

STRATEGY FOR APPLYING AND SETTING FEES & CHARGES FOR SERVICES

Woking Borough Council
Civic Offices
Gloucester Square
Woking
Surrey
GU21 6YL

Created by: David Johnson – Corporate Strategy Manager - August 2009
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Contact for more information: Corporate Strategy

1. INTRODUCTION

- 1.1. Local Authority charging is a complex area, with charges for some services set at a national level and charges for other services prohibited altogether. The Local Government Act of 2003 gave councils the general power to charge for discretionary services that are not covered by other legislation. The purpose of this Strategy is to ensure that where Woking Borough Council has the discretion to set service fees and charges, there is a transparent, fair and consistent approach.
- 1.2. The recent Audit Commission Report 'Positively Charged' in 2008 suggests that nationally councils are currently not employing fees and charges to their maximum potential. Woking Borough Council wishes to optimise fair income opportunities that are directly linked to service planning and delivery. This Strategy outlines the guiding principles to be employed when setting and reviewing fees and charges. A decision tree (reference guide) setting out the process of applying the key guiding principles is at the end of the Strategy.

2. CHARGES SHOULD SEEK TO OPTIMISE POTENTIAL INCOME

- 2.1. First and foremost, the Council shall establish for all services whether legislation or statute permits it to apply a fee or charge for that service to the 'customer' or end user or whether any legislation exists expressly prohibiting a fee or charge. Where permitted, the Council needs to decide whether it wishes to apply a charge and, if not, how the service will be funded.
- 2.2. Where charges are employed they should be used to their optimum potential as an essential tool in generating income, to develop capacity, service improvements and efficiencies.
- 2.3. All fees and charges should aim to cover at least the *full cost* of the service, whereby the *full cost* includes overheads, capital costs, indirect costs such as support services and costs of collection.
- 2.4. Due regard should be given to statutory and regulatory limitations set at a national level. The Local Government Act 2003 outlines that income from discretionary charges must not exceed the costs of their provision. However, there is flexibility on how to calculate the costs of provisions, the period over which recovery is assessed and how far services can be grouped to assess cost recovery. The provisions of the CIPFA Best Value Code of Accounting Practice should be followed.
- 2.5. If there is a general legal power to charge within a service area, it will often be possible to set a charge for a particular initiative which exceeds costs, on the basis that the income generated from that initiative will contribute towards reducing the costs of providing the service as a whole, to the benefit of the Council and the taxpayer. An example of this can be seen in car parking, whereby resulting surpluses from car parking charges may be reinvested in transport related provisions and services.
- 2.6. Once a fee/charge has been agreed and set for a service, those charges should only be altered or subsidised where there is a clear, conscious and agreed decision to do so, within the context of this Strategy, and the financial consequences have been thoroughly considered, including how any shortfall will be funded – see Paragraph 5. Charges for commercial operations or those services provided by commercial operators on behalf of the Council should aim to achieve/recover full cost of provision. Finance managers should ensure that the income from charges and the level of

subsidy that this provides for service areas is transparent for councillors and informs the decision making process.

3. CHARGES SHOULD CONTRIBUTE TOWARDS THE ACHIEVEMENT OF CORPORATE AND SERVICE OBJECTIVES

3.1. The purpose for charging should be clear and transparent. Councillors and managers should fully understand the non-financial contribution of charging to service and strategic objectives, plus place shaping in general.

3.2. Woking Borough Council's current key priorities are:

- a) Decent and affordable housing (We are working to create access to decent and affordable housing for local people and key workers)
- b) Economic Development (We are working to support existing and encourage new businesses to the Borough to encourage a balanced and varied economy and grow employment opportunities)
- c) The Environment (We are working to maintain a clean, healthy and safe environment. We are keen to minimise waste, increase recycling and reduce the environmental impact of landfill. We are also working on reducing greenhouse gases and adapting to climate change)
- d) Health and Wellbeing (We are working towards integrated and accessible local facilities and services to encourage the health and well-being of all members of the community).

3.3. The priorities and focus of the Executive during 2011/12 are:

- a) Waste and Recycling
- b) Affordable Housing
- c) Economic Vitality
- d) Facilities for children and young people
- e) Community buildings
- f) Pride of Place and Community Safety
- g) Finance
- h) Health & well-being
- i) Environment.

3.4. Under these key headings, there will be a number of service objectives that a well priced charging structure may contribute towards, such as those outlined below.

