

# Annex 4

## Fees and Charges Policy

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## **Section A – Covering Report for Fees and Charges Policy**

### **1. Introduction**

- 1.1 As part of the for the 2023/24 budget setting process and refreshing of the Medium Term Financial Plan the Council has undertaken a review of Fees and Charges to develop a co-ordinated approach to charging and price setting across the organisation.
- 1.2 The review took place in the context of a very challenging financial environment with a starting budget gap of **£32.2m** for 2023/24. An identified need to improve the transparency and consistency of governance related to fees and charges and there being no organisation wide review or established approach related to price setting for a number of years. To support and optimise the outcomes and build skills and capability within the Council specialist external support was commissioned by NCC.
- 1.3 At the outset a number of key objectives were agreed, which included:
- a) Developing and implementing a Fees and Charges policy to support the optimisation of income and related policy objectives as part of the development of the 2023/24 budget and the Medium Term Financial Plan
  - b) Understanding the policy objective(s) and risk context that might influence the setting of a price – particularly where the price does not reflect the full cost of service delivery and the drivers for any change in approach and reviewing the extent to which the current price achieves the policy objective
  - c) Adopting and embedding best practice around price setting, transparency and governance as part of the financial improvement journey of the Council
  - d) Creating tools and techniques to support the Council in reviewing fees and charges in future years
- 1.4 It should be noted that although the review was commissioned corporately, accountability for regular review, recommendations, and implementation of changes are the responsibility of the relevant Corporate Directors and Heads of Service, subject to approval of the proposals as part of the budget setting process by Council.
- 1.5 The review has taken place between July 2022 and December 2022.
- It was agreed at the outset that a number of areas that were outside of the scope of the review, these include Housing and Housing Rents, Commercial Property, companies (e.g. Nottingham Ice Centre) and parts of the Council that's operating model is similar to those of a company (e.g. EnviroEnergy).

### **2 Approach taken to the Review**

- 2.1 To maximise the impact of the review a three phased approach was agreed:

- **Phase 1** – focus on service areas with an external fees and charges income of c£2m or more (or those specifically identified as a risk or opportunity). Phase 1 ran from July to October.
- **Phase 2** – focus on service areas with an external fees and charges income of c£1m or more. Phase 2 ran from October to December.
- **Phase 3** – engagement with all services to support the development of a fees and charges booklet and the development of and transfer of tools and techniques to support ongoing sustainability.

2.2 The review has used a range of qualitative and quantitative data and tools to develop evidence based recommendations, including:

- Service data and questionnaires
- Benchmarking and comparator information with relevant groups (e.g. core cities, local councils or alternative service providers)
- Interviews and workshops with key stakeholders
- Development of a variety of tools to enable build up of the total cost of service delivery and also model various sensitivities and assumptions

### 3 Fees and Charges Policy (introduction)

3.1 A key part of the Fees and Charges review is the development of the Fees and Charges policy, which is attached in Section B of this Annex and sets out the Councils approach to charging across the breadth of services.

### 4 Best practice tailored to Nottingham's needs

4.1 The policy has been developed to recognise best practice nationally and be tailored to Nottingham's circumstances. Therefore, learning from the early engagement with services informed policy development and a focus on:

- understanding the total cost of delivering a service,
- the need for a consistent and transparent process and
- a requirement for tools to support ongoing sustainability
- an appreciation of statutory and or regulatory restrictions on fees and charges.

4.2 There are two factors that underpin the approach to the policy to support services in their proposed approach to charging, which are:

- The **degree of legislation** impacting up on the service area (for example many planning fees are set by central government, whereas the only regulation set around charges for Leisure Centres relate to limiting charges to full cost recovery)
- The **degree of competition** in the environment they are operating within (for example the City Council is the statutory planning authority and therefore a

developer wanting to build new homes in Nottingham has no choice but to engage with the Council, whereas there are a great number of other private gyms and swimming pools that are available to Nottingham citizens).

