

## **1. Introduction**

- 1.1 The management of fees and charges is fundamental to both the financial performance of the Council and the achievement of the Council's key priorities. The absence of a corporate policy has sometimes led to fees and charges being set without due consideration to corporate priorities resulting in fragmented charging mechanisms.
- 1.2 This policy applies to all fees and charges which the Council has the discretion to set.

## **2. Policy Aims and Objectives**

- 2.1 The aim of this policy is to create a standardised approach to charging and establish an overarching set of principles that formulate consistency in the application of concessions and subsidies. It is designed to:
- Ensure a structured, corporate approach to the review and increase of fees and charges throughout the Authority in accordance with the principles of Best Value.
  - To ensure that the charges made for discretionary services are consistent with and contribute towards the achievement of the Council's agreed aims and objectives.
  - To ensure that all opportunities for charging are identified and considered on a regular basis by service areas.
  - Ensure sufficient information is collated and presented to Service Heads and members to enable them to make informed decisions.

## **3. Statutory principles for charging**

- 3.1 Charges can only be made if there is a statutory power to do so. There is a variety of statutory provisions regarding local authorities' powers to make charges or to charge fees. Some statutory powers relate to individual types of activity; others are wider (such as the power to levy discretionary charges for some services and to facilitate commercial trading activities - Local Government Act 2003; and the 'general power of competence' – Localism Act 2011). To the extent that it is wished to trade on a commercial basis particular limitations apply, including the requirement to establish a company to carry out the activity.
- 3.2 Where a power to charge exists, the amount which can be charged is similarly dependant on the legal position. For example in some cases, authorities are under a duty to secure that, taking one year with another, the income from charges do not exceed the cost of provision; in other cases, the position may be different.
- 3.3 Even where a statutory power exists authorities must still ensure that the decision to use the power is made in a lawful manner including taking account of any limitations and prohibitions.

- 3.4 Finally, decisions about individual charges – such as management, administration, and increases - will need to be made in the light of statutory powers and decision-making principles. That will include the need to ensure that the policy is not applied in a ‘blanket’ manner so that the Council’s discretion in making individual decisions is not fettered.
- 3.5 Accordingly, advice should be obtained from Legal Services.

#### **4. Lewisham’s Principles for Charging**

##### **4.1 Corporate Priorities and Service Objectives**

Fees and charges should be used to assist in the delivery of the Council’s corporate priorities (see appendix 1) and service objectives. The annual review of fees and charges should consider what corporate priorities the service contributes to, why the Council is providing the service and who benefits from it. Where there is conflict in the achievement of the Council’s corporate priorities, the advantages and disadvantages of the competing, often incompatible, objectives will need to be clearly set out as part of the annual review.

##### **4.2 When will Lewisham Charge?**

Whenever possible, Lewisham will charge for discretionary services with the aim of recovering the cost of providing the service from the service user rather than the general council tax payer. The main exceptions are:

- Where the user of the service cannot practicably be separately identified and charged. e.g. use of parks and open spaces
- Where it would not be cost effective to administer and collect.
- Where charging would be counterproductive
- Where there is no legal basis to charge for the service
- Where an alternative charging policy e.g. concessionary fees aimed at social inclusion has been expressly approved

Appendix 2 is a current (not exhaustive) list of discretionary services covered by this policy.

##### **4.3 What will Lewisham charge?**

All fees and charges will fall under one of the following charging basis:

Charging Basis	Objective
Commercial charges	Charges are based on what the current market will bear. It should cover the full service cost (including overheads) plus an amount to cover service

	improvement. Commercial costs should not be subsidised by the Council Tax payer, but costs can be recovered over a period of time (say three years). If there is any justification for subsidies in this area, they must be approved by Mayor and Cabinet on a case by case basis and can only apply for a limited period of time.
Full cost recovery	Charges are based on the need to recover the full cost of providing the service, including overheads, <b>from those who use it</b>
Subsidies and concessions	Service users make a contribution to the costs of providing the service. This might be to meet a service objective or allow competition with other providers
Free	The Council chooses to make the service available at no charge (fully subsidised) to meet a service objective. The justification for this must be reviewed and agreed by DMT on an annual basis
Statutory charges	These are set by statute and the Council has no power to amend the level of charging. Services should seek to recover costs as far as possible by controlling the expenditure incurred in delivering such services.

#### 4.4 Concessions and subsidies

There is a need to establish a uniform policy for granting discretionary subsidies and concessions, where they currently exist, based on council-wide criteria in order to avoid departmental variations, and while ensuring that individual circumstances are considered.

Subsidies and concessions are variations from standard charges. Subsidies are given when only part of the cost is recovered from service users, and reduces the impact of a charge across all groups. Concessions target specific user groups to ensure they are not precluded from the benefits of the service, and are when discounts are given to an individual or group based on their individual circumstances.

