

Fees and Charges Policy

Introduction

This Policy sets out the approach to be taken to setting fees and charges where the Council has discretion over the amounts charged for services provided and for trading activities. All chargeable services, whether discretionary or not, are required to follow this Policy to ensure that the Council maximises its income from fees and charges and fully recovers costs unless a service is approved to be either subsidised or receive concessions.

Aim of the Policy

The purpose of this policy is to provide a consistent approach in setting, monitoring, and reviewing fees and charges and applies to fees and charges for discretionary services and other activities across the Council. This will ensure that fees and charges support Council objectives and are set at a level which is appropriate and maximises income generation.

Council Priorities

A Directory of Charges shall be maintained for all charges, either discretionary service or statutory services, where the Council has discretion over the amounts charged for services provided. All decisions on charges for services and trading activities will be taken with reference to, and in support of, Council priorities and agreed by Committee, as appropriate.

The Policy is supported by:

- the Report to Waive Fees / Charge attached at Appendix 1

1. Purpose of the Policy

- 1.1 The purpose of the Policy is to specify the processes and frequencies for reviewing charging levels and to provide guidance on the factors that need to be taken into consideration when charges are reviewed on an annual basis.
- 1.2 The Council Fees and Charges Policy provide a consistent methodology in setting, monitoring and reviewing fees and charges for discretionary services and trading activities across the Council. This will ensure that fees and charges support corporate objectives and improve the efficiency of the process across the Authority.
- 1.3 Individual service areas can consider and propose localised draft arrangements which are consistent with the Council Fees and Charges Policy , but the annual charging arrangements must be approved by the Director of Resources annually.
- 1.4 Putting customers first is at the heart of our values. The Policy has been devised to ensure that our services meet the needs of our customers and communities at an acceptable and appropriate cost to local people.

2. Legislation and powers to charge for services

- 2.1 Section 93 of the 2003 Local Government Act allows authorities to charge for services that they have a power (but not a duty) to provide. While the income they can earn from these charges is restricted to the cost of providing them (i.e. charges made under this power are limited to cost recovery), there is no restriction on how the costs are calculated. Whilst fees and charges cannot be used to make a profit, they could provide the opportunity to invest in infrastructure, because all aspects of service provision can be included in cost. Authorities can also use differential charging based on people's ability to pay. The Authority can also charge for statutory services whereby fees may be set either locally by the Council, or centrally by Government.

The general power to charge for discretionary services has the following key features:

- Authorities are under a duty to ensure that, year on year, the income from charges cannot exceed the costs of provision.
- Authorities must already have the power to provide the service.

- The recipient of the service must have agreed to its provision and to pay for it.
- It does not apply to services which an Authority is mandated, or has a duty, to provide.

This policy is provided in accordance with the Authority's Financial regulations, *D21 (a) - all income due to the Authority is identified and charged correctly, in accordance with an approved charging policy, which is regularly reviewed.*

- 2.2 The Local Authorities (Goods and Services) Act 1970 governs the way in which local authorities are allowed to 'trade' with other public bodies. It authorises local authorities to enter into agreements with public bodies for the provision of goods, materials and administrative, professional and technical services, for the use of vehicles, plant and apparatus, and for the carrying out of maintenance.
- 2.3 Section 95 of the LGA 2003 does allow councils to trade commercially through a company and to enter into commercial contracts. However, any consideration of setting up a company will require review by the Director of Resources and the structure, purpose and charging to be approved by committee.
- 2.4 The discretionary services charging powers do not apply when councils have powers to charge for services. Some charging powers are more specific and derive from legislation that applies to specific service areas, for example:
- Sections 1 and 3 of the Civic Restaurant Act 1947 provide the power to establish and run restaurants and supply meals and refreshments to the public and to charge for these to recover costs.
 - Section 145 of the Local Government Act 1972 enables authorities to provide and charge for a range of arts and entertainment activities.
 - Section 19 of the Local Government (Miscellaneous Provisions) Act 1976 gives the power to provide a range of sport and recreational facilities and to charge or not to charge as they think fit; and
 - Sections 6 of the Prevention of Damage by Pests Act 1949 allows authorities to take action as necessary to remove rats and mice from their area – in fulfilment of their duty under section 2 of the Act – and to recover their reasonable expenses in doing so.

