

City and County Of Swansea Council Income Generation and Charging Policy

Policy Framework

This Policy establishes corporate guiding principles for income generation and charging for services provided by the Council.

It aims to support the Council's Sustainable Swansea - *Fit for the Future* Strategy and the Budget Principles contained within this, by increasing income from charging and trading based on full cost recovery and to reduce public subsidy, unless there is an agreed policy exception.

It also supports the Efficiency savings objectives relating to income which are to:

- Increase/Introduce charges
- Full cost recovery (including services to schools)
- Reduce the public subsidy
- Create and utilise surplus capacity

Purpose

The Policy has been developed to ensure that all fees, charges and concessions for services are understood, transparent and are designed for purpose.

This Policy applies to any service that the Council has a power and discretion to provide to the community, or has a statutory duty to provide, and has a discretion to set a charge. It also applies to internal charging.

All services must comply with this Policy when setting and reviewing fees, charges and concessions. The Council is reliant upon income to undertake any of its services and it is therefore crucial that fees, charges and concessions are set and applied correctly.

Statutory Background

For some services charges are mandatory and the fee is set nationally, while for other services the Council is expressly prohibited from charging. However, the Local Government Act 2003 ("the Act") gave local authorities the general power under section 93 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 agrees to pay for it.

- Charges may be set differentially, so that different people are charged different amounts.

Section 95 of the Act allows a Local Authority to trade for discretionary services with the public and to make a profit. This has to be through the medium of a company.

The Local Authorities (Goods and Services) Act 1970 allows Local Authorities to provide services for other Local Authorities and to make a profit. This should be used wherever possible.

Key Charging Principles

- Charging must be linked to strategic objectives and must be clear and understood.
- The costs of providing a service should be fully understood before charges are set, and the level of charge regularly reviewed and benchmarked with other comparable Councils.
- The Council will aim to charge for all services where it is legal, appropriate and cost effective to do so.
- Where possible the cost of providing a discretionary service should be fully recovered through charges except where the Council makes a positive decision to the contrary.
- If a service is being subsidised by tax payers, this should be a conscious decision and subject to review.
- The Council will have responsibility in deciding which group of service users should be exempt from fees and charges and the level of concession to be awarded to each, which should support the achievement of strategic objectives.
- When introducing new charges or making changes to existing charges the Council will have regard to the views of users and other stakeholders and to any impact on groups identified through the Equality Impact Assessment process.
- Where a service is 'demand led'/competes with others based on quality and cost the charge should be determined by the maximum users are prepared to pay taking into account of competitor pricing.
- Charges and methods of payment should be clearly communicated to users.
- Non-payment of charges should be actively pursued.

When to Charge

The Council will charge for services, except where a clear decision is taken not to do so for one of the reasons outlined below. Charges should be levied to support the strategic objectives of the Council. Reasons for not charging are:

- a. There is a legal or statutory reason preventing the setting of charges.
- b. The Council has entered into other contractual arrangements which prevent charging.
- c. The costs of collecting a charge would be greater than the income generated.
- d. The potential risks to the Council incurred as a result of charging outweigh the benefits.
- e. A specific exemption has been agreed by Cabinet not to charge or not to fully recover cost.
- f. 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 strategic objectives.
 - The reputation of the Council would be damaged.
 - Charging would change the behaviour of customers resulting in a high likelihood that cost would be incurred elsewhere which would be greater than the income provided.

How much to charge and the process going forward

Where a decision has been made to charge for a service, the Council will aim to:

- a. set charges reflecting the full cost of the service ("Full Cost Recovery"), unless concessions have been agreed, as outlined below. The full cost of a service should include all expenditure required to deliver the service, including staffing, cost of materials, and overheads also relating to central council support functions directly applicable to that service. There should be a single method for calculating total cost across the Council which is consistent with the latest CIPFA guidance; The CIPFA Service Reporting Code of Practice defines total cost to include all direct costs, shares of support services and overheads, depreciation AND for the purposes of setting fees and charges, recharges and trading, notional interest costs;
- b. regularly review fees, charges and concessions and benchmark these against comparator authorities, to be able to capture this data in a database;

