

This guidance applies to fees and charges where the council has discretion over charges for services provided.

The guidance is supported by the fees and charges flowchart attached at appendix 1 the supplementary guidance on concessions attached at appendix 2, and the concessions flowchart attached at appendix 3.

1. PURPOSE OF THE GUIDANCE

- 1.1. The purpose of the guidance is to specify the processes and frequencies for reviewing existing charging levels and to provide guidance on the factors that need to be taken into consideration when charges are reviewed on an annual basis.
- 1.2. The guidance and policy provide a consistent approach in setting, monitoring and reviewing fees and charges across the authority. This will ensure that fees and charges support corporate objectives and improve the efficiency of the process across the authority.

2. BACKGROUND INFORMATION

2.1. The Local Government Act 2003 (LGA 2003) includes a general power for local authorities in England and Wales to charge for discretionary services. Charges made under this power are limited to cost recovery. The general power to charge for discretionary services has the following key features:

- Authorities are under a duty to ensure that, year on year, the income from charges cannot exceed the costs of provision;
- Authorities must already have the power to provide the service;
- The recipient of the service must have agreed to its provision and to pay for it;
- It does not apply to services which an authority is mandated, or has a duty, to provide.

2.2. The Local Authorities (Goods and Services) Act 1970 governs the way in which local authorities are allowed to 'trade' with other public bodies. It authorises local

authorities to enter into agreements with public bodies for the provision of goods, materials and administrative, professional and technical services, for the use of vehicles, plant and apparatus, and for the carrying out of maintenance.

2.3. LGA 2003 authorises councils to trade commercially through a company and to enter into commercial contracts. Using this provision, local authorities can trade with any person, including non-local authorities and non-public bodies for profit. The primary purpose of any company (or participation in any company) is to promote or improve well-being.

2.4. Part 1 of Chapter 1 of the Localism Act provides that 'A local authority has power to do anything that individuals generally may do'. This essentially replaces the wellbeing powers introduced by the LGA 2003. The situation is complex however, for discretionary services where there are no other legislative provisions for charging, a council can recover up to the full cost of providing the service. A council does also have the power to make a surplus but it must do so through a company.

3. LEVEL OF SUBSIDY

3.1. Where charges are made for services, users pay directly for some or all of the services they use. Where no charges are made (100% subsidy) or where charges do not recover the full cost of providing a service, council tax and business rates payers subsidise users.

3.2. Fees and charges will be set at a level that maximises income generation and recovers costs, whilst encouraging potential users to take up the service offered and ensuring value for money is secured on behalf of the taxpayer.

3.3. A business case should be created for all services that require a subsidy from the council when charges are reviewed. The business case should outline how the subsidy will be applied to the service area and incorporate the following:

- Demonstrate that the subsidy is being targeted at top priorities;
- Provide justification for which users should benefit from the subsidy;
- all users - through the standard charge being set at a level lower than cost recovery;
- target groups – through the application of the concessions (Appendix 2).

- Consider whether the service could be provided more efficiently with a lower level of subsidy by other means.

The detail included in each business case should be proportionate to the scale of the activity. Advice on business cases can be sought from Internal Audit.

- 3.4. Approval for the subsidy should be obtained from the relevant director or chief officer, in consultation with the deputy chief executive and relevant executive member. In addition, during annual budget setting all subsidies should be explicitly identified.
- 3.5. Where possible, non-Leeds residents should not be subsidised. This should only be done where: it is lawful; the cost of administering a second tier of charges would not outweigh the benefits; and this course of action would not be counter-productive i.e. reduce overall income.

4. ASSESSMENT OF CHARGING LEVELS – THE STANDARD CHARGE

- 4.1. The full cost of providing the service must be calculated to determine the standard charge. The calculation must be made in full compliance with CIPFA's Service Reporting Code of Practice for Local Authorities (SeRCOP).
- 4.2. Gross total cost will include all expenditure attributable to the service/activity. Including employee costs, expenditure relating to premises and transport, supplies and services, third party payments, transfer payments, support services (and other overheads) and depreciation.
- 4.3. Total costs should normally include an appropriate share of all overheads. SeRCOP provides advice on what costs should be included in this calculation as well as advice on how these should be charged, allocated or apportioned. For ease of administration and transparency a standard overhead charge will be calculated annually and where appropriate applied to charged for services. This percentage charge may be varied in exceptional circumstances where the actual overhead varies substantially from the standard calculation.
- 4.4. Any subsidy arising from standard charges being set at a level below full cost recovery should be fully justified in terms of achieving the council's priorities in the business case detailed in section 3 of this guidance.

4.5. Where it is not appropriate or cost effective to calculate the cost of service provision at an individual level, charges may be set so that overall costs are recovered for the range of services which are delivered within a service area.

4.6. In certain circumstances a statutory service (for which we cannot levy a charge) might be enhanced to include discretionary elements, in such cases the statutory element of costs should be excluded in total cost calculations for the purposes of setting a charge.

4.7. In order to ensure cost effectiveness and efficiency when setting and amending charging levels, the following are to be considered:

- Justification in the setting of charges to withstand any criticisms and legal challenges;
- Obstacles to maximising full cost recovery when providing the service;
- Access to and impact on users;
- Future investment required to improve or maintain the service;
- Relevant government guidance;
- Corporate objectives, values, priorities and strategies.

4.8. The following should be considered during the process, which may result in charges being set at a lower level than cost recovery:

- Any relevant council strategies or policies;
- The need for all charges to be reasonable;
- The level of choice open to customers as to whether they use the councils services;
- The desirability of increasing usage or rationing of a given service (i.e reducing charges during off-peak times).

