

## **Appendix 3: Fees and Charges Framework**

### **1. BACKGROUND**

Decisions made by the Council about charging for local public services can affect everyone.

Fees and charges are not only an important source of income – providing vital funds to deliver essential public services and assist in achieving the Council's objectives for better outcomes for our community – but are also an important driver of efficiency. An appropriate and strategic approach to fees and charges requires the Council to have a robust understanding of the costs of the services it provides, as well as local economic and market factors, and to keep its schedule of fees and charges under regular review to ensure the most appropriate fees and charges are applied.

When the Council charges for services our users pay directly for some or all of the costs of the services they use. There are some services where the charges may not recover the full cost of providing a service, but as far as possible, charges are set at levels to recoup these. Where this is deemed appropriate, there should be a clear rationale for this approach, for example this may be to prevent demand on other more expensive services.

**The purpose of this Framework is to establish a framework within which a fair, economically and legally sound and strategic approach to fees and charges levied by the Council is agreed, and regularly reviewed.**

To ensure the best possible value for money and establish the fairest possible approach to charging and cost recovery, this Framework sets out that **charges for services will be set in order to fully recover their costs** unless there is a prescribed framework for charging that prevents this or a specific decision on the part of the Council to subsidise the service provision for policy reasons.

The decision on whether to make a charge (and the amount to charge) is not always in the Council's control, but where it is, it is important that the implications of the charging decisions being taken are fully understood and that the appropriate information is available for the Council to make informed decisions.

This Framework therefore provides guidance for senior officers 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 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 a clearly defined qualifying criteria.

The Framework should allow the Council to have a properly considered, consistent and informed approach to all charges it makes for its services in support of the delivery of its strategic and policy objectives and the protection of statutory services.

The Framework will be reviewed **at least every 3 years** or as required following legislative and/or case law changes. The Framework and its application is subject to the normal scrutiny arrangements.

## 2. SCOPE

This Framework relates to fees and charges currently being levied by the Council and those that are permissible (but not currently being levied) under its general powers to provide and charge as defined by legislation.

Charges for services, where these are permissible within the relevant legislation, and for which the level of charge is determined locally by the Council are within the scope of the Framework.

### Exclusions

- the Framework does not apply to services provided to other public bodies under contract as this type of activity is undertaken in accordance with different legislation and different considerations are relevant;
- the Framework does not apply to services provided on a commercial basis, if they are undertaken in accordance with specific different legislative provisions and/or are delivered by the Council's wholly- or partly-owned subsidiaries with specific different legislative provisions;
- similarly this Framework does not cover rental income since this is also undertaken in accordance with different legislative provisions and is described more fully in a separate strategy;

### 3. KEY PRINCIPLES

The key principles of this Fees and Charges Framework are set out in Table 1 below:

**Table 1: Fees and Charges Framework**

<p><b>1. User pays and full cost recovery</b></p> <ul style="list-style-type: none"><li>• Service users should the full cost of the service, where permissible, rather than the general taxpayer</li><li>• Fees and charges will be informed by transparent and comprehensive calculation of the full costs of providing the service</li></ul>
<p><b>2. Strategic and informed approach to subsidy and concessions</b></p> <ul style="list-style-type: none"><li>• Charges must be set in accordance with statutory framework for that particular service</li><li>• Costs of any subsidies provided for provision of services must be clearly identified and reviewed as part of the budget setting process</li></ul>
<p><b>3. Strategic approach to new charges</b></p> <ul style="list-style-type: none"><li>• Any new charges must be developed in the context of the Council's strategic agenda</li><li>• Impact of new charges must be worked through in sufficient detail prior to implementation</li><li>• Development of new charges must follow the governance process set out in this Framework</li></ul>
<p><b>4. Appropriate communication and engagement with service users</b></p> <ul style="list-style-type: none"><li>• Users of services for which charges apply must be aware of charges prior to purchase and prior to delivery</li><li>• Charges will be set in accordance with the statutory framework applying to the services, including undertaking appropriate consultation and statutory notice periods where required</li></ul>
<p><b>5. Coherence with broader efficiency and Framework objectives</b></p> <ul style="list-style-type: none"><li>• Fees and Charges should increase or decrease in line with changes in costs of providing the service, with efficiencies sought where possible before any changes are proposed or applied</li></ul>
<p><b>6. Fees and charges will be subject to systematic and in-depth review</b></p> <ul style="list-style-type: none"><li>• The Council will review income against costs of chargeable services each year as part of its budget setting process, in order to ensure an appropriate level of cost recovery from chargeable services</li><li>• Levels of fees and charges will be kept under review, which will involve monitoring changes in costs of delivery, benchmarking and other appropriate market-rate comparisons, to ensure fees and charges are appropriate</li><li>• Levels of fees and charges will be comprehensively reviewed at least every 3 years, or sooner (for example in the light of changes to markets or legislation)</li></ul>