- c. generate enough income so that the service meets its costs. If a service does not meet its costs this should be as a result of a conscious decision, consistent with the Council's strategic objectives. Otherwise the service is effectively being subsidised by Council tax payers;
- d. take account of market demand and competition from other service providers when setting charges;
- e. have regard to the views of users and other stakeholders when setting charges;
- f. ensure that income generated from charges should be used to increase capacity, improve efficiency and support continuous improvement;
- g. include all Council charges and concessions offered in one document so as to be easily accessed by all Council clients. Changes to charges should be clearly communicated to users as soon as practicable;
- h. develop a fees and charges register with a named individual for each charge made by the Council in a service area;
- i. challenge by way of a Commercial Panel as outlined below where charges are not made for a service, or set below the full cost recovery levels to ensure the reasons remain valid and that significant income is not being lost; and
- j. use simple, practical and efficient methods of payment and collecting charges.

Concessions

There are two types of concessions, those which are mandatory and determined by Statute, and discretionary which are wholly within the power of the Council.

The principle of full cost recovery also applies to Council concessions. These concessions will not be provided unless:

- a. there is a legal or statutory reason expressly stating the need to provide a concession, in line with national Guidance; or
- b. 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; or
- c. the concession is applied to subsidise a group of users to support a particular strategic objective; or
- d. a business case is made to support a short term reduction in charges aimed at increasing take up and the overall income

yield for the service in the long terms. Such concessions would be time limited.

Procedure for introducing or changing fees, charges and concessions

Reviews of all fees and charges should be undertaken as an integral part of the budget process each year. Cabinet in approving the budget for the forthcoming year will give effect to all recommended changes to fees and charges. Changes in line with a general allowance for inflation (which will be determined by the S151 officer having due regard to current and likely forthcoming inflation in the year) will be incorporated automatically within service budget estimates without otherwise specific reference.

Approval from Cabinet will be required when the financial impact is greater than allowance for inflation, following the introduction, variation or removal of new charges or concessions. Wherever practicable this approval should be sought at the same time as the annual budget is set but separate proposals for material in year increases can be considered by Cabinet.

Trading

Services with the ability to achieve or exceed full cost recovery on a consistent basis and to make a profit should be encouraged to operate more commercially in order to reduce dependence on revenue support. This will be done by the preparation of a robust business case following Welsh Government statutory guidance, and approval in the first instance by the Section 151 Officer (in conjunction with the Head of Legal, Democratic Services and Procurement), prior to being put forward for approval by Cabinet.

Internal Charging

All internal charges by one department to another department of the Council for services provided should be made by recovering the direct costs of the service and an appropriate level of overhead. Where appropriate the value of the service should be demonstrated through benchmarking with external providers of that service.

Income Collection and Debt Management

Cost effective and efficient income collection channels should be in place. These should be automated where possible (to reduce transaction costs), with payment in advance or at point of sale wherever possible.

Where customers fail to pay fees and charges, or fail to carry out a statutory requirement, they shall be made liable for the full cost of enforcement by the Council.

Non payment of any charge should be actively pursued.

Monitoring of Fees, Charges and Concessions

A Commercial Panel with terms of reference and a set procedure will be established to monitor Council fees, charges and concessions.

Heads of Service will be responsible for setting and reviewing charges in their respective service area and ensuring that the rates at which charges are set achieve full cost recovery.

Heads of Service will be required to report to the Panel to explain:

1. All service charges and whether full cost recovery is being obtained and If not what obstacles are there to doing this?
2. What concessions are being offered and whether they contribute to the Council's Strategic objectives?
3. How their service compares with other Councils in terms of charging in their areas
4. Further areas for discretionary charging where a service is currently not being offered
5. Forthcoming threats to income generation
6. Payment mechanisms.
7. Opportunities to expand by way of trading or otherwise.

Impact on Equality

The Council is committed to ensuring equality of access to all its services. The authority's Equality Impact Assessment process (including any appropriate consultation) must be applied for any income generation opportunities and when concessions are reviewed under the Policy so that the equality impact is clearly understood before a decision is made.

Approval and Review of this Policy

This Policy is subject to approval by Cabinet

The Policy will be reviewed periodically by the Section 151 Officer in conjunction with the Head of Legal, Democratic Services and Procurement.