Subsidies and concessions are **not** suitable for all discretionary charges (e.g. skips and scaffold licences), and should only be granted where they are considered appropriate. They should only be applied to support or promote corporate priorities and service objectives, and where their cost implications can be both quantified and accommodated within a service's budget. They should always relate to the Council's objectives and must be approved by the relevant DMT.

Where concessions have been agreed, the default policy, which should be applied uniformly, is as follows:

Adults of retirement age 65 and over	50%
Children aged 16 and under	50%
Adults in receipt of a means tested benefit	50%
Charities and voluntary organisations	50%

There are exceptions to the above in cases where some service users are statutorily or otherwise granted free use of the service or a higher concessionary rate. For example, where equality implications outweigh financial benefits, as in the case of blue badge holders who have free parking and a free resident's permit.

**Concessionary charges should only apply to Lewisham residents and Lewisham based voluntary groups except where it is impracticable to do so.**

They should not normally apply at times or in situations which would result in the loss of income from users paying the standard charge.

Any departure from this policy must be approved by the relevant DMT.

#### **4.5 Process and frequency for reviewing charges**

Reviews of charges should be undertaken as an integral part of the service and financial planning process at least once every three years to ensure consistency with the Council's corporate priorities (see appendix 1) and service objectives.

In reviewing charges, the following questions should be addressed:-

- Why are we providing this service?
- Who benefits from the service – individuals or the community?
- Is this service subsidised from Council funds? If so, have we the appropriate approval to do so?
- How much do residents and businesses value the service?
- How willing and able are they to pay for it?
- What do our nearest neighbours and the private sector charge for the same or similar service?
- What is the trend in user demand and the forecast effect of any price change?
- How can charging affect behaviour and assist service objectives and corporate priorities?
- What would be the impact of a price increase on other service areas? e.g. Lumber collection and fly tipping

Appropriate consultation with service users and stakeholders should be undertaken in respect of any proposed **significant** change to current charges or in relation to the introduction of significant new charges.

As a minimum, the Councils annual inflation rate plus an additional percentage increase should be applied to all fees and charges on an annual basis with effect from 1<sup>st</sup> April each financial year where appropriate. This is to allow the Council to recover increases in costs due to the current economic climate. In applying this rate there is the flexibility for service managers to round charges up or down to allow for reasonableness in charging.

It is recognised that it is not appropriate for every service to annually inflate charges due to the nature of the service. In these circumstances, charges should be inflated as regularly as possible to keep income in line with cost.

The inflation plus rate will be determined and communicated by the Efficiency Programme Board as part of annual budget process, by the end of September each year. From 2009/10 to 10/11 the rate will be the budgetary inflation rate + 2.5%.

Due to the current credit crisis, there is also the need to allow additional increases (or decreases) in charges at short notice. Such changes must be approved by the relevant directorates DMT prior to application and adequate notice of the change should be given to service users.

Service Heads must consider and identify as part of the annual budget-setting process any activities within their remit for which new fees may be appropriate. Information should be provided on the estimated levels of additional income achievable and where relevant, how this compares to other similar Authorities and whether charging is therefore considered appropriate.

#### 4.6 Financial Management and Monitoring of Income

Responsibility for the collection and monitoring of income relating to fees and charges should be clearly assigned within each service area. The financial procedure 16 - Income, debt recovery and write off must be adhered to at all times.

Some of the key principles include:

Principle	Practical Implementation
Payment in advance	<ul style="list-style-type: none"> <li>• Advance payment is generally preferable</li> <li>• Obligations to the customer should be clearly set out e.g. Date/quality/quantity of service to be provided</li> <li>• Clear audit trail of payments in advance should be maintained</li> <li>• Generally it is not economic to raise invoices for charges for less than £25 and in these cases every effort should be given to obtaining payment in advance.</li> </ul>
Pre-set Charges	<ul style="list-style-type: none"> <li>• A pre-set list of charges should be maintained where possible</li> </ul>
Use of Accounts Receivable system	<ul style="list-style-type: none"> <li>• Where payment is not secured in advance, the customer or client should be billed through Oracle Accounts Receivable except where independent collection systems approved by Audit Services exist within directorates.</li> </ul>
Proof of debt	<ul style="list-style-type: none"> <li>• Evidence should be kept that the customer or client agreed to the provision of service at cost</li> </ul>

## **5. Policy Review**

This policy should be subject to regular review, with resulting recommendations proposed to members for approval.

## **6. Further information**

For advice or further information regarding the content or application of this policy, please contact Katharine Nidd, Strategic Procurement and Commercial Services Manager, ext. 46651.