

# **Fees and Charges Policy**

POLICY AND FRAMEWORK FOR THE  
SETTING OF  
FEES AND CHARGES ACROSS  
THURROCK COUNCIL

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## **1 BACKGROUND**

### **Policy Purpose**

The purpose of this Policy is to:

- highlight the financial context of the Council
- explain why the Council levies fees and charges and factors that must be considered
- propose a default approach to charging
- highlight the categories of charging and the legal basis of charging
- set out roles and responsibilities
- clarify the Council's commercial and pricing principles
- advise on the timetable for reviews
- note key administration issues
- set out the basis for charging and cost calculation

### **Financial Context**

Thurrock's financial position is exceptionally challenging as can be seen from the table below which highlights that 35.2% of its 2023/24 budget is financed by an indicative capitalisation direction. A non recurrent form of potential exceptional funding which has to be replaced by asset or investment sales or revenue budget reductions (expenditure) or increase (income)

**Table 1 – Council Income 2023/24**

<b>Budget</b>	<b>£m</b>	<b>£m</b>	<b>%</b>
Local Income		181	35.4
Business Rates	47		
Income	52*		
Council Tax	82		
Capitalisation Direction		180	35.2
Specific Grants		132	25.8
Government Grants		11	2.2
Collection Funds		7	1.4
<b>Total</b>		<b>511</b>	<b>100.00</b>

### **Why the Council Charges for Services**

The level of funding Councils receive from Government through core grants has steadily declined and there is an increasing reliance on local income sources – council tax, business rates and other income being key in this.

Many Local Authorities have recognised the importance of income generation in addressing the financial challenges with which they are now faced. Fees and charges form one part of the other income, and while relatively small, are still a vital source of funding for Councils, enabling them to balance their budgets. and by doing so enable important local services to be sustained and provided. As can be seen from Table 1 this is especially the case for Thurrock with its current dependence on the capitalisation direction which must be resolved at the earliest opportunity.

- Of this £52m £7.5m comes from fees and charges

In addition fees and charges:

- are an important source of income providing vital funds to deliver essential public services
- assist in achieving the Council's objectives for better outcomes for residents
- can be used as a tool to manage demand or influence behaviour, through encouraging/discouraging the use of services and/or the patterns of use of services to help or benefit residents
- are an important driver of efficiency as 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.
- ensure that users pay directly for some, or all of the costs as opposed to taxpayers in general subsidising individual users which can have consequences for the funding of services in general, and/or cause levels of taxation to be higher than they would otherwise be.

### **Factors to be Considered when Setting Fees and Charges**

The following considerations are to be observed by the Council in setting fees and charges for the services that it provides:

- some categories of income will be influenced by wider factors such as the general level of economic activity
- the level and structure of charges already being made by the Council may limit the potential to generate additional income
- increasing fees and charges may have a regressive effect
- public or commercial competitors may develop resentment if the Council has a monopoly on providing the service. Compliance with this policy will enable assurance to be provided that fees and charges have been properly calculated
- end users may feel as if they are being subjected to double taxation, namely through Council Tax (which is visibly high) and the additional charge in question. This is a not infrequent misconception and users can be advised more fully
- the risk to the Council of making a loss must be considered when deciding whether the service should be provided
- the long-term risk of not providing a service, especially if that service is a preventative service must be considered. For example, would this result in greater costs or increased risk in the medium to long term if we stopped providing this service? Or is there a greater risk of harm or reputational damage if the Council does not provide a service which later results in a more costly resolution.

### **Policy Proposal**

To ensure the best possible value for money and establish the fairest possible approach to charging and cost recovery, this Policy proposes that **charges for discretionary services will be set in order to fully recover their costs**, unless there is a specific decision on the part of the Cabinet to subsidise the service provision for policy reasons.

At the same time the Council will aim to support vulnerable groups as far as it can, encourage equal access and will for all charges give due consideration to Section 149 of the Equality Act 2010 by considering the impact on individuals/groups who share a protected characteristic.

## Categories of Charges that the Council May Apply

As with all Local Authorities Thurrock has different types of fees and charges:

- **Charges set by statute law which are fully outside the Council's control** - These are set by Government or in line with statutory guidance. These include planning and building control applications, some adult social care services, such as residential care.
- **Charges set by statute law where the amount charged must be within certain parameters** - These are set by Government or in line with statutory guidance.
- **Charges that are fully within the Council's control in determining the amount that should be charged** – These are Discretionary charges that are fully or partially within the Council's control in determining the amount that should be charged. These are services that the Council is not mandated or under a duty to provide but that instead chooses to provide for the benefit of the residents.

