
CHARGING FOR DISCRETIONARY SERVICES - CONSULTATION

1 SUMMARY

- 1.1 This report seeks Members' views in respect of a consultation being carried out by the Office of the Deputy Prime Minister (ODPM) on draft guidance for the above. Copies of the consultation document are on deposit in the Members' Library at Rayleigh and in the Members' Room at Rochford.

2 BACKGROUND

- 2.1 A consultation document was received in the offices on 10 April, seeking a response by 27 June.
- 2.2 In the Local Government Bill now proceeding through Parliament, the Government is introducing a power to allow local authorities to make a charge for discretionary services.
- 2.3 The new power will not affect any existing powers which either allow an authority to charge for a specific service or prohibit an authority from charging.
- 2.4 In allowing authorities to charge for services, there will be conditions applying which will not allow an authority to make a charge which would generate income in excess of the cost of the service.
- 2.5 The recipient of the service must have agreed to its provision and to pay for it.
- 2.6 Charges may be set differentially so that different people are charged different amounts. Authorities would not be required to charge for discretionary services. They may provide them free of charge if they so decide.
- 2.7 There will be a reserve power to allow the Secretary of State to disapply the charging power.

3 ISSUES FOR CONSULTATION

- 3.1. The ODPM is consulting on two main issues within the draft guidance, these being the definition of the cost of service and the period over which charges should be calculated in order to achieve a break-even position.
- 3.2. Two definitions are given with regard to cost of service:-
- A. Total Cost
- Gross Total Cost – All expenditure attributable to the service/activity, including employee costs, expenditure relating to premises and transport,

supplies and services, third party payment, support services and capital charges, but excluding costs relating to corporate and democratic core (CDC) and un-apportionable central overheads (UCO).

B. Total costs plus:

- Gross total cost as defined above – plus an appropriate contribution to costs relating to CDC and UCO.

Views are requested as to which of the definitions is most appropriate. Should local authorities be allowed to use the most appropriate definition to the circumstances? Would authorities wish to suggest an alternative definition?

Officer Comment:

By introducing a new discretionary service and charging for it, it is highly unlikely that there would be additional cost in respect of CDC or UCO. It could, therefore, be argued that, by charging these to the service and passing them on to the recipient, the authority is making a contribution to the costs of running the authority as a whole.

Conversely, time would be spent on introducing and monitoring a new service which would not be spent on other aspects of the authority. It would, therefore, be correct to allocate these costs to the new service.

The above definitions appear to cover all particular circumstances. It would be reasonable to allow authorities discretion to select the most appropriate definition to the circumstances.

- 3.3. The Government accepts that, in order to fix a charge, estimates of cost over a number of years may need to be used. This is particularly so if capital investment is required. The Bill at present leaves this to authorities' discretion. The draft guidance is proposing that the period should be not less than one year and not more than three years. For services that require capital investment it may be appropriate to specify a longer period.

Views are sought with regard to the period being not less than one year and not more than three. Do authorities wish to suggest alternative periods that may be appropriate in certain circumstances?

Officer Comment:

The proposal for a period of between one year and three years seems reasonable and should be appropriate for the majority of charging issues. On the rare occasions when a significant element of capital investment is required, authorities must be able to take a longer term view.

- 3.4. The draft guidance refers to a number of issues for which no specific comments are required. These cover procedures to gain the recipient's

agreement to receive the service and pay the charge and the provision for the Secretary of State to remove the power to charge from an individual authority.

Officer Comment:

With regard to the requirements to gain the recipient's acceptance of both the service and the charge, the procedures appear reasonable.

It is disappointing that the Government still does not trust local authorities and feels it necessary to have powers to intervene. These will be used where an authority comes into direct competition with the private sector and is deemed to be undercutting their charges. The Government will also intervene if the authority is making a commercial return on the service or where it is considered that, in the public interest, no charge should be made.

4 RESOURCE IMPLICATIONS

- 4.1. There will be minimal impact on the authority as a result of these new powers. They may, however, enable the authority at some time in the future to provide a new service at no cost to the local tax payer.

5 RECOMMENDATION

- 5.1 It is proposed that the Committee **RESOLVES**

To respond to the consultation as set out in the above report incorporating any further Member comments.

Roger Crofts

Corporate Director (Finance & External Services)

Background Papers:

Consultation Document.

For further information please contact Roger Crofts on:-

Tel:- 01702 546366 Extn. 3006
E-Mail:- roger.crofts@rochford.gov.uk