#### 4. CHARGING AND LEGAL CONSIDERATIONS

For local authorities, charging decisions are controlled by statutory frameworks. Some services are provided in accordance with a statutory duty, whilst others are provided in accordance with a statutory power.

Local authorities have certain statutory duties in relation to some areas, such as planning matters, and where fees and charges apply to statutory services many of these are often set nationally with a prescribed charging mechanism. Alcohol licensing and gambling applications are two areas where there are a number of prescribed fees that local authorities have no control over in terms of setting them. The power to charge for some statutory services are set out in statute and local authorities have to set their fees in accordance with this.

Discretionary services are those that an authority has the power to provide but is not obliged to, and in the absence of a specific power to charge, these can be charged for on a cost recovery basis, under section 93 of the Local Government Act 2003. The power to charge for discretionary services is not available to local authorities if there is a statutory duty to provide the service or if there is a specific power to charge for it or if there is a prohibition on charging.

Where authorities have a duty to provide a statutory service free of charge to a certain standard, no charge can be made for delivery to that standard, however delivery beyond that point may constitute a discretionary service for which a charge could be made.

It should also be noted that there are other charges that the local authority will set within the context of a wider policy framework such as for adult social care contributions and care charges. In such cases, contributions to the costs are considered based on individual circumstances and financial assessments and in accordance with a wider policy

This Framework has been developed within the context of legal considerations relating to charging for services. Key considerations include:

- The Council is under a duty to ensure that, taking one year with another, the income from charges do not exceed the costs of provision.
- Charges may be set differentially, so that different people are charged different amounts for example taking account of means testing

In using the phrase “taking one year with another”, it is recognised that there are practical difficulties a public sector body may face in estimating the charges, since to a large extent this is highly dependent upon the demand for the services concerned. This enables the Council to “balance their books” for specific services over a period of time (not less than a year but no more than 3 years) such that any under-recovery of cost can be addressed in setting charges for future years so that over time income equates to costs.

In relation to setting charges for discretionary services, guidance typically refers to

the Chartered Institute of Public Finance and Accountancy 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.

As noted earlier, some services and charges are bound by further specific legislation and services are expected to be aware of the legislative context that applies to their area of responsibility and seek advice as required from legal services. When presenting fees and charges reports for a member level decision, the legal basis for charging must be set out.

## 5. CHARGING AND COST OF DELIVERY

Subject to the governance processes set out below, it is proposed that fees & charges for services are to be set in order to **fully recover the cost of delivery**, unless there is a specific statutory restriction or a decision to subsidise the service provision for policy reasons.

Each charge should be identified as belonging to one of the categories in Table 2 below and the appropriate charging Framework adopted in establishing and reviewing the level of the charge. In determining the appropriate charging Framework, and in any event, proper consideration should be given to the wider equalities implications which may be involved affecting accessibility of all groups to Council services.

**Table 2: Approaches to fees and charges and corresponding strategic objectives**

<b>Approach</b>	<b>Objective</b>
1. Full cost recovery	The Council wishes to make the service generally available, but there is no policy rationale for providing a subsidy from general taxation. <i>Please note this Framework sets out that full cost recovery is the <b>default approach</b> to establishing fees and charges. Charging for discretionary services will fall into this category unless otherwise prevented by legislation or agreed.</i>
2. Full cost recovery with concessionary discounts	The Council wishes to make the service generally available and is prepared to subsidise the service to ensure priority groups have access to the service, and/or other Council priority objectives are met.
3. Subsidised	The Council wishes to make the service widely accessible and therefore provides a subsidy from general taxation, however users of the service are expected to make some contribution to the cost.
4. Nominal	The Framework is to make the service fully available and “free at the point of delivery”. The service is funded from general taxation.
5. Prescribed charging	Charges are set in line with legal obligations and parameters under the appropriate legislation.