## **5 Balancing financial and policy objectives**

- 5.1 The fees and charges developed seek to find the optimal balance both the financial and policy position through price setting. For example, significantly increasing sports pitch hire to achieve full cost recovery is likely to compromise the Council's policy objective of encouraging people to be fit and active. Therefore fees and charges have been set in a way that seeks to recover costs associated with service delivery but also still provide accessible services - where there is a policy objective for doing so. To achieve these dual objectives the Council not only considers the 'core' price of services but also considers offering free or discounted access to certain groups (e.g. via access to concessionary passes or free or discounted car parking for blue badge holders).

## **6. Understanding cost, risk and alternative delivery options**

- 6.1 The review identified that in many cases the Council's charges unintentionally did not achieve full cost recovery, with many charges being set incrementally, or not considering the indirect (departmental and corporate) costs, for services where these are appropriate to be recovered. Adjusting pricing to incorporate or move towards full recovery of overheads has led to price increases across a number of services, alongside inflationary increases or increases in costs of supplies that have particularly impacted some services. In addition some services operate in environments where it would be counter-productive to increase prices and in these instances other methods (i.e. volume increases or efficiencies) have been considered to optimise the value for money of the service alongside the delivery of policy objectives.
- 6.2 The policy also recognises the risks that need to be considered in setting prices, for example increasing prices may impact adversely upon demand and lead to an overall net loss, or could make it unaffordable for particular groups.
- 6.3 The policy also recognises that in some cases there are alternative delivery options that can achieve greater value for money than the Council and in this case the Council should consider a managed exit from a particular service or market place.

## **7 Input into the Medium Term Financial Plan**

- 7.1 The Fees and Charges review identified a number of opportunities to generate increased income and therefore make a net contribution to the Councils financial position. The net position from the Fees and Charges review is an increase in income budgets of **£2.141m** in 2023/24, there have also been a number of areas for the Council to consider in future years that should reduce the need for savings

in other areas. In nearly all cases the contribution is recurring and provide a basis for a further increase in contributions in future years.

## **8 A consistent approach to governance - Fees and Charges Booklet**

8.1 In line with established best practice in governance and transparency across the sector a composite Fees and Charges booklet has been developed and is detailed in Section B of this annex for proposed charges for 2023/24. If these fees are approved by City Council it will remove the need for multiple Portfolio Holder Decisions to be taken to vary Fees and Charges.

8.2 It should be noted that there are instances where throughout the year it may be appropriate to consider changing the Fees and Charges associated with activity in the booklet (e.g. increased energy prices may mean that the cost of delivering certain services has increased and the current charge no longer fully recover their costs). In such instances decisions to vary prices should be made in line with the Councils scheme of delegations and the Commercial Director informed so that the composite booklet can be updated.

8.3 There are a number of Fees and Charges that it would not be appropriate to include within the Fees and Charges booklet detailed in Section B, including:

- **Fees that are approved by a body other than the City Council** – there are a number of fees that are set by different bodies and are outside of the scope of City Council (e.g. Licensing committee), although these have been included in the review it is appropriate that these should be debated and any revisions approved by the relevant body
- **Fees that are commercially sensitive** – the Council engages in a number of activities in competitive markets (e.g. services to schools or trade waste) where pricing it commercially sensitive and it would be disadvantageous to the Councils position to publish prices
- **Fees that by their nature are variable** – there are a small number of services where fees are variable by their nature, such as Woodthorpe nursery where the pricing of products will vary depending on the type, volume and quality
- **Areas that were outside of the scope of the review** – these include Housing Rents, Commercial Property, companies and parts of the Council that are similar to companies.

## **9 Embedding a sustainable approach – Fees and Charges Toolkit**

9.1 A key success factor of the Fees and Charges review is the development of an approach which gives the Council the tools to develop a sustainable approach. Therefore, one of the outcomes is the development of a Fees and Charges Toolkit

that will be owned by the Council and maintained and updated by the Commercial Director. There are four stages to the toolkit:

- Stage 1 – Understanding the service
- Stage 2 – Gathering and analysing data
- Stage 3 – Option Appraisal, Consultation and Implementation
- Stage 4 – Review

9.2 The toolkit includes approximately 20 different tools, which include market analysis, developing and testing assumptions, cost calculation and reviewing performance.

