



BROMLEY CIVIC CENTRE, STOCKWELL CLOSE, BROMLEY BRI 3UH

TELEPHONE: 020 8464 3333

CONTACT: Graham Walton
graham.walton@bromley.gov.uk

DIRECT LINE: 020 8461 7743

FAX: 020 8290 0608

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EXECUTIVE AND RESOURCES POLICY DEVELOPMENT AND SCRUTINY COMMITTEE

Meeting to be held on Wednesday 5 February 2014

Please see the attached report marked “to follow” on the agenda.

12 REPORT FROM THE COSTS AND CHARGES WORKING GROUP (Pages 3 - 8)

*Copies of the documents referred to above can be obtained from
www.bromley.gov.uk/meetings*

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E&R PDS Costs, Charges and Recharges Working Group Report

1. Attendees:

Cllr Nicholas Bennett JP (Chairman)
Cllr Graham Arthur
Cllr Eric Bossard
Cllr Julian Grainger
Cllr Tony Owen
Cllr Neil Reddin

2. Meetings

The working group met twice (12th December 2013 and 23rd January 2014).

3. Officers assisting:

Joy Connor
Lesley Moore
Graham Walton

4. Terms of Reference

To examine whether the cost of services for which the Council makes a charge or recharges cover the full cost of the provision of those services.

Reason for review:

1. It is not clear that the charge made for revenue producing services always ensured full cost recovery;
2. The Court of Appeal has ruled in a number of cases that a council may not recover more than the actual cost to the council and therefore it is important to ensure that our costings are accurate and take account of all factors;
3. Departmental recharges need to be accurate so that departments are mindful of the additional costs they may face with any proposed increase in expenditure and to encourage a review by them of existing expenditure taking account of opportunity costs and transparency of contracts.

5. Working Group deliberations

The Working Group received reports on;

5.1 General Principles – Local Authorities' Powers To Charge For Services;
5.2 Income & Charges Recovery Process

(a) Income Review 2011/12

(b) Fees and charges for (i) ECS, (ii) ECHS & (iii) Corporate

(c) Court Recovery - (i) Sundry Debts, (ii) NNDR Recovery Process,

(iii) Council Tax basic Process

(d) Recharges - (i) Support Services, (ii) IT, (iii) Admin Buildings

5.3 LB Barnet parking charges and LB Tower Hamlets care cases;

5.4 the legal position regarding a separate precept for certain services affecting a specific area of the borough like Chislehurst and St Paul's Cray Commons Conservators.

6. Recommendations;

6.1 that the process for establishing the recharges is robust and the frequency of review is adequate;

6.2 that the Executive adopt the charging template and guidance attached at Appendix 1 and 2;

6.3 that the Executive ask each PDS Committee to use the templates to review the fees and charges made for services within their portfolio each year at their autumn meeting so as to ensure that as far as practicable charges recover the full cost of the service and so that any changes can be incorporated in the draft budget;

6.4 that a common template be produced for use by all PDS Committees when considering budget proposals;

6.5 that Bromley Adult Education College should assess its fees using the charging template

6.6 that a letter be sent to the Lord Chancellor and Lord Chief Justice asking that robust guidance be issued to the courts on awarding full costs for public authorities;

6.7 that the Environment PDS be requested to examine the fees for bulky waste collection from one which specifies each type of article that could be collected, with its own unique price, to a simpler system based around three or four standard costs.

**Cllr Nicholas Bennett JP
Chairman**

DRAFT GUIDANCE

Background

For the foreseeable future it's likely there will be no real term increases in central government funding and council tax. Charging for local services can make a significant contribution to Council finances and to the achievement of the Council's strategic priorities. The ongoing development of the local government legislation has given councils powers to raise charges for the delivery of discretionary services.

The Audit Commission's 2008 report 'Positively Charged' found that councils need to make wider use of these powers and to establish an effective charging policy to be consulted by all members and service managers to guide decisions on the use of charges.