## Legal Basis

The Council will ensure that any charge that is implemented for the services that it provides will meet the current legal requirements.

As outlined above, the legal basis for implementing a fee or charge is arrived at either through a specific statutory legislation relating to the particular service, or through the employing of the Council's discretionary powers under the Localism Act 2011 or s93(1) Local Government Act 2003. Where a service specific legislation does not empower charging then the Council can rely on the above legislation to charge for discretionary services.

Additional guidance will be sought with regard to the specific requirements of the Localism Act 2011 and s93(1) Local Government Act 2003, and the following summarises the main limitations which will be taken into consideration before introducing or amending a charge when the Council employs its powers to charge for a discretionary service:

- there must not be a legal restriction on charging.
- the charging powers only apply to discretionary services against which there is no pre-existing power to charge
- if the power is to be used to operate a service commercially on a traded basis then it must be provided through a UK registered company or cooperative.
- charges for discretionary services not operated commercially must be set so that income does not exceed the cost of provision. This must be calculated, in taking one financial year with the next, the income from discretionary charges must not exceed the cost of provision. The intention of the power is not that local authorities make a profit, rather that they are able to recover their costs.
- in setting discretionary charges, the function may charge only some service users and may make different charges to different groups of service users, provided that the cost recovery limitation is observed.
- the service user must have agreed to the charge before it can be applied. Where charges are to be collected after services have been provided it is important that evidence of customer consent is obtained, otherwise any outstanding debt may be unenforceable. This can be done by the display of signs or through agreements.
- finally, an important point to note with regard to the powers to charge and trade is that whilst these are limited to discretionary services, where a service is being provided under statutorily defined limits, any enhanced provision beyond statutory requirements could be considered to be discretionary and can therefore be charged for in line with the requirements of this policy

This policy will be effective from July 2023 following approval from Cabinet

## **2. ROLES AND RESPONSIBILITIES**

Service managers are responsible for ensuring fees are set in accordance with this Policy. For reviews to be effective, managers will need to consider relevant market information e.g. changes in legislation, patterns of service use, benchmarking data, price sensitivity, or opportunities to introduce or extend charges. It is important that areas not currently charged for (but which could potentially be) are also considered.

Service managers must review all charges for which they are responsible for on at least an annual basis as part of the budget process. There must be continuous and full engagement with Finance and Business Development teams throughout this process.

Directors should ensure that their service area has completed this task prior to the completion of the Council's annual fees and charges setting process.

Directors should ensure that their service area has completed this task prior to the completion of the Council's annual fees and charges setting process:

- **Analyse** – service has reviewed and identified new charges and amended existing charges, including both commercial and statutory charges.
- **Engage** - engaged and sought support from key stakeholders for proposed changes.
- **Action** – incorporated the proposed charges into the planned budgets for the coming year and the fees and charges process.
- **Communicate** – communicated the proposals at the relevant Overview and Scrutiny meetings.
- **Approve** - Changes to be approved on an ongoing basis as necessary or as part of the budget setting process, then via all appropriate committees and boards as per the timeline in table 3, section 4.

### **3 CHARGES – CATEGORIES, COMMERCIAL AND PRICING PRINCIPLES**

#### **3.1 Charging Categories**

It is proposed that fees and charges for discretionary services as a default are set in order to **fully recover the cost of delivery**, unless there is a specific decision by Cabinet to subsidise the service provision for policy reasons.

All charges should be identified as belonging to one of the categories in Table 2 below. In determining the appropriate charging category 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>
<b>1. Full cost recovery</b>	The Council wishes to make the service generally available, but there is no policy rationale for providing a subsidy from general taxation.  This Policy proposes that <b>full cost recovery is the default approach</b> to establishing fees and charges. Charging for discretionary services will fall into this category unless otherwise agreed.
<b>2. Full cost recovery with concessionary discounts</b>	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
<b>3. Subsidised</b>	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.
<b>4. Nominal</b>	The Council's Policy is to make the service fully available and "free at the point of delivery". The service is funded from general taxation
<b>5. Statutory</b>	Charges are set in line with legal obligations and appropriate legislation.