9.3 The intention is that as part of the budget setting process for future years all fees and charges will be reviewed and an 'ongoing' challenge approach adopted. It is anticipated that there will be year on year developments and improvements to the publication of fees and charges, incorporating learning from good practice in other authorities and the toolkit will equip the Council to do this effectively

## **10 Alignment with other Policies**

10.1 As the fees and charges policy covers a large number of services and levers there is an interaction with a large number of Council policies in individual services (e.g. Waste policy or Traffic management policy). The interaction between these individual policies should be considered on a service by service basis.

10.2 The Council has recently developed a Commercial Strategy, which seeks to optimise net income and value for money delivered to Nottingham residents. The Fees and Charges policy represents a key part of the delivery of the Commercial strategy.

## **11 Consultation**

11.1 Consultation has taken place with residents and businesses as part of the 2023/24 budget process. Consultation will also take place as appropriate with specific stakeholders on a service by service basis (e.g. Funeral Directors for Bereavement Charges, Providers of Adult Social Care services).

11.2 There are a large amount of legal powers that impact on the Councils ability to charge for particular services. There are a number of pieces of legislation that are relevant to the entire Council, an overview of which are provided below. Therefore the following pieces of legislation should be considered:

- Localism Act 2011 : General power of competence available to local authorities to do "anything that individuals generally do"
- Local Government Act 1972, s. 111 : A local authority shall have power to do anything (whether or not involving the expenditure , borrowing or lending

of money or the acquisition or disposal of any property or rights ) which is calculated to facilitate, or is conducive or incidental to , the discharge of any of their functions.

- Local Government Act 2003, s.93 : Power to charge for discretionary services . “ A relevant authority may charge a person for providing a service to him if ( a) the authority is authorised , but not required , by an enactment to provide the service to him , and ( b ) he has agreed to it’s provision.”
- Local Authorities ( Goods and Services ) Act 1970 re. supply of goods and services by local authorities and ability of parties to enter into an agreement to include terms as to payment.

- 11.3 There are a large number of statutes which enable or oblige the local authority to offer specific services e.g. Environmental Protection Act 1990 re. the collection of trade waste. Whilst certain of the Council’s charges are set by statute, a local authority is able, in many instances, to determine what to charge service users for the service provided.
- 11.4 Statutes of relevance to particular service areas as regards the ability to charge for the provision of services are noted in Section B.
- 11.5 It should be noted that any in year changes in respect of fees and charges will need to go through the existing Governance process in accordance with the scheme of delegation.
- 11.6 Any changes to the Council’s fees and charges will require legal comments from the Council’s internal legal colleagues prior to implementation.

## Section B - Fees and Charges Policy

### 1. Introduction

- 1.1 The Council's Medium Term Financial Plan (MTFP) 2023/24 to 2026/27 sets out Nottingham's approach to resourcing over this period. The MTFP demonstrates a balanced financial position over a four-year period for the Council and is based upon a series of assumptions. The assumptions include successful delivery of transformation and change activity leading to the delivery of expenditure savings through efficiency and demand management together with assumptions relating to the difficult economic environment in which the Council operates which reflect global events, resulting in inflation running at a 40 year high in excess of 10% during 2022/23 and expected to continue in the medium term. The inflationary drivers particularly related to energy and employment costs are significant. A key pillar of the MTFP is the realisation of income through fees and charges for goods and services.
- 1.2 This Policy sets out key components of the approach to setting, reviewing, governing and communicating fees and charges for the Council going forward:
- a) A framework for setting prices, using the twin considerations of policy and competition as the principal drivers (section 2)
  - b) Methodology for understanding the costs associated with service delivery (section 3)
  - c) Governance approach to approval of fees and charges and a commitment to publish a schedule of fees and charges each year as part of the budget process (section 4)
  - d) Implementation from 1<sup>st</sup> April 2023 and the provision of tools and techniques to provide operational support for this policy (section 5)
  - e) A commitment to annually review the policy, maintain tools and techniques and to use these to annually review compliance (section 6)