What principles should underpin our approach to charging?

1. The charge is set at the correct level

If charges are set too high, they may unintentionally reduce service demand and result in failure to meet income targets, or have a punitive effect on those who have little choice but to use the service. Reducing the costs of a service could result in charges being reduced to users (e.g. social care charges cannot be set to make a profit).

However, if charges are set too low, councils may find that excessive demand strains resources with an impact on taxpayers or users of other services that maybe reduced to fund the subsidy. Also subsidies could be extended to those who may be able and willing to pay more.

The elasticity of demand will need to be taken into account.

“Councils should undertake regular reviews of their approaches to charging, both within service areas and across the whole council”.

- Officers need to ensure that income from charges, and the level of subsidy this provides for service areas are transparent and help inform the decision-making process.
- Service managers should, where it is cost effective to do so, collect and use information on who is and is not using services and how service users and non-users respond to changes in service charges.
- Officers should thoroughly understand the costs, including overhead and capital costs, of services for which charges might be applied. Wherever possible this should be based on “Full Cost Recovery” as a minimum.

- Officers should, wherever possible, benchmark with the public, private and voluntary sectors not only the level of charges made for services but the costs of service delivery, levels of cost recovery, priorities, impact achieved and local market variations.
- Officers should understand better the non-financial contribution of charging to service and strategic objectives.

3. Definition of Full Recovery

Full Cost Recovery should be the default position when setting income charges. Definition of full cost recovery of services is that the charge seeks to recovery both the Controllable and Non- Controllable costs of the Service – the Total Net Budget (as defined in the Financial Control Book). Therefore, all discretionary services need to make an appropriate allowance for management costs, overheads, administrative costs etc.

4. Transaction costs

Consider whether the benefits of charging are outweighed by the transactional costs associated with collection of charges. There is now a wide range of payment methods available that can significantly reduce the costs of collection.

DRAFT TEMPLATE

Checklist of questions all managers will need to consider when setting income charges.

1. Do we need to provide this service at all and if not please explain why we are providing it?
2. Is this a new charge to be considered or an amendment/change to our existing charging policy?
3. Is the charge set by statute?
4. Is the level of charge set by statute?
5. If 3 & 4 above are not applicable, is the proposed charge based on full cost recovery and if not please specify why not?
 - Political
 - Mean Tested
 - Statutory
 - Negative impact on the environment
 - Other – please specify
6. Who uses the service and when and can they go elsewhere?
7. What impact will any change in charging have on the service?
8. Will consultation need to be undertaken out and how long will this take?
9. Is there evidence that there will be a disproportionate impact on some customer groups? If yes, a full equality impact assessment will need to be undertaken.
10. How acceptable are the proposals to the public?
11. Is the charge subject to VAT? If you are not sure please seek advice from the VAT officer in finance.
12. Impact on service demand – if demand increases/falls can the Council adjust its provision accordingly?

13. Which services do we offer concessions on? Please state if this happens in your area.

Benchmarking

14a. Are third party commercial providers operating similar services in competition with the Council?

14b. If yes, what/how do our charges compare and why are they different?

15a. Is there a planned rate of increase for charges (above inflation) and how frequently are charges increased above inflation?

15b. Is member approval needed for new charges or increases above inflation? (The scheme of delegation allows chief officers to increase by inflation only, unless specifically agreed).

15c. Is this consistent with third party commercial providers?

16. How do charges compare to:

Similar councils?

Neighbouring councils?

Other service providers?

How are charges structured, and why?

How and when will we evaluate the impact of charges?

What data will we need?

Can we collect this data cost effectively?

When should we next review our approach?

Payment Methods

17. Income collection method – does it advantage/disadvantage or encourage/discourage use?

a) Is a prompt/advance payment discount appropriate/desirable?

b) Is the administrative process involved economic and/or efficient?

Other

18. Please identify if there are any risks or unintended consequences as a result of the proposals?