

Annex

# **Surrey County Council Fees & Charges Policy**

**December 2018**



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## 1. INTRODUCTION

- 1.1. The decisions made by councils about charging for discretionary local public services can affect everyone. When councils charge for services their users pay directly for some or all of the costs of the services they use. Where no charges are made, or where charges do not recover the full cost of providing a discretionary service, council taxpayers in general subsidise individual users, often at the expense of other services.
- 1.2. Fees and charges are an important source of income, providing funds to assist in achieving the corporate objectives of Surrey County Council. The purpose of this policy is to establish a framework within which fees and charges levied by the council are agreed and regularly reviewed.
- 1.3. This framework confirms the Council's preferred position, being that charges for discretionary services are expected to be set in order to fully recover their costs unless there is a specific decision by Cabinet or Cabinet Member to subsidise the service provision for policy reasons.
- 1.4. The decision on whether to make a charge (and the amount to charge) is not always in the control of the council; the level of some charges is set by government nationally. But where it is, it is important that the implications of the charging decisions being taken are fully understood and that the appropriate information is available for the council to make informed decisions.
- 1.5. This policy therefore provides guidance to heads of service and service managers on;
  - The setting of new charges and the policy context within which existing charges should be reviewed, including consultation and equality impact assessments, as required.
  - The council's approach to cost recovery and the generation of income from charging for services.
  - The governance processes to follow to gain approval for services to be provided at subsidy – whether this be a subsidy to all users or in the form of concessions for users meeting a qualifying criteria.
- 1.6. The policy should allow the council to have a properly considered, consistent and informed approach to all charges it makes for its discretionary services in support of the delivery of its corporate objectives and the protection of statutory services.
- 1.7. The policy will be reviewed at least every 3 years or as required following legislative changes. The policy and its application is subject to the normal scrutiny arrangements.

## 2. SCOPE

- 2.1. This policy relates to fees and charges currently being levied by the council and those that are permissible (but not currently being levied) under its general powers to provide and charge as defined by legislation. Statutory charges, i.e. charges that are set nationally by government, are included within the scope of the policy to ensure consistency of approach and to enable changes to the national legislation to be considered as part of periodic reviews. Charges for statutory services, where these are permissible within the relevant legislation, and for which the level of charge is determined locally by the Council are within the scope of the policy.
- 2.2. The policy does not apply to services provided to other public bodies under contract as this type of activity is undertaken in accordance with different legislation and different considerations are relevant. The Local Authority (Goods and Services) Act 1970 enables Local Authorities and other public bodies to provide goods and services to each other under mutually agreed arrangements. The cost of providing such services is not limited to cost recovery and therefore it is permissible to make a surplus. However, many such services are undertaken on the grounds of cost-sharing between public sector partners. This type of arrangement is however expected to be undertaken in line with the key principles of the fees & charges policy – for example, in terms of an expectation that all costs of delivery will be recovered by the arrangements and that any exceptions will follow a similar approval process.
- 2.3. The policy does not apply to services provided on a commercial basis, which are undertaken in accordance with different legislative provisions and as such are delivered by the Council's wholly owned trading companies, which are overseen by the Shareholder Board. Similarly this policy does not cover rental income since this is also undertaken in accordance with different legislative provisions and is described more fully in a separate strategy.
- 2.4. The policy does not apply to services delivered under the Care Act 2014. This Act determines the maximum amount a local authority can charge for the provision of social care based upon an overarching principle that people should only be required to pay what they afford. Further details are to be found on the Council's public website and in the "Charging Policy for Adult Social Care Services" document.

