

Fees and Charges Policy

1. Application of this policy

1.1. This policy relates to fees and charges currently being levied by East Herts Council (the council) and those which are permissible under the wider general powers to provide and charge for “Discretionary Services” included within the Local Government Act 2003 and Localism Act 2011. For the purposes of this policy, the terms ‘fees’ and ‘charges’ can be considered interchangeable. When one term is used in this policy, it should be read as denoting a fee or a charge.

1.2. This policy does not cover:

- services for which the council is prohibited from charging
- charges for statutory services for which the levels are set by central government, such as planning application fees, alcohol and entertainment licencing fees, pollution permits and private water testing fees
- rents, leases, council tax, and business rates are outside the scope of this policy.

2. When a charge should and should not be made

2.1 It is the council's over-riding policy that service users should make a direct contribution to the cost of providing services (both discretionary and statutory) at their point of use.

2.2 It is recognised that there are some circumstances in which the council would not wish to levy a charge. These can be summarised as:

- a) where there is a statutory prohibition on the council making a charge, for example the collection of household waste;
- b) where the service in question is delivered to all residents or householders equally and which could therefore be reasonably considered to be funded from Council Tax;
- c) where the administrative costs associated with making a charge would outweigh any potential income;
- d) where making a charge would be directly contrary to achieving the council's corporate objectives as expressed in the Corporate Plan; or
- e) where charging would be counterproductive, that is, it may result in a substantial reduction in usage of the service.

3. Factors to take into consideration when setting charges

- 3.1. As a general rule, if the council wishes to charge for services in order to generate profits then it must do so only through a trading company. For certain services, legislation sets out specific provisions for fees and charges. The general principle is that, taking one financial year with another, the income from charges must not exceed the costs of provision. Any over or under recovery that resulted in a surplus or deficit in one year should be addressed when setting charges for future years so that, over a three year period, income equates to costs. Examples where this applies include building control and local land charges. Other services can make a surplus, for example trade waste, where the prevention of market distortion means prices have to rise to market rates.

3.2. The charge levied should, in general, be such that it *at least* covers the total cost of providing the service.

3.3. It is important to differentiate:

- the **cost** of a service, that is, what cost is incurred by the council in providing the service and
- the **charge** for a service, that is, the fee that the service user would pay.

3.3 First, the total cost that will need to be recovered must be calculated. In determining, the total cost, the following should be considered:

a) direct costs;

b) indirect costs such as support service recharges;

c) an appropriate share of corporate and democratic core and non-distributed costs;

d) depreciation where assets are used in the delivery of the service;

e) an assessment of officer time to be charged for. Guidance on how to determine the *cost* of a service should be sought from Strategic Finance especially where an assessment of the chargeable time is needed to in part recover the costs of the non-chargeable time, such as leave, sickness and the like.

3.4. Second, building on the cost of the service to be recovered, the level of the actual charge should be calculated. This calculation should have regard to the following:

policy context

- a) any relevant council strategies or policies, such as the Corporate Plan, Climate Change Action Plan, Equalities Scheme and the like so that any charge is in line with policy and corporate priorities;
- b) the desirability of increasing or decreasing usage of a given service or access channel;
- c) the desirability of influencing behaviour;

financial factors relevant to the consideration of any addition to or reduction in full cost recovery when set the charge

- d) maximising income to the council, subject to the considerations below;
- e) the charge for a service can be adjusted upwards from cost recovery based on the added and/or perceived value of the service. This can take account of wider economic and social considerations, as well as the value of the council as a trusted brand and could include a higher level of service for a higher price, although the total income from charges should not be designed to make a profit;
- f) the level of fees and charges may be used to manage demand for a service or to encourage behaviour change, for example, perhaps a higher charge could be made for a paper-based service rather than an Internet-based self-service approach;
- g) the price elasticity of demand should be considered when determining the level of a charges, that is, is the service 'inelastic' – demand is not impacted significantly by changes

in the level of charges – or ‘elastic’ – demand for a service is sensitive to changes in the charge levied for it;

- h) concessions for charges should be linked to the appropriate Equalities Impact Assessment and/or a transparent, logical reason. Of note, ensuring full cost recovery overall should be borne in mind, that is, the reduction in income arising from concessionary prices should be subsidised by means of higher general prices for the service. No particular group or service user, for example, town and parish councils, should automatically benefit from a concession and any concessions including them should be fully justified;
- i) any subsidy from the council tax payer to service users either generally, or for concessions which are not funded using the principles in point (h) above, should be transparent and must be explicitly reported to members at the time members are setting the charge;
- j) fees and charges need to avoid any exploitation of customers who have no option but to use the council's services;
- k) fees and charges should not be used to provide subsidies to commercial operators;
- l) fees and charges must reflect market conditions and prices charged by competitors and/or other local authorities. The need to avoid any potential distortion of the market which might otherwise occur from pricing services below the levels charged by private sector concerns for similar services must be evaluated and fees and charges adjusted for the market. For example, the council provides trade waste services but does not have to charge VAT whereas private sector

competitors do. In order not to distort the market the council has to increase charges up to market rates; and

m) the need for all fee and charges made by the council to be reasonable, while retaining the flexibility to charge commercial organisations a fair price.

4. Collection and administration of the charge

4.1. It is the council's policy that fees and charges should be collected in advance or at the point of service delivery. Ideally this should be by debit card payment. If this is not possible or is barred by statute, then invoices should be issued promptly and appropriate recovery procedures will be followed as required. Use of direct debit should be encouraged for periodic payments as this will improve cost effectiveness and enable efficient and timely collection of income.

5. Additional/Surplus Income

5.1. Any surplus generated from charging shall be seen as a corporate resource to be used where need is greatest subject to any statutory requirements or government guidance.

5.2. Proposals for 'reinvesting' any additional income raised from charging in the expansion and development of a particular service will need to be considered as part of the budget process. Each proposal will therefore be considered on its own merits at that time.

6. Varying charges in year

6.1. Subject to any requirements imposed by the council's standing orders, charges for individual services may be varied 'in year' at the discretion of the responsible Executive Member, following

discussion with the appropriate Head of Service and the Head of Strategic Finance & Property and, should the Executive Member wish, the Executive Member for Financial Sustainability.

7. Introducing new fees and charges

- 7.1. Reasonable notice should be given to customers and service users prior to the introduction of a new charge, along with advice on concessions and discounts available.
- 7.2. Proposals should be based on robust evidence, and will need to incorporate the anticipated financial impact of introducing the charge, as well as the potential impact on demand for the service. An Equalities Impact Assessment must be produced and any concessions explicitly linked to this assessment.
- 7.3. Public consultation should be focused on the specifics of how the charge operates and not on the introduction of the charge itself as consultation results will almost always suggest *not* introducing the charge.
- 7.4. Performance should be monitored closely following implementation to enable amendments to the charge and processes to be made, if required. The charge will subsequently be part of the annual budget process and thus subject to consideration of future increases.
- 7.5. Where new fees and charges are to be introduced outside the annual budget cycle, the responsible service will need to gain Executive approval. It is noted that in the case of a significant or possibly controversial new charge, the Executive may wish to delegate the decision on its introduction to Council. Consideration should be given to seeking the views of Overview and Scrutiny Committee prior to submission to

Executive, depending on the number of people affected and the amount of income that the charge is forecast to produce.

8. Review

- 8.1. This policy will be reviewed by no later than three years from its approval.