### 2. Establishing a Framework for Price Setting

- 2.1 The Council is a complex organisation operating a number of services in a number of different contexts and therefore it is not appropriate to take a 'one-size fits all' approach. Broadly there are four 'quadrants' that Council services operate in which influence an individual services charging strategy, these are defined by the following two axis:
- a) The **degree of legislation** impacting on the service area (for example many planning fees are set by central government, whereas the only regulation set around charges for Leisure Centres relate to limiting charges to full cost recovery)



- b) The **degree of competition** in the environment they are operating within (for example the City Council is the statutory planning authority and therefore a developer wanting to build new homes in Nottingham has no choice but to engage with the Council, whereas there are a great number of other private gyms and swimming pools that are available to Nottingham citizens).

2.2 The primary objective(s) of fees and charges based upon the factors above is shown in diagram 1 below:

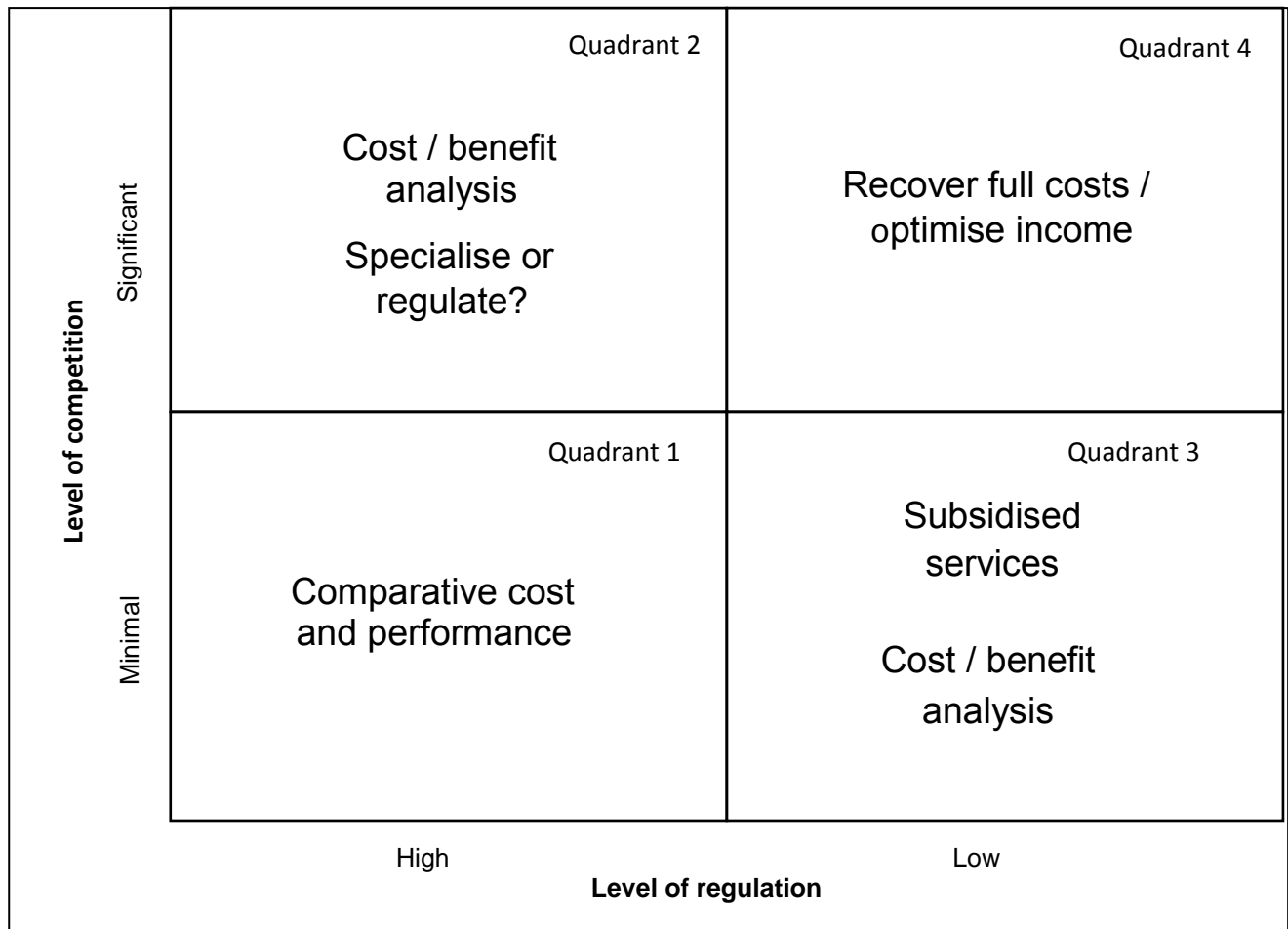


Diagram 1: Primary Objectives of Fees & Charges based upon the key factors of competition and regulation

- 2.3 In terms of setting prices for any service, the first measure must always be statute that impacts on that services, such as Adult Social Care or Parking Enforcement. This may limit what can be charged for, set certain fees / prices nationally, or limit prices to cost recovery (which may be limited to direct costs of providing a service or a wider set of costs to include oversight and wider support costs of the Council).
- 2.4 **Quadrant 1** - Areas with high legislation and low (or no) competition are often services only the Council can provide (such as planning permission, or registration of births, deaths or marriages). In these circumstances, prices are often either set

by legislation or limited to cost recovery. The Council should assess their performance in these circumstances by benchmarking cost, price and performance against other similar public bodies providing those services to ensure the services and any associated costs or fees are providing Value for Money.

2.5 **Quadrant 2** - For areas with high competition, but others providing similar services locally (for example Social Care services such as Home Care); the Council may wish to provide services where there are specialised or niche areas not covered by the market or to provide capacity to step in if there was a market failure (such as a major supplier withdrawing from the market / ceasing to trade). In these circumstances the Council should assess the wider social benefits of its involvement in the market, alongside assessing the risk and impact of any market failures.