## 3. KEY PRINCIPLES

Users of discretionary services are expected to pay for the full cost of the service being received rather than the general tax payer

Approval for services to be provided at subsidy or the provision of concessions must follow the governance set out in this policy and align with corporate priorities

Approval for new charges must follow the governance set out in this policy

Users of discretionary services must be aware of the charge prior to purchase and prior to delivery

Charges will be collected in advance of service delivery, unless there is an explicit rationale for collecting the income in arrears

Charges will be subject to annual inflationary increase where permissible

All charges will be subject to periodic indepth review (at least once every 3 years)

## 4. LEGISLATION

- 4.1. Discretionary services are those which an authority has the power to but is not obliged to provide. Section 3 of the Localism Act 2011 allows authorities to charge for discretionary services offered under their general power of competence and sits alongside the powers already available to local authorities to charge for discretionary services in function-related areas under Section 93 of the Local Government Act 2003. Authorities cannot charge for services that they have a statutory duty to provide.
- 4.2. Additions or enhancements to mandatory services above the standard that an authority has a duty to provide may be provided as discretionary services.

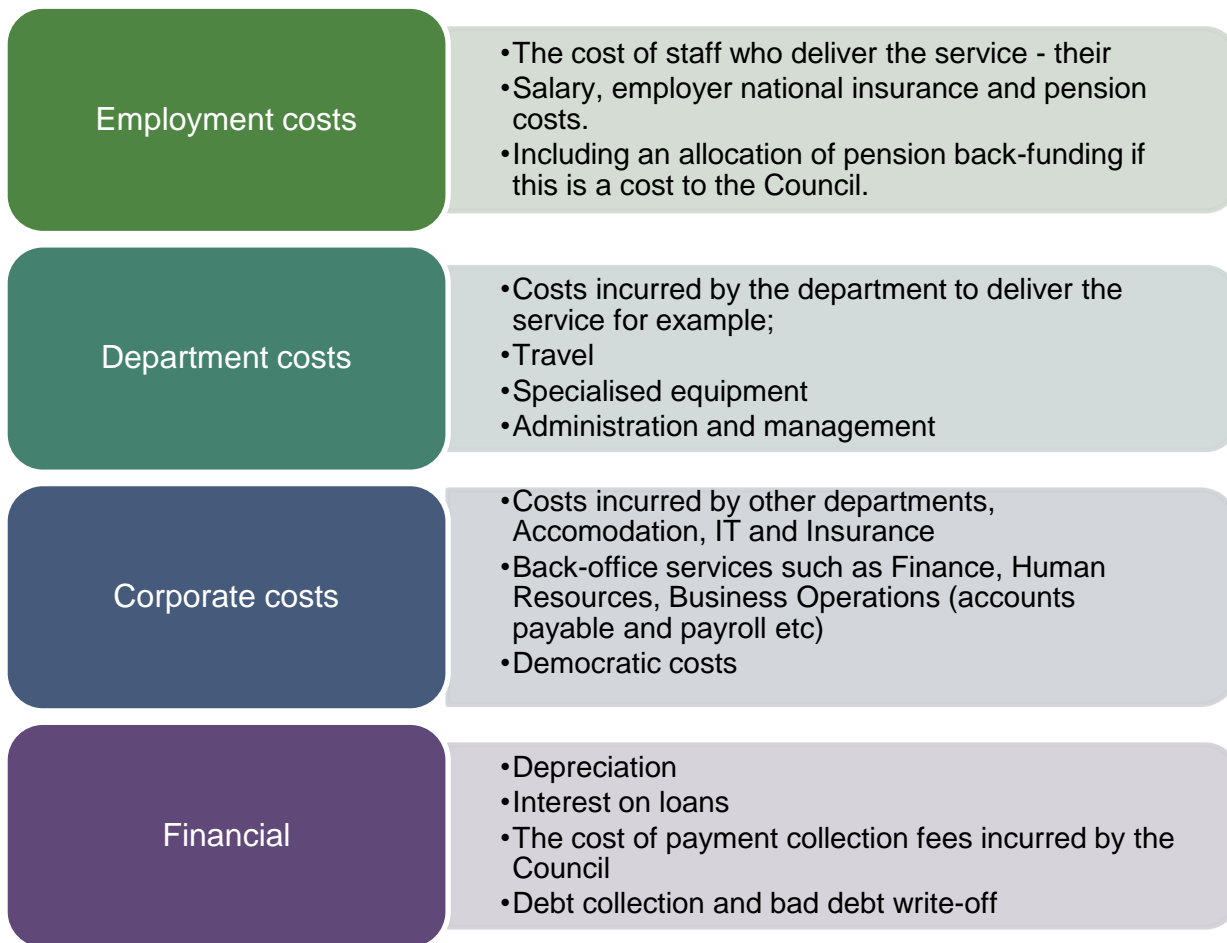
- 4.3. This Act introduced the following key points-
- Authorities are under a duty to ensure that, taking one year with another, the income from charges do not exceed the costs of provision.
  - The recipient of the discretionary service must have agreed to its provision and agreed to pay for it.
  - Charges may be set differentially, so that different people are charged different amounts.
- 4.4. In using the phrase “taking one year with another” the legislation recognises the practical difficulties a council may face in estimating the charges, since to a large extent this is highly dependent upon the demand for the services concerned. This enables the council to “balance their books” over a period of time (not less than a year but no more than 3 years) such that any under-recovery of cost can be addressed in setting charges for future years so that over time income equates to costs.
- 4.5. In setting charges, the legislation makes reference to CIFPA’s definition of total cost. This provides the ability to recover all costs in the organisation, including a proportion of all central and unallocated overheads including democratic costs, depreciation, interest and working capital costs and any pensions back-funding.
- 4.6. The law is complex and some services and charges are bound by further specific legislation. Services are expected to be aware of the legislative context that applies to their area of responsibility and seek advice as required from Legal Services.