3. Level of Subsidy

- 3.1 In general, fees and charges will aim to recover the full cost of services except where this is prevented by legislation, market conditions or where alternative arrangements have been expressly approved by the relevant Director or Chief Officer in consultation with the Director of Resources.
- 3.2 Where no charges are made for services, where charges do not recover the full cost of providing a service or where users pay directly for some the services they use, the council taxpayers subsidise users.
- 3.3 Fees and charges are required to be set at a balanced level that takes into account maximising income generation and recovering costs, whilst encouraging potential users to take up the service offered and ensuring value for money is secured on behalf of the taxpayer.
- 3.4 A Business Case should be created for all services that require a subsidy from the Council when charges are reviewed. The Business Case should outline how the subsidy will be applied to the service area and incorporate the following:
- The costs and required service investment (if any, see 4 below), anticipated charges and income levels, and so the expected subsidy.
 - Demonstrate that the subsidy is being targeted at top priorities.
 - Provide justification for which users should benefit from the subsidy:
 - all users - through the Standard Charge being set at a level lower than cost recovery.
 - target groups – through the application of the Concessions guidance (see section 5)
- 3.5 Approval for the subsidy should be obtained from the relevant Director or Chief Officer, in consultation with the Director of Resources.

4. Assessment of Charging Levels – The Costs of Service, the Recommended Fee Structure & Potential Subsidy

- 4.1 In setting fees and charges, any relevant government guidance will be followed. Stakeholder engagement and comparative data will be used where appropriate to ensure that charges do not adversely affect the take up of services or restrict access to services. Full consideration will be given to the costs of administration and the opportunities for improving efficiency and reducing bureaucracy.

- 4.2 The cost of providing the service should be calculated. When estimating the net cost of providing a service, the previous year's actual results (in terms of income, activity levels and expenditure) must be taken into account. Where assumptions are made based on variables such as increased usage, this should be evidenced by a Business Case (see 3.4) detailing how this will be achieved. In addition, this should be supported by a Performance Management Framework to ensure that early indications of non-achievement against Business Case targets are identified to enable corrective action to be taken.
- 4.3 Fee charges should be set so that in total they cover the actual cost of providing the service, including support service charges, with a potential additional cost if there is a consideration of investment in the service.
- 4.4 If anticipated fee charges will not cover the cost base a subsidy will be required. Therefore, any subsidy arising from standard charges being set at a level below full cost should be fully justified in terms of achieving the Council's priorities in the Business Case detailed in Section 3 of this Policy. Where it is not appropriate or cost effective to calculate the cost-of-service provision at an individual level, charges may be set so that overall costs are recovered for the range of services which are delivered within a service area.
- 4.5 In order to ensure cost effectiveness and efficiency when setting and amending charging levels, the following are to be considered:
- Justification in the setting of charges to withstand any criticisms and legal challenges.
 - Obstacles to maximising full cost recovery when providing the service.
 - Access to and impact on users.
 - Future investment required to improve or maintain the services.
 - Relevant government guidance.
 - Corporate objectives, values, priorities and strategies.
- 4.6 The following should also be considered during the process, which may result in charges being set at a lower level than cost recovery:
- Any relevant Council strategies or policies.
 - The need for all charges to be reasonable.
 - The level of choice open to customers as to whether they use the Council's services.
 - The desirability of increasing usage or rationing of a given service (i.e., reducing charges during off-peak times).