Fees and charges may be used as a tool to:

- a. Further the achievement of key priority objectives, for example encourage healthy living through the charging policy for leisure services. Another example might be to operate a facilities hire charging policy that offers lower rates to organised groups who are more aligned with the Council's strategic priorities.
- b. Modify behaviour in line with environmental policies, for example offer lower season ticket fees based on lower carbon emission rates and set higher car

parking rates at peak times to decrease congestion and encourage the use of greener transport.

- c. Contribute towards the equalities agenda by encouraging the use of a service where take up is under represented, for example by subsidising users who have low incomes or are minority groups. An example of this might involve offering facility hire discounts to ethnic minority groups to encourage their participation.
- d. Support local economic prosperity through differential charging between residents and non residents (for example libraries may charge commercial internet access rates for non-library members) or by operating special events schemes (for example by offering free car parking on certain days to encourage visits to shops).
- e. Further the Community Strategy agenda through discounts for local or frequent users, encouraging community participation and loyalty/take up of service.

3.5. Where subsidies are provided, there should be a rationale behind them in line with corporate priorities and financial realities. Long term investment strategies should focus on high cash earners, in order to subsidise other areas as desired.

4. BENCHMARKING – CHARGES SHOULD TAKE INTO ACCOUNT MARKET CONDITIONS AND COMMERCIAL VIABILITY

- 4.1. Wherever possible, charges should be benchmarked with the public, private and voluntary sectors. Benchmarking should take into account not only the level of charges made for services, but the full costs of service delivery.
- 4.2. Variable market factors such as demographics, policy priorities and quality/quantity of service provision will cause some differences between charges, but these reasons should be understood and validated.
- 4.3. The availability of alternatives and perceptions of value for money will affect income received from charging. Charges should take into account their effect on behaviour, for example an inappropriately low charge may result in overuse or abuse of the service whereas an increased charge may not increase income if usage drops. A careful analysis of supply and demand should be undertaken to ensure optimum income in line with price sensitivity associated with a service. The quality matrix below may be considered when developing competitive pricing:

<p>ECONOMY (Low quality, low price)</p>	<p>PENETRATION (High quality, artificially low price to encourage market development)</p>
<p>SKIMMING (Low quality, high price initially but becomes lower over time to match market)</p>	<p>PREMIUM (High quality, high price – unique product/service)</p>

4.4. Flexibility is essential. During the course of the year between the annual review of fees and charges by Council, Business Managers are empowered to review and, if appropriate, change their pricing structure in accordance with changing circumstances, in consultation with Financial Services, the relevant Portfolio holder and the Leader of the Executive. Where new services are offered and there is no market comparison or benchmark, flexibility to quickly revise and amend fees & charges in the light of

experience needs to be explicit. In no circumstances may fees and charges be set above the level agreed by the Council, without reference back to and the express consent of the Council.

5. ACCESSIBILITY – CHARGES SHOULD TAKE INTO ACCOUNT THE ABILITY OF DIFFERENT USERS TO PAY

- 5.1. Before considering subsidised charges, the financial implications should be carefully reviewed with due regard given towards how proposed discounts/concessions will be funded, for example whether other users from the same service will pay for it, or council taxpayers generally.
- 5.2. There should be a direct link between the concession and the policy objective that it is designed to contribute towards.
- 5.3. Concessions for services should follow a logical and consistent pattern with an overarching rationale on which groups/individuals qualify for concessions across service areas. Audit Commission guidance for the public sector highlights the need to target subsidies more robustly on the ability to pay, rather than wider status concessions groups.
- 5.4. The eligibility criteria will need to be carefully considered and reviewed over time, for example a means tested concession will need to keep up to date with new benefits that the government has introduced. Proof of eligibility should be obtained in an efficient manner and duplication should be avoided, for example service users should not have to provide identical information to separate council service areas. The use of Contact Manager should avoid this.
- 5.5. See Appendix 1 for potential groupings which may be considered for different rates/concessions.

6. DIFFERENTIATION – CHARGES SHOULD TAKE INTO ACCOUNT DIFFERENT LEVELS OF SERVICE

- 6.1. Charges should be based on added and perceived value, as well as cost. Tiered charges should be implemented in line with the level of service provided and the demand on Council resources.
- 6.2. For example, in Elections Services a charge can be issued for residents requesting a letter as proof of residence – if information is held electronically and can be easily retrieved, it may be appropriate to charge at a flat level, but if information requires manual checking of several different registers, it may be appropriate to charge at a higher rate to reflect the greater demand placed on Council resources. Another example might be reflected in local land searches, whereby different charges could be levied for a basic search fee or for a quicker, expedited search.
- 6.3. Different charging levels may also be applied related to the condition of facilities and quality of service experience expected.