4.9. Occasionally a service may do work for an external body on an ad hoc basis. In these circumstances there is no requirement for a full business case. The main objective should be to ensure that all direct costs are recovered plus a standard percentage fee for overheads. Internal Audit can advise on the overhead rate to be added.

5. CONCESSIONS

5.1. Concessions may be used to provide a discount from the standard charge for specific groups for certain services. The subsidy detailed in Section 3 of this guidance may be used to provide the concessions where this has been explicitly approved.

5.2. Guidance on the application of concessions is attached at appendix 2. The concessions guidance has been developed to ensure that the fees and charges levied for discretionary services are fair and equitable and support social inclusion priorities. Concessions should be set in accordance with the principles detailed in the supplementary guidance on concessions which seeks greater consistency towards concessions granted to disadvantaged target groups for individual services. The concessions guidance supports the use of standard criteria for assessing the entitlement for concessions.

5.3. Concessionary charges may also be made available to organisations whose purpose is to assist the council in meeting specific objectives, or which contribute to the aims of key local partnerships in which the council has a leading role.

5.4. The Local Government Act 2003 and its accompanying guidance states that charges may be set differentially, so that different people are charged different amounts. However, it is not intended that this leads to some users cross-subsidising others. The costs of offering a service at a reduced charge should be borne by the authority rather than other recipients of the service. This should be borne in mind when setting concessions or promoting use of a service by specific target groups.

5.5. Wherever possible, concessions should not be granted to non-Leeds residents.

6. PROCESSES AND FREQUENCIES

6.1. Reviews will be carried out at least annually for all services in time to inform the budget setting process. The reviews will be undertaken by all service areas that provide services where charges could be applied. The annual review of charges will consider the following factors:

- Council-wide and service budget targets;
- Inflationary pressures;
- Costs of administration;

- Supply and demand; (e.g. in some circumstances elasticity of demand may mean that reducing charges could result in increased demand and an increase in overall income)
- Scope for new charging areas.

6.2. In addition to the annual review detailed at 9.5, a formal review will be undertaken annually for all trading and material income areas and on a 3 yearly basis for all other service areas. These formal reviews of charges will consider the following factors, where appropriate:

- The actual or potential impact of any competition in terms of price or quality;
- Trends in user demand and the forecast effect of price changes;
- Customer survey results and user consultation;
- Alternative charging structures that could be more effective;
- Costs of service provision.

6.3. In the event that the formal review recommends a price increase in excess of inflation, consideration should be given to implementing a staged increase to the new charge.

6.4. The formal reviews will be approved by the relevant director or chief officer in consultation with the deputy chief executive and relevant executive member. Where necessary public consultation should be carried out before any price increases are implemented. The level of subsidy and the justification for setting the charge below the cost of service provision, where appropriate, should be made explicit during the approval process.

6.5. Customers should be given a reasonable period of notice before the introduction of new or increased charges. Where possible, the objectives of charging should be communicated to the public and users and taxpayers should be informed of how the charge levied relates to the cost of the service.

7. COLLECTION OF CHARGES AND OUTSTANDING DEBTS

7.1. The most economic, efficient and effective method of income and debt collection should be used and should comply with the requirements of Financial Regulations.

- 7.2. All applicable income should be correctly coded to the fees and charges income vote code.
- 7.3. Wherever it is reasonable to do so, charges will be collected either in advance or at the point of service delivery. Electronic means of procurement and payment are preferable.
- 7.4. Where charges are to be collected after service delivery has commenced, invoices will be issued promptly on the corporate system.
- 7.5. Where a debtor fails to pay for goods or services the relevant director or chief officer should consider withholding the provision of further goods or services until the original debt is settled in full, where legislation permits.
- 7.6. Charges and concessions will be clearly identified and publicised so that users are aware of the cost of a service in advance of using it.

8. APPROVALS

- 8.1. All decisions on charges for services and trading activities will be approved by the relevant director or chief officer, in consultation with the deputy chief executive and relevant executive member and recorded as delegated decisions, as appropriate.

9. MONITORING AND IMPROVEMENT

- 9.1. Monitoring will be used to understand how charges affect the behaviour of users (especially target groups) and drive improvement. Price sensitivities of individuals and groups should be understood so that charges can be set appropriately to deliver the levels or changes in service use necessary to achieve objectives.
- 9.2. A directory of charges shall be maintained by the deputy chief executive for all charges where the council has discretion over the amounts charged for services provided and for trading activities. This directory will be published prominently on the council's website and updated as and when fees change.
- 9.3. Specific financial, service quality and other performance targets should be set, monitored and reported to the appropriate level to ensure that high levels of efficiency and service quality are achieved. Examples include:
- Cost of service provision against targets and benchmarking authorities;

- Usage by target groups i.e. number of visits / requests;
- Usage during peak time / off –peak time;
- Income targets;
- Percentage of costs recovered;
- Costs of methods of billing and payment;
- Excess capacity.

9.4. Service managers should, wherever possible, benchmark with the public, private and voluntary sectors not only on the level of charges made for services but the costs of service delivery, levels of cost recovery, priorities, impact achieved and local market variations.

9.5. The impact of the charges should be monitored and fed into the annual review process.

10. FINANCIAL PROCEDURES

10.1. The fees and charges guidance should be read in conjunction with Financial Regulations.

11. REVIEW AND AMENDMENT OF FEES AND CHARGES BEST PRACTICE GUIDANCE

11.1. This guidance shall be reviewed and updated on an annual basis by the deputy chief executive.