### **5. CHARGING POLICY: COST OF DELIVERY**

- 5.1. Subject to the governance processes set out below, it is proposed that fees & charges for discretionary services are to be set in order to fully recover the cost of delivery, unless there is a specific decision by Cabinet or Cabinet Member to subsidise the service provision for policy reasons.
- 5.2. Each charge should be identified as belonging to one of the categories in the table below and the appropriate charging policy adopted in establishing and reviewing the level of the charge. In determining the appropriate charging policy, proper consideration should be given to the wider equalities implications which may be involved affecting accessibility of all groups to council services.

Type	Objective	Approval
Full cost recovery (This is the preferred position- discretionary services are anticipated to fall into this category unless otherwise agreed)	The council wishes to make the service generally available, but there is no policy rationale for providing a subsidy from general taxation.	Heads of Service in accordance with the Scheme of Delegation – noting that new charges and material changes to existing charges will require Cabinet or Cabinet Member approval.
Full cost recovery with concessionary discounts	The council wishes to make the service generally available and is prepared to subsidise the service to ensure disadvantaged groups have access to the service.	Cabinet or Cabinet Member
Subsidised	The council wishes to make the service widely accessible and therefore provides a subsidy from general taxation however users of the service are expected to make some contribution to the cost.	Cabinet or Cabinet Member
Nominal	The council wishes the service to be fully available but sets a charge to discourage frivolous use.	Cabinet or Cabinet Member
Free	The council's policy is to make the service fully available and "free at the point of delivery". The service is funded from general taxation.	Cabinet or Cabinet Member
Statutory	Charges are set in line with legal obligations and national government charging policy.	NA

5.3. Adopting a method of full cost recovery means that the total cost of delivery, together with an apportionment of department and corporate overheads, is calculated and charged to the service user– it involves taking a look at the whole process and ensuring that all the stages involved are taken into account, for example the cost of handling the initial enquiry through to the collection of the payment. It includes costs such as-



5.4. The Finance team will provide support to Heads of Service to prepare the cost analysis required for the setting of fees & charges and in doing so, will follow the procedures set out in a “Finance Note of Practice” to ensure consistency of approach across the Council.