5. Concessions

- 5.1 Concessions to priority and target groups will be considered where this is appropriate and in accordance with any relevant Government requirements and will consider the user's ability to pay.
- 5.2 All concessions should be fully justified in terms of achieving the Council's priorities. Wherever possible we will aim to provide concessions consistently across the Authority.
- 5.3 Concessions should be set in accordance with the ideal of seeking greater consistency towards disadvantaged target groups for individual services.
- 5.4 Concessions may be used to provide a discount from the Standard Charge for specific groups for certain services, for example over 65's, or children. The service may only provide the concessions where this has been explicitly approved by the Director of Resources (section 151 officer) or for a group previously agreed to receive concessions by cabinet.
- 5.5 Concessionary Charges may also be made available to organisations whose purpose is to assist the Council in meeting specific objectives, or which contribute to the aims of key local partnerships in which the Council has a leading role.
- 5.6 The Local Government Act 2003 and its accompanying guidance states that charges may be set differentially, so that different people are charged different amounts.

6. Charging Exemptions

- 6.1 All trading activities and services provided by the Council will be charged for unless prevented by statute, detailed as exempt in this Policy or under exceptional circumstances agreed exempt by the relevant Director or Chief Officer, in consultation with the Director of Resources.
- 6.2 There will be several important circumstances where charges should not be made.

The following are examples of Charging Exemptions:

- Where the administrative costs associated with making a charge would outweigh potential income.
- Where charging would be counterproductive (i.e., charges would result in reduced usage of the service, leading to a failure of a Council objective).
- Where services directly benefit all residents of North Tyneside, and no individual clients or customers can be separately identified.

6.2 If a service is considering exempting fees and charges then the business case and supporting information must be provided for authorisation to the Director of resources.

7. Processes and Frequencies

7.1 Reviews will be conducted at least annually for all services in time to inform the budget setting process, will take account of inflationary pressures and will be undertaken in line with budget advice provided by Corporate Finance. The reviews will be undertaken by all Service Areas that supply services where charges could be (i.e. those services which could be charged for but which are currently provided free of charge) or are, applied. This would be fees and charges for:

- Discretionary services.
- Statutory services whereby fees and charges are set locally.
- Statutory services whereby fees and charges are set centrally by Government.

The annual review of charges will consider the following factors:

- Inflationary pressures.
- Council-wide and service budget targets.
- Costs of administration.
- Scope for new charging areas.

7.2 In addition to the annual review detailed at 7.1, a formal review will be undertaken annually for all income areas (i.e. non-discretionary services) . These formal reviews of charges will consider the following factors, where appropriate:

- The actual or potential impact of any competition in terms of price or quality.
- Trends in user demand and the forecast effect of price changes.
- Customer survey results and user consultation.

- Alternative charging structures that could be more effective.
- Costs of service provision.

7.3 In the event that the formal review recommends a price increase in excess of inflation, consideration should be given to implementing a staged increase to the new charge.

7.4 The formal reviews will be approved by the relevant Director or Chief Officer after appropriate stakeholder input, in conjunction with the Director of Resources. The level of subsidy and the justification for setting the charge below the cost of service provision, where appropriate, should be made explicit during the approval process.

7.5 Customers should be given a reasonable period of notice before the introduction of new or increased charges. Where possible, the objectives of charging should be communicated to the public and users and taxpayers should be informed of how the charge levied relates to the cost of the service.

8. Key Objectives of Fees and Charges

8.1 The fee or charge imposed by the Council must be fair in relation to the goods and/or services provided.

8.2 The charge must reflect the principles outlined in the appropriate charging policy of the service area and in the Councils Financial Regulations.

8.3 The charge must, depending on legislation, always cover the cost of providing goods or service and the costs of collection, unless the Council has taken a policy decision to subsidise the service, or a concession has been approved.

8.4 Where charges are to be collected after service delivery has commenced, invoices will be issued through the Council's Sundry Debtors system within 10 days of the service being provided.

8.5 Fees, charges and concessions will be clearly identified and publicised so that users are aware of the cost of a service in advance of using it.

