Appendix 1

DRAFT GUIDANCE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.

Appendix 2

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 <u>not</u> 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?