

1. INTRODUCTION

1.1. The Council can raise income from fees and charges for a number of different reasons. These include statutory charges (required to be raised under legislation), charges for trading activities, and charges for discretionary services. This policy statement only relates the latter category. Charges for discretionary services can result in users paying directly for the service either in full or part. Where charges do not recover the full cost of providing the service, the Council's General Fund subsidises individual users, at the expense of other council services.

1.2. Fees and charges are an important source of income, providing funds to assist in achieving the corporate objectives of Kent County Council (KCC) and reducing the amount required to be raised from Council Tax. The purpose of this policy is to establish a framework within which fees and charges levied by the council are agreed and regularly reviewed and to ensure that subsidies are in accordance with policies and objectives set by the council.

1.3. This framework 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 qualifying criteria.

2. EXCLUSIONS

2.1. The Council's budget includes income from grants; contributions from other public agencies; sales, fees and charges; client income; and other external income (interest, dividends, etc.). This policy framework only relates to fees and charges for discretionary services (this is the whole service and not individual activities).

2.2. This policy does not include statutory charges, i.e. charges that are set nationally by government, although the impact of changes to the national legislation need to be considered and factored in as part of periodic review of discretionary charges. Charges for statutory services, where these are permissible within the relevant legislation and where level of charge is determined locally by the Council are within the scope of the policy.

2.3. The policy does not apply to services provided to other public bodies under contract. 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 many such services are undertaken on the grounds of cost-sharing between public sector partners. However, we do expect that such arrangements have regard to the key principles in this policy.

2.4. The policy does not apply to services provided on a commercial or trading basis including in house trading services e.g. Community Learning, and services delivered by the Council's wholly owned trading companies.

2.5. This policy does not cover rental income.

2.6. 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. However, the policy does extend to fees for those clients who have been assessed under the Act with the ability to meet the full cost of care where this is provided through the Council's care provision.

3. KEY PRINCIPLES

- Approval for discretionary 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 uplift. In the case of full cost recovery this will be based on actual cost increases. In the case of subsidised fees this can be based on cost increases or an agreed multiplier approved in accordance with this policy.
- All charges will be subject to periodic in-depth 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. Where this applies the discretionary element should be treated as a discretionary service under this policy.

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 allows 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 Invicta Law.

5. COST RECOVERY

5.1. All discretionary services (and thus the charges made under the service) 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 following the appropriate approval.

Type	Objective	Approver
Full cost recovery	The council wishes to make the service generally available, but there is no policy rationale for providing a subsidy from the General Fund. This should be considered as the default in the absence of specific corporate objectives or policy.	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
Subsidised	The council wishes to make the service widely accessible and therefore provides a subsidy from General Fund with service users expected to make some contribution towards the cost.	Cabinet
Nominal	The council wishes the service to be fully available but sets a small charge relative to cost as an incentive.	Cabinet
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
Statutory	Charges are set in line with legal obligations and national government charging policy.	N/A

5.3. Full cost recovery includes the total cost of delivery together with an apportionment of department and corporate overheads. Corporate overhead allocation will be provided by the Finance Team. Examples of costs include:

Employment Costs	The cost of staff who deliver the service, including: <ul style="list-style-type: none"> • Salary, employer national insurance and pension costs • Other employment allowances and travel costs
Service Costs	Costs incurred by the service in delivery for example: <ul style="list-style-type: none"> • Advertising and marketing • Specialist equipment • Administration and management
Corporate Costs	Costs incurred by Strategic and corporate Services: <ul style="list-style-type: none"> • Accommodation through Corporate Landlord • Information Technology • Insurance • Back-office services such as Finance, Human Resources, etc. • Democratic Costs
Financial	<ul style="list-style-type: none"> • Depreciation • Interest on Loans • The cost of payment collection fees by the Council • Debt collection and bad debt write-off

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 and the General Fund subsidise service users. Decisions on subsidies should support the delivery of the Council's Strategic 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 and decisions taken in accordance with Council's governance.

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 approved 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 qualifying criteria. Any application for a concession will be considered on its own merits.

6.5. Corporate Directors, Directors and 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. This includes applying appropriate annual uplifts to reflect increased costs or multipliers agreed under this policy.

6.6. All subsidies for discretionary services, whether in the form of reduced charges or concessions (including nominal fees and free services – although these will be rare) requires approval from Cabinet.

6.7. If Cabinet does 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/INCREASED FEES AND 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 and 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 reduced subsidy.

7.3. 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 AND 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. 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 Team will assist in monitoring the cost recovery position.

9.3. Heads of Service have delegated authority to implement increases to existing charges but should 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, 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.

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.

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) - subject to approval
Concessions	The type and amount (if any) of any proposed concessions – subject to approval

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.