## **Governance and Approval Processes**

- a. Some services that local authorities provide are for functions which are the responsibility of the executive (i.e., Cabinet) and others are non-executive, and as a result, the approval route for such fees and charges may also differ with some needing approval via Cabinet and others via Full Council (delegated to committee as set out in the Constitution). Executive Director works up formal charging proposal in line with approach above. As a minimum the proposal needs to reflect desired policy objectives, and approaches to cost calculation set out in the Fees and Charges Framework
- b. Consultation and engagement undertaken as appropriate.
- c. Cabinet or Council decision taken to proceed / not proceed in the Council's budget report other than in year decisions taken by officers which are limited to inflation plus 3%

## **6. CHARGING AND COST CALCULATION**

Adopting a method of full cost recovery means that the total cost of delivery, together with an apportionment of department and corporate overheads, is calculated and charged to the service user– it involves taking a look at the whole process and ensuring that all the stages involved are taken into account, for example the cost of handling the initial enquiry through to the collection of the payment.

Costs of service provision which will be taken into account for the purposes of determining appropriate charging levels, can be divided into four categories as set out in Table 3 below:

Finance will support colleagues to prepare the cost analysis required for the setting of fees & charges.

It should be borne in mind that some services will be subject to the Provision of Services Regulations 2009 which requires that fees & charges set under an authorisation scheme have to be reasonable and proportionate to the cost of the procedures and formalities of it and should not exceed these costs.

The practical effect of this, based on case law, is that fees charged in accordance with a scheme that falls under these provisions (e.g., sex shop licensing) cannot at the outset cover more than just the cost of administering and processing the application (to grant a licence for example). Whilst the cost of enforcing the regime can be recovered, this cannot be wrapped up into one fee at the outset.

Therefore, such fees and charges are split into:

- a. the costs of the application process; and
- b. on the application being successful, a further fee to cover the costs of the management and enforcement of the licensing regime. It is not possible to seek one fee incorporating both application and enforcement costs, and the fees need to be split and the second charge only due for applications which are successful (i.e., granted).

**Table 3: Costs of provision to inform Slough fees and charges**

<p><b>1. Employment costs</b></p> <ul style="list-style-type: none"><li>• Costs of staff who deliver the service</li><li>• Salary plus all other cost to employer (e.g. pension)</li><li>• Could include allocation of pension back-funding if this is a cost to the Council</li></ul>
<p><b>2. Departmental costs</b></p> <ul style="list-style-type: none"><li>• Costs incurred by the Department to deliver the service, for example:<ul style="list-style-type: none"><li>• Travel and distribution costs incurred</li><li>• Specialised equipment required</li><li>• Administration and management at the Departmental level</li><li>• Insurance costs paid at the Departmental level</li><li>• Advertising and marketing costs paid at the Departmental level</li></ul></li></ul>
<p><b>3. Corporate costs and overheads</b></p> <ul style="list-style-type: none"><li>• Costs incurred by other corporate services to ensure the service is provided, including:<ul style="list-style-type: none"><li>• Accommodation, IT and Insurance</li><li>• Back office support services such as Finance, Human Resources, Legal, Business Operations (e.g. payroll, accounts payable)</li><li>• Democratic costs (e.g. costs of democratic decision-making/governance processes relevant to the service, if and as appropriate)</li><li>• Insurance costs paid corporately</li><li>• Marketing and advertising costs paid at the corporate level</li></ul></li></ul>
<p><b>4. Financial costs</b></p> <ul style="list-style-type: none"><li>• Depreciation</li><li>• Costs of capital</li><li>• Interest on loans</li><li>• Costs of payment collection fees</li><li>• Debt collection and bad debt write-off</li></ul>

## 7. STRATEGIC APPROACH TO CONCESSIONS

The Council may decide to provide services without charge or at a level that does not fully recover the cost of delivery – in doing so, the tax-payer will be subsidising service users as the impact of such a decision could be to divert funding from other services. Such decisions should support the delivery of the Council's priorities and its objectives. Prior to introducing any new fees for charges or making any changes to existing subsidies, the service should undertake a full review of the service, including consultation and an equalities impact assessment where appropriate.