8.6 Fees and charges must be reviewed as appropriate in line with budget planning.

9. Approvals

9.1 All decisions on charges for services and trading activities will be approved by the relevant Director or Chief Officer, in consultation with the Director of Resources and recorded as delegated decisions, as appropriate.

10. Monitoring and Improvement

10.1 Monitoring will be used to understand how charges affect the behaviour of users (especially target groups) and drive improvement. Price sensitivities of individuals and groups should be understood so that charges can be set appropriately to deliver the levels or changes in service use necessary to achieve objectives.

10.2 As part of the monitoring and improvement process, a Directory of Charges shall be maintained and challenging targets for charging and service use shall be established.

10.3 A Directory of Charges shall be maintained by the Director of Resources for all charges where the Council has discretion over the amounts charged for services provided and for trading activities.

10.4 Specific financial, service quality and other performance targets should be set, monitored and reported to the appropriate level to ensure that high levels of efficiency and service quality are achieved. Examples include:

- Cost of service provision against targets and benchmarking authorities.
- Usage by target groups i.e., number of visits / requests.
- Usage during peak time / off peak time.
- Income targets.
- Percentage of costs recovered.
- Costs of methods of billing and payment.
- Excess capacity.

10.5 Service managers should, wherever possible, benchmark with the public, private and voluntary sectors not only on the level of charges made for services but the costs of service delivery, levels of cost recovery, priorities, impact achieved and local market variations.

10.6 The impact of the charges should be monitored and fed into the annual review process.

11. Financial Regulations

11.1 The Fees and Charges Policy should be read in conjunction with Financial Regulations.

12. Review and amendment of this Policy

12.1 The Council recognises that the circumstances in which it operates will evolve locally therefore this Policy will be updated and refreshed, as necessary, to ensure that effective management of fees and charges is maintained.

12.2 The Policy will be reviewed and updated on an annual basis by the Director of Resources.

12.3 The levels and processes detailed for Waivers in Section 13 of this Policy must be updated in conjunction with Financial Regulations.

13. Waivers

13.1 Waivers (a voluntary choice not to request a required payment, not an exemption per 6 above) of individual charges shall only be given in exceptional circumstances and shall be appropriately approved, documented and justified, considering the administrative burden involved relative to the value of the waiver. All waivers above £50 must be reported to the Director of Resources.

13.2 Where the waiver of charges adversely impacts on the budget position of a service the appropriate Director and Director of Resources shall be consulted prior to the charge being waived.

13.3 All waivers shall be reported to the Director of Resources on an annual basis. The report will be in summary format of number of waivers and value in type and value bands in a manner determined by the Director of Resources.



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APPENDIX I REPORT TO WAIVE FEE / CHARGE

To: [Director of Service] **Author:**

Date: [Day Month Year]

Title of Briefing: REPORT TO WAIVE FEE / CHARGE FOR [ENTER FEE NAME]

1.0 PURPOSE OF THIS REPORT

1.1 *(Give a brief explanation as to what the report is for)*

2. BACKGROUND

2.1 *(Sufficient emphasis in the report should be placed on giving the Director the necessary background information on the scheme).*

3.0 REASON FOR WAIVER OF FEE / CHARGE

3.1 *(The report must give the reasons why a request to waive an individual or cumulative fee or charge is being made. Sufficient information must be included to enable the Director to make a decision. If required, the Council's Fees and Charges Policy can be accessed from the Council's Intranet site.*

Details of the individual or organisation should be included together with the level of the fee or charge.

The report must demonstrate that exceptional circumstances exist and that the waiver can be justified and supports corporate objectives, values, priorities and strategies).

4.0 CONSEQUENCES IF THE PROPOSED ACTION IS NOT APPROVED

4.1 *(A statement must be included which informs the Director of the consequences of the proposed action not being approved and/or the alternatives should any exist).*

5.0 RECOMMENDATION

5.1 *(A statement must be included which informs the Director of the recommended course of action).*