## 6. GOVERNANCE

- 6.1. The Council may decide to provide discretionary services without charge or at a level that does not fully recover the cost of delivery – in doing so, the general council tax payer will be subsidising service users as the impact of such a decision could be to divert funding from other services. Such decisions should support the delivery of the Council’s Corporate Plan, its priorities and its objectives. Prior to introducing any new fees for charges or making any changes to existing subsidies, the Council will undertake a full review of the discretionary service, including consultation and an equalities impact assessment where required.
- 6.2. In some circumstances it may be appropriate to provide a partial subsidy if charging the full cost discourages or prevents usage.



- 6.3. When considering a subsidy, the following should be taken into account:
- That the subsidy supports a corporate priority, objective or policy
  - That it is reasonable to assume that the impact of the policy can be measured
  - The cost of the subsidy can be estimated and is affordable within the council's budget
  - That the proposed subsidy is the most effective approach available to deliver the policy objective, and
  - Any other relevant information.
- 6.4. A subsidy could be for all users or in the form of concessions for users that meet a qualifying criteria. Definitions of qualifying criteria for concessionary target groups should be consistent across the council. Any application for a concession will be considered on its own merits. The following are examples of groups, subject to the approval mechanisms noted below, which may be considered for concessions-
- Young people of less than 16 years of age,
  - Full time Students
  - People with a disability in receipt of a means tested benefit
  - Individuals in receipt of a means tested benefit
  - Senior citizens.
- 6.5. Heads of Service are responsible for ensuring that the fees & charges within their area of responsibility comply with the policy and for ensuring that the policy is applied to all discretionary services and not just those for which a charge is currently made.
- 6.6. All subsidies, whether in the form of reduced charges or concessions require approval from Cabinet or Cabinet Member depending upon value of the expected cost to deliver the service. A Cabinet Member may approve subsidies that apply to fees & charges that have a total cost of under £1m in aggregate per annum. Subsidies that apply to fees and charge with an aggregate cost of over £1m are to be taken by Cabinet. In both cases, the reason for the provision of subsidy is to be recorded and is to be reviewed every 3 years.
- 6.7. If the Cabinet Member or Cabinet do not approve a subsidy, the head of service is required to charge the full cost to the user, and, subject to appropriate governance processes, if such a service becomes unviable it should cease to be provided.

## 7. NEW FEES & CHARGES

- 7.1. Services are responsible for reviewing their services and ensuring that appropriate decisions are taken for all discretionary services. Proposals for new fees & charges must be considered by Cabinet in accordance with the Council's constitution and take into account the outcome of any consultation and equalities impact assessment.
- 7.2. Reasonable notice should be given to service users after any decision is taken to significantly amend or introduce a new fee or charge for a service that was previously

delivered for free or at a higher subsidy. Reasonable notice for these purposes is deemed to be one month.

- 7.3. An Equalities Impact Assessment is required to be carried out for all new charges to consider the likelihood of any disproportionate adverse impact on vulnerable groups.
- 7.4. No consultation or notice is required, but may be desirable, before the implementation of a new discretionary service not previously provided by the Council.
- 7.5. Proposals should be made using the guidance in the Annex – this provides a brief rationale and business case for the introduction of the fee or charge or the introduction of the new discretionary service.

## 8. ADMINISTRATION / NOTIFICATION OF CHARGES

- 8.1. Users of discretionary services must be aware of the charge prior to the ordering and delivery of services requested. Charges that are ordinarily paid by residents are expected to be quoted inclusive of VAT. Charges that are paid by businesses may be quoted excluding VAT in line with normal business practice.
- 8.2. Arrangements for the charging and collection of payments should be efficient, practical and simple to understand by users. It is expected that payment will be collected in advance of service delivery unless there is an explicit rationale for collecting the income in arrears. In these exceptional circumstances, Services are expected to issue invoices promptly and comply with debt management processes. Charges for services that are to be paid in arrears will include the cost of debt recovery and an allowance for bad debt write-offs.
- 8.3. Once set and in accordance with the policy, Heads of Service are required to ensure that fees & charges are applied to all service users and that waiving of fees is only applied in exceptional circumstances. Heads of Service are required to keep a record of any exceptions granted in these circumstances for review.