7. CONSULTATION – FEES & CHARGES SHOULD TAKE INTO ACCOUNT THE VIEWS OF SERVICE USERS (AND SEEK TO MINIMISE THE IMPACT OF NEW OR SIGNIFICANTLY INCREASED CHARGES ON THEM) AND NON-USERS AT COUNCIL LEVEL

- 7.1. Service managers should engage more with service users and tax payers (non-users) to involve them in decisions about whether to charge for services and at what level to do it. Charges and the reasons for them should be clearly communicated to the public.
- 7.2. Fees and charges should be sensitive to service users, to ensure that they do not switch to other services or stop using a service altogether. Consultations should be undertaken, in conjunction with research into historic trends and reactions to charges.
- 7.3. At a Council level (rather than service or Business Area) consultation on applying and setting fees & charges should be undertaken with non-users and Council Tax payers more widely. This can be used to understand why people don't use a particular service and assess Council Tax payers' views on subsidising others. This will become more relevant/necessary when the requirement for 'participatory budgeting' is introduced by 2012.
- 7.4. The impact of charging should be analysed from both a corporate and an individual perspective. When analysing the financial impact of charging on users, service managers should consider the cumulative effect of different service charges on individuals and households (for example, by using the Audit Commission's Household Charges Calculator).
- 7.5. The economic impact of charging should also be considered, in order to best support local business and industry. To ensure stability and predictability, if the impact of charging is high, solutions such as phased pricing policies should be employed.

8. SERVICES SHOULD SEEK TO MINIMISE THE COSTS OF COLLECTION

- 8.1. Service fees & charges and the ways in which they can be paid/collected should be transparent to users. The costs of collection should be minimised wherever possible and should be proportionate to the level of income raised.
- 8.2. Alternative payment methods should be offered to users with incentives to use the most efficient method, for example electronic payment.
- 8.3. Early payment should be encouraged. Advance payment should be presented as either the only option or should be incentivised through discounts, for example where applicable, casual prices should be relatively high whilst annual prices should be reduced.
- 8.4. A tough stance should be taken on fee dodging. Other service users and council tax payers should not be expected to subsidise users who are evading charges for a service they receive. Service managers should ensure that the Council's debt recovery procedures are properly followed and enforced. Information about which users are accumulating debt/arrears should be shared between service managers.
- 8.5. Even where charges are restricted or have a set statutory level, service managers can influence performance by ensuring that all service users are assessed properly, pay promptly and that this is backed up by high quality and transparent accountancy and administration.

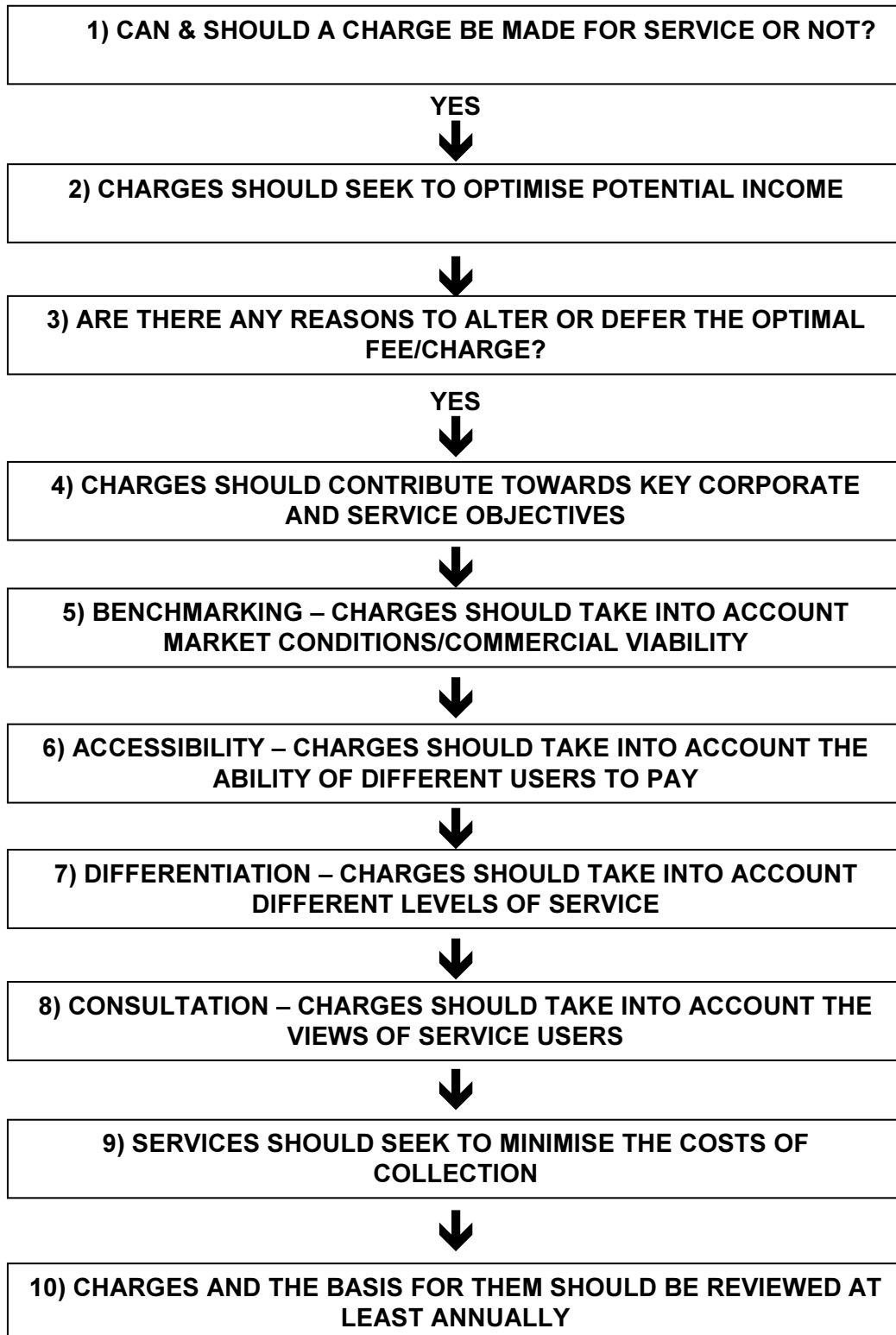
- 8.6. Block booking of facilities/services, where appropriate, is encouraged and full payment should be made in advance (up front). Refunds should not be made where the facility/service is not used unless, cancellation/termination is made in advance and a sliding scale of cancellation/termination charges would apply depending on the notice given.