2.6 **Quadrant 3** - For areas where regulation is low, but there is limited local competition, it is likely that services are being provided at a subsidy by the Council (as it is likely there would be competition if profit could be made). For these services there are likely to be wider social benefits to providing a service. Trying to fully cost recover would reduce the usage and therefore negatively impact on these wider benefits. For example, Nottingham currently offers free swimming to under 5 year olds who are City residents – if the Council made a decision to introduce a charge for this it may have a positive financial impact on that service but is likely to negatively impact on the policy objective of tackling childhood obesity and encouraging young people to be physically active. It may also have longer term negative impacts on other budgets within the Council (e.g. Childrens Services). In such circumstances, the Council needs to weigh the relative wider public benefits of provision, against its overall budget and policy objectives to determine the appropriate level of subsidy.

2.7 **Quadrant 4** - Broadly speaking, if there is limited regulation of a service, and considerable local competition, then the Council should be seeking to recover its full costs in provision in this area as a minimum. These services generally include business to business type services (such as contract parking), where other organisations would step in if the Council did not provide a service.

### 3. Full Cost Calculation and Recovery

3.1 Many of the Council's fees and charges are legally limited to the recovery of the cost of delivering the service. Depending on the legislation specific to the service area, this is often much wider than the direct cost of service delivery (e.g. running a tennis coaching session may only directly involve in one hour of one person's time, but there are a lot of indirect costs to enable them to be there), but includes other items such as:

- a) Direct Overheads – such as management time within the service area associated with the delivery of the service

- b) Corporate Overheads – a fair proportion of the corporate costs that are not directly within the service, including central costs like Finance, IT or HR, senior or management costs and also costs associated with the running of the Council (e.g. running a democratic system)
- c) Building and premises costs, including rent and maintenance and upkeep
- d) Unproductive time, for example the cost of providing staff development or training or average sick time
- e) Investment costs, such as contribution to continued service improvements or capital investments

3.2 Where it is found that certain services are provided at below the optimal price (balancing risks, financial and policy objectives), consideration needs to be taken upon the impact of significant changes in prices. In some cases, moving to the optimal pricing point in ‘one jump’ would be unpalatable, therefore a move towards this pricing point should be considered in an incremental manner over several years.

