

Appendix 11

Fees and Charges Policy

February 2024



Contents	
	Page
1. Introduction	2
2. Establishing a Framework for Price Setting	2
3. Full Cost Calculation and Recovery	4
4. Governance	5
5. Implementation and Monitoring	6
6. Review	6
7. Responsibilities	7

Section B - Fees and Charges Policy

1. Introduction

- 1.1 The Council's Medium Term Financial Plan (MTFP) 2024/25 to 2027/28 sets out Nottingham's approach to resourcing over this period, to which Fees and Charges Policy is a key component.
- 1.2 The Council is continuing to adopt the current Fees and Charges policy as part of the 2023/24 process.
- 1.3 This Policy sets out key components of the approach to setting, reviewing, governing and communicating fees and charges for the Council:
 - 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 publication of fees and charges schedule each year as part of the budget process (section 4)
 - d) Annual review of policy, tools and techniques

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:

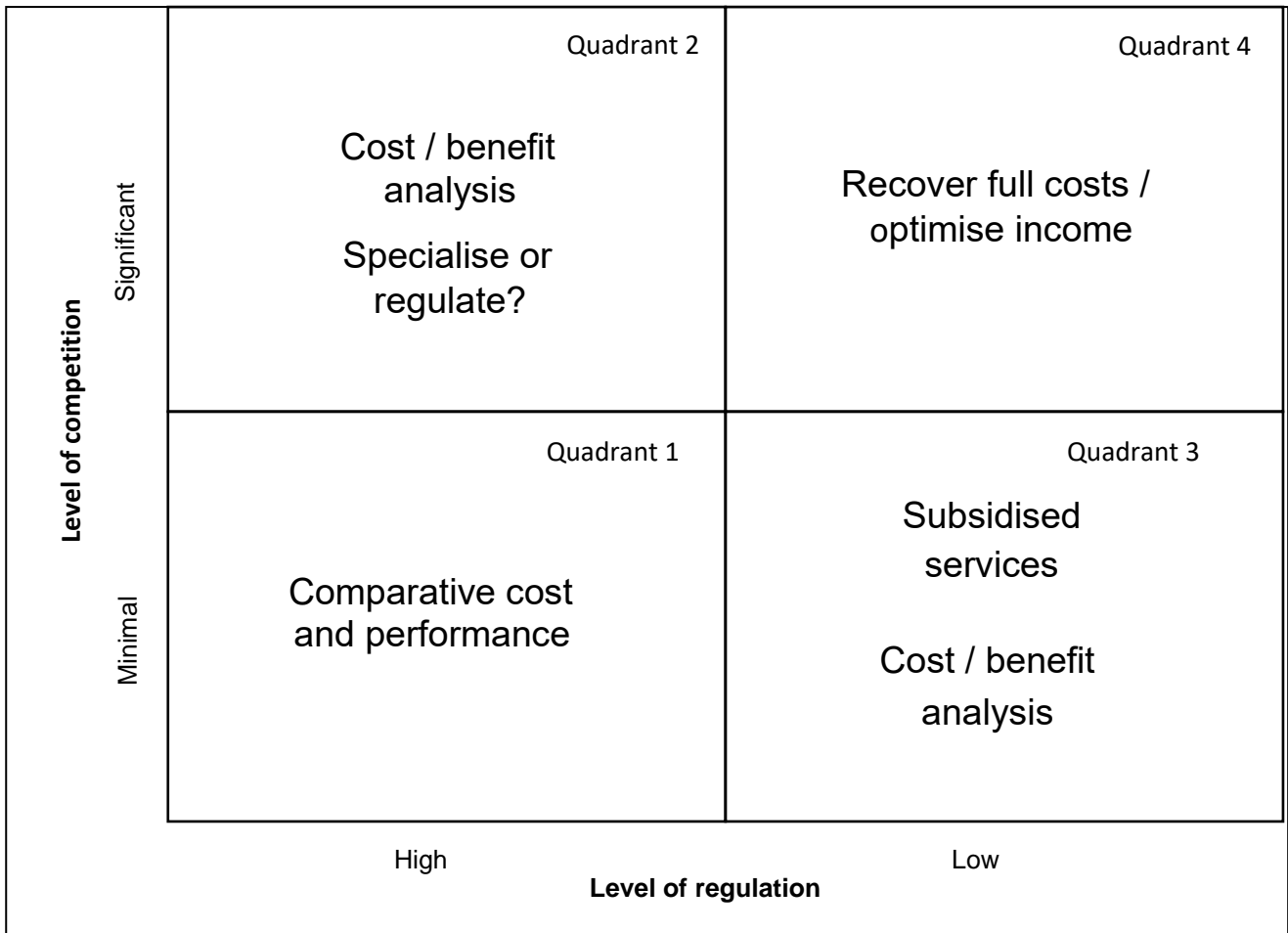


Diagram 1: Primary Objectives of Fees & Charges based upon the key factors of competition and regulation

- 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, 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 12 are approved they are deemed to be valid from 1 April 2024, 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 been 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 – Corporate Directors, and respective Directors of Service areas.

- c) Owning and maintaining the Fees and Charges Toolkit – Director of Finance.
- d) Management of financial performance of individual service areas levying Fees and Charges – Corporate Directors, and respective Directors of Service areas.