9. CHARGES SHOULD BE REGULARLY REVIEWED, ON AT LEAST AN ANNUAL BASIS

- 9.1. As corporate, service and financial objectives change, the fees & charges and criteria associated should also be reviewed on at least an annual basis. Reviews should take into account changing market conditions, legislation changes, patterns of service use, benchmarking and other variable costs.
- 9.2. Evaluation of whether the objectives of specific charges have been met should take place. Service managers should where possible collect and use information on who is and is not using services and how service users and non-service users respond to changes in service charges.
- 9.3. Where charges are not made for a service, or are reduced from full cost recovery level, the reasons should be reconsidered as part of an annual review to ensure that they remain valid and that significant income is not being foregone.
- 9.4. When new charges are proposed, the purpose of the charge should be set out and the proposal should be assessed against this policy. A risk analysis and equalities impact assessment should be accompanied by a financial appraisal, which should show the full cost of the service, the proposed charge and the income which it is estimated the charge will generate. This should include recommendations for any exemptions and concessions. Where appropriate, the proposal should also show the results of any consultation with service users and the possible impact of the proposed charge on the council and taxpayers.
- 9.5. An Action Plan and key policy concepts will be incorporated into this Strategy. These are currently outlined in the background papers and subject to further discussion.

SUMMARY FLOW CHART / DECISION TREE OF GUIDING PRINCIPLES FOR APPLYING AND SETTING FEES & CHARGES FOR SERVICES

For 'new' charges (new charge or new chargeable service) the decision tree will be used in full. For the annual or other review of existing charges a 'light touch' can be used to ensure the level and basis for the charge is still relevant and appropriate.



Appendix 1

Potential groupings which may be considered for different rates/concessions.

The objectives is to establish a common criteria/eligibility for when individuals are entitled to discounts when using / accessing the Council's Services. The intention is to use the Key Card framework as the initial starting point:-

The Key Card structure for Fees and Charges is as follows:-

Standard (full rate) - applicable to adults (aged 16 yrs and above) who do not qualify in any other groups below.

Status (discounted rate) - applicable to pre-school, anyone in full time education, aged 60 and over, in receipt of Disability Living Allowance or on government training scheme.

Concession (further discounted rate) - for residents ONLY in receipt of a means-tested benefit - i.e.: Income Support, Working Tax Credit (NHS exemption certificate), Job Seekers Allowance (income based), or Pension Credit (guaranteed or savings).

Further work will be done to identify individuals or groups as the Strategy develops. This is likely to change with circumstances over time.