## 9. PERIODIC REVIEW

- 9.1. Charges, and decisions not to charge, will be reviewed by Services annually in sufficient time for the impact of any revisions to be included in the budget setting process. All charges are expected to be increased by at least inflation each year unless there are exceptional reasons not to do so.
- 9.2. Heads of Services are expected to undertake a thorough review every 3 years – such a review is necessary to ensure that there are no material changes since the last review and to provide assurance that all costs are being recovered. The Finance service will monitor the cost recovery position. Heads of Service are expected to build and maintain a record of activity data relevant to the service they provide.

- 9.3. Heads of Service have delegated authority to implement increases to existing charges but should however follow the process for the introduction of new charges if these changes are material or have a particular EIA requirement or impact. It may be appropriate in certain circumstances to implement a material increase in a phased approach however this will require approval from the Cabinet Member or Cabinet since a subsidy is being provided.
- 9.4. Charges must also be reviewed during the year if there are any significant changes, such as cost, market changes, demand or service levels which materially affect the current charges and cost recovery with any changes required approved by Cabinet or through delegated authority as above.
- 9.5. The reasons behind any significant change to charges should be communicated to service users, providing reasonable notice which is deemed to be one month.
- 9.6. The guidance in the Annex should be used to record the outcome of the periodic in-depth review. The Finance team will provide support to Heads of Service to undertake this in-depth review and may require that such a review is undertaken where there is evidence that the current fees & charges are below comparable benchmarks or where there is evidence confirming that a subsidy is being provided. In undertaking this review, the Finance team will follow the procedures set out in the "Finance Note of Practice" document to ensure consistency of approach.

### 10. RECORDING OF FEES AND CHANGES

- 10.1. Services are expected to maintain a schedule of all fees & charges levied. These schedules should include, identified separately, charges that are set nationally. The schedule should record the date of the last in-depth review and the date of any relevant Cabinet Member or Cabinet decision to provide a subsidy or concession.
- 10.2. The council's fees & charges are ordinarily set prior to each financial year and published as part of setting the Medium Term Financial Plan. Users of discretionary services must be made aware of any charges prior to using services and this may be achieved by publishing information alongside service information on the council's website.

## ANNEX: GUIDANCE FOR NEW FEES & CHARGES AND THE PERIODIC IN-DEPTH REVIEW OF FEES & CHARGES

### Charging Policy

The charging policy must be stated, together with an explanation of why this is being proposed (for example full cost recovery, subsidised or nominal as defined in the policy at paragraph 5.2)

### Comparative Information

Include details of comparative charges levied by other local authorities.

Financial	
Level of charge	Proposed new level of charge
Start Date	Implementation date for the new charge or new level of charge
Income	Expected gross income to be generated by the new charge (per annum)
Costs	The estimated cost of supplying the service including all administrative and overhead costs.
Subsidy	The amount of subsidy (if relevant) - <b>subject to approval</b>
Concessions	The type and amount (if any) of any proposed concessions – <b>subject to approval</b>

### Impact Assessment

Identify the likely impact on service users including those that currently benefit from the service, the effects of the changes proposed and the impact of any proposed subsidies or concessions. Equality issues must specifically be considered and reported.

### Council Impact

Note any consequences that the services or charge may have on other council services

### Method of Collection

Proposals for new charges (or the periodic in-depth review of existing charges) must identify what collection methods will be used. This should be in accordance with the policy as noted in paragraph 8.2.

### Consultation

Include a summary of the consultation conducted and the results of consultation including any adjustments that have been made as a result of the consultation.