3.3 There are however some services where legislation limits the costs that can be recovered (e.g. excluding corporate overheads), however even in this instance it is important to understand the full cost of service delivery and the amount that is not recovered through the charge.

3.4 Therefore regardless of the rules surrounding what can be charged, it is important to understand this total cost of each service, so that the Council can make an estimate of the real cost of providing this service and the degree to which services are being subsidised. It should be noted that there is further work ongoing to develop a tailored approach to internal costs and charges.

#### **4. Governance**

4.1 The Council is moving towards a streamlined approach to the governance of fees and charges – with Executive Board and Full Council having full visibility and oversight of price setting as part of the annual budget report. Notwithstanding this, it should be noted that there will be individual service reasons for price changes in year – these will be managed through the appropriate governance processes and in line with the appropriate level of delegated authority for decision making. The Council will publish as part of the overall budget report each year a schedule of all proposed fees and charges (with the exceptions highlighted below). This new, more streamlined, approach reflects learning from best practice in other Councils and fits with the Council’s overall programme of driving improvement in governance and processes.

4.2 It should be noted that for various reasons (e.g. service operates in a commercial market with variable pricing, significant review or restructure of service is

underway that materially impacts on its pricing approach) there are some fees and charges in some service areas that it is not appropriate to include within this report.

- 4.3 Licensing and Public Protection Committee – It should be noted that there are a number of charges that are under the jurisdiction of the Licensing and Public Protection Committee, which has a separate governance process. The principles and objectives of this price setting approach will apply to these services, however the governance, price setting and publication of those fees and charges will remain within the remit of the specific Committee.
- 4.4 Changes to prices will need to reflect legislation and this may include formal consultation and consideration of responses prior to implementation.

## **5. Implementation and Monitoring**

- 5.1 Where the proposed fees and charges attached in “Schedule of Fees and Charges” in **Appendix A** are approved they are deemed to be valid from 1 April 2023, unless otherwise stated. It should be noted there are some areas where there is a statutory time frame before a change in price can be implemented once a decision is made.
- 5.2 Tools and techniques to support the operation of this policy have developed alongside this policy.
- 5.3 The management of performance of Fees and Charges should take place as part of the normal financial performance and budget management process and Heads of Services will be responsible for recommending any changes to optimise performance.

## **6. Review**

- 6.1 As part of the budget setting process for future years all fees and charges will be reviewed and an ‘ongoing’ challenge approach adopted. It is anticipated that there will be year on year developments and improvements to the publication of fees and charges, incorporating learning from good practice in other authorities.
- 6.2 Similarly, the tools and techniques supporting the fees and charges strategy will need to be owned and maintained by the Council. These should be continually reviewed and updated and made available for all service areas to access.
- 6.3 The fees and charges policy has a high level of interaction with a number of other policies and strategy of the Council and is particularly closely aligned to the Commercial Strategy. Therefore, there is a need to review and revise.
- 6.4 This Policy should be reviewed on an annual basis to ensure it remains fit for purpose.

## **7. Responsibilities**

7.1 There are a number of ongoing responsibilities associated with ensuring the Fees and Charges policy and implementation of it are maintained in a sustainable manner, these include:

- a) Annual Review of Fees and Charges Policy – Corporate Director of Finance and Resources
- b) Undertaking annual review of Fees and Charges – Director of Finance
- c) Owning and maintaining the Fees and Charges Toolkit – Commercial Director
- d) Management of financial performance of individual service areas levying Fees and Charges – Corporate Directors, and respective Directors of Service areas.