<b>Charging Strategy</b>	<b>Objective</b>
Commercial Charges	The Council will aim to cover the cost of providing the service and make a surplus used to fund other priority services. The full cost of the service, including an element for capital financing costs, support services and corporate overheads, will be the starting point for calculating charges.
Full Cost Recovery	The council will aim to recover the costs of providing this service from those who use it. The full cost of the service, including an element for capital financing costs, support services and corporate overheads, will be the starting point for calculating charges.
Subsidised	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.
Free	The Council may choose to make the service available at no charge to meet a service objective - cost of service will then met by all Council Tax payers.
Statutory	Charges will be determined in line with legal requirements

Where any future decision is taken to charge for a service, the Council will aim to set charges reflecting the full cost of a service, except where concessions have been agreed as detailed below. The full cost will be defined to include all staffing and materials costs and an element of overheads relating to central council support functions relevant to that service.

If the income from a service does not meet its costs, this should be as a result of a conscious decision, consistent with council priorities. The service will then be subsidised by Council Tax payers.

Where charges will not made for a service or are set below the full cost recovery level, the reasons should be reconsidered annually as part of the annual Medium Term Financial Strategy process to ensure that they remain valid and that significant income is not being foregone. The council recognises that, for some services, the costs may have been historically under-recovered and a period of adjustment towards full cost recovery may be required.

#### Fair charging

Charges should be set at a level that is fair to service users and Council Tax payers. Concessions may be available to those determined to be unable to pay the full charge. The impact on service users of charging increases should be considered, particularly where they may impact disproportionately on particular groups of Council Tax payers. Impact assessments will be carried out to assess changes and where this is significant steps should be taken to minimise them.

#### Consistent Charging

Charges for similar services should be consistent across the Council. Concessions for target groups should be applied consistently across the Council, where concessions are not mandatory (see below).

### Concessions

There are two types of concessions:

- mandatory concessions as determined by statute; and
- discretionary concessions which are wholly within the power of the Council.

The principle of recovering full costs through charging for all services wherever it is possible to do so applies to concessions. Therefore, concessions will not be provided unless:

- There is a legal or statutory reason expressly stating the need to provide a concession. These mandatory concessions will be provided in line with national guidelines.
- Target groups (e.g. those in receipt of means-tested benefits) would be disadvantaged or would not be able to access the service without a concession, and as a result the Council would not achieve its corporate priorities as defined in the Corporate Plan.

### **Administration of Charges**

The Council will use simple, practical and efficient methods of collecting charges.

The basic principles for administering fees and charges will be:

- Charges should be simple to understand and administer;
- Charges should be well promoted so that service users can clearly understand the charging structure and methods of payment before they become liable to pay;
- Where possible methods of payment should be flexible, convenient and take into account the needs of disadvantaged/vulnerable groups in the community; wherever possible online payment should be encouraged;
- Where possible and practicable payment should be made prior to the service being received or at the point of delivery;
- Documentation should be retained to substantiate that the customer accepted liability of the charge to support any debt recovery action required should payment not be received.

The Council will take a fair but firm stance on debt recovery. Service users and Council Tax payers should not expect to subsidise services whilst others avoid paying. Service managers should ensure that the Council's debt recovery policy is properly followed and enforced.

## **Process for introducing or changing charges**

Charges will be reviewed annually as an integral part of the MTFS process.

The annual review process will take into account the following:

- Costs increases, inflationary or otherwise, to ensure these are adequately reflected in the charges.

*Note: the MTFS stipulates that in general charges should be increased by 'CPI plus 1%'*

- Benchmarks from comparator authorities.
- Legislative changes, either restricting or providing new flexibility or freedom to charge.
- Change in Council policy or priorities as determined in the MTFS where charges or concessions could be introduced, varied or removed to support these priorities.
- Change in service provision or level of provision, which may result in additional or increased charges.
- New and improved methods of collecting payments reducing the cost and increasing the effectiveness of doing so.
- Changes to any reasons not to charge.
- Changes to any reasons for a decision taken not to recover the full costs of a service through charges or the provision of concessions.
- Other new or changed social, community, economic or environmental pressures that will affect charging or individuals' and groups' ability to pay.

A schedule is included in the MTFS, presented to Cabinet and Council prior to the start of the financial year, outlining any proposed charges above the general recommended increase.

Under the Council's Delegated Powers Scheme (Scheme A, paragraph 1.6) each Cabinet Member has the authority:

To approve, subject to the budget process:

- (i) Fees and charges for new services in accordance with any relevant charging policy approved by the Cabinet; and
- (ii) Increases in existing fees and charges which are in accordance with any relevant charging policy approved by the Cabinet and which are necessary to reflect either inflation or other increases in costs.