In some circumstances it may be appropriate to provide a partial subsidy if charging the full cost discourages or prevents usage.

When considering a subsidy, the following should be taken into account:

- That the subsidy supports a Council priority, objective or policy
- That it is reasonable to assume that the impact of the Framework can be measured
- The cost of the subsidy can be estimated and is affordable within the Council's budget
- That the proposed subsidy is the most effective approach available to deliver the Framework objective, and
- Any other relevant information.

A subsidy could be for all users or in the form of concessions for users that meet a qualifying criteria. **Definitions of qualifying criteria for concessionary target groups should be consistent across the Council.** Any application for a concession will be considered on its own merits. The following are examples of groups, subject to the approval mechanisms noted below, which may be considered for concessions:

- Young people of less than 16 years of age,
- Full time students
- People with a disability
- Individuals in receipt of a means tested benefit

Senior Officers with responsibility for managing services are responsible for ensuring that the fees and charges within their area of responsibility comply with the Framework and for ensuring that the Framework is applied to all appropriate services and not just those for which a charge is currently made.



## 8. APPROACHES TO DEVELOPING NEW FEES & CHARGES

Services are responsible for reviewing their services and ensuring that appropriate decisions are taken for all services.

For services that are provided on an ongoing basis to individual service users, appropriate notice should be given of any decision to amend or introduce a new fee or charge. An Equality Impact Assessment is required to be carried out for all new charges to consider the likelihood of any disproportionate adverse impact on vulnerable groups.

## 9. ADMINISTRATION / NOTIFICATION OF CHARGES

Arrangements for the charging and collection of payments should be efficient, practical and simple to understand by users. Where possible, fees should be collected in advance of service delivery. Where this is not possible, invoices should be issued promptly, comply with debt management processes and tax legislation, for example VAT.

Once set and in accordance with the Framework, senior managers are required to ensure that fees & charges are applied to all service users and that waiving of fees is only applied in exceptional circumstances. Senior Managers are required to keep a record of any exceptions granted in these circumstances for review.

## 10. PERIODIC REVIEW

**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 annual budget setting process. All charges are expected to increase or decrease in line with the cost of providing the service unless there are exceptional reasons not to do so.

**Once reviewed** senior managers are expected to undertake a thorough review of fees and charges in their areas of delivery **at least every 2 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. Finance will monitor the cost recovery position. Senior managers are expected to build and maintain a record of activity data relevant to the service they provide.

Executive Directors have delegated authority under the Constitution to make in year changes to existing charges up to 3% plus inflation but should bear in mind that this delegated authority may not be appropriate to use in every case. For example, officers must consider if there is an approved policy for the matter and that it does not have any unusual features of be something that has political or other significant issues and that it would not be a key decision. It may therefore be necessary to decline to use the delegated authority in such circumstances.

Additionally, the introduction of new fees and charges should not be undertaken through delegated authority and should be approved formally through Cabinet/Committee/Council.

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 in the appropriate manner.

The reasons behind any significant change to charges should be communicated to service users, providing reasonable notice which will usually be deemed to be one month.

Finance support colleagues will provide support to senior officers to undertake this in-depth review and may require that such a review is undertaken where there is evidence that the current fees and charges are below comparable benchmarks or where there is evidence confirming that a subsidy is being provided.

## **11. RECORDING OF FEES AND CHARGES**

Services are expected to maintain a **schedule of all fees and charges levied**.

These schedules should include, identified separately, any charges that are set and should record the date of the last in-depth review and the date of any relevant decision to provide a subsidy or concession. The power to charge should be set out next to each charge.

The Council's fees and charges will be set **prior** to each financial year and published alongside the annual budget.