#### **3.2. Commercial Charging Principles**

The Commercial Charging Principles establish the Council's key philosophies in relation to charging, these principles should be adhered to by all. Any deviations from the charging principles set out will require appropriate approval. Such principles are reflected in any local, service-based charging policy. This policy sets out several principles that are considered to be those which are most relevant. It should be noted that these principles will generally apply to services for which the Council has discretion over the level of charging rather than services where charging is prevented or where charges are required to be set within statutory limits.

The standard principles that will be applied to all fees and charges set by the Council will be as follows:

- fees and charges will be set to recover the full cost and to maximise income streams, where this is likely to lead to a higher yield.
- costs of any subsidies provided for provision of services must be clearly identified and reviewed as part of the budget setting process and minimised.
- where possible payment will be sought in advance of the supply of goods or services using the most appropriate payment channels.
- any new charges must be developed in the context of the council's strategic agenda
- the impact of new charges must be worked through in sufficient detail prior to implementation
- the development of new charges must follow the council process set out in this Policy

- benchmarking will be undertaken to ensure that the proposed level of fees and charges can be justified against other, similar providers and/or Authorities.
- fees and charges will be subject to at least an annual review in accordance with the agreed corporate timeline and budget setting timetable.
- fees and charges will be subject to a local equalities impact assessments where appropriate.

If a local service seeks approval to deviate from these principles, a local policy statement will be prepared, setting out the basis and reason for any such variations. This will include an equalities impact assessment covering the fees and charges, the policy, in each local service area and the financial impact of the proposal. This will then allow the option to be fully considered.

### 3.3 Pricing Principles

Rather than a blanket increase across all service lines, when considering the pricing strategy some key questions must be considered:

- where can we apply a tiered/premium pricing structure
- how sensitive are customers to price (are there areas where a price freeze is relevant)
- what new charges might we want to introduce for this financial year
- how do our charges compare to neighbouring boroughs and private sector competitors (particularly in those instances where customers have choice)
- how can we influence channel shift
- can we set charges to recover costs
- what do our competitors charge
- how sensitive is demand to price
- statutory services may have discretionary elements that we can influence.
- do we take deposits, charge cancellation fees, and charge an admin fee for duplicate services (e.g., lost certificates)
- how do proposed price increase compare to inflation which must be the minimum starting point

### 3.4 Charging Exemptions

All services provided by the Council will be charged for unless prevented by statute, or detailed as exempt, evidence of this should be provided during the annual fees and charges process.

#### **4. Timetable**

The Council must keep its schedule of fees and charges under regular review to ensure the most appropriate fees and charges are applied.

All charges and the scope for charging will be reviewed at least annually within the service area, though charges within the same service area can be reviewed at additional times. All reviews will include those services which could be charged for, but which are currently provided free of charge and all reviews will be undertaken in accordance with the policy.

**Table 3 – Example of Committee and Board Timeline**

Committee	Meeting Date	Report Submission	O&S Imps Submission Deadline	ICB	ICB Report Submission	SLT	SLT report Submission	Commercial & Budget Sign Off
<b>Cabinet (February)</b>	08/02/23	<b>26/01/23</b>	N/A	20/01/23	15/01/23	11/01/23	<b>05/01/23</b>	02/01/23
Housing O&S	22/11/22	<b>09/11/22</b>	<b>01/11/22</b>			02/11/22	<b>27/10/22</b>	22/10/22
Cleaner, Greener, Safer O&S	08/11/22	<b>25/10/22</b>	<b>18/10/22</b>			19/10/22	<b>13/10/22</b>	07/10/22
Children's O&S	17/11/22	<b>03/11/22</b>	<b>27/10/22</b>			26/10/22	<b>20/10/22</b>	15/10/22
Health & Well-being O&S	03/11/22	<b>20/10/22</b>	<b>12/10/22</b>			12/10/22	<b>06/10/22</b>	02/10/22
Planning, Transport & Regen O&S	06/12/22	<b>21/11/22</b>	<b>10/11/22</b>			16/11/22	<b>10/11/22</b>	05/11/22
Corporate O&S	01/12/22	<b>17/11/22</b>	<b>07/11/22</b>			13/11/22	<b>07/11/22</b>	03/10/22

*\*Example 22/23 dates for illustrative purposes only – will be amended when 2023/24 timetable issued*

#### **5. Administration**

Charges should be simple to understand and to administer. They should be easily located by service users through the Council's website, through any other form of literature provided, or directly from Council services. Reasonable notice should be given to service users before any new or revised charges are implemented. Methods of payment should be flexible, convenient and consider the needs of those on low income and people's ability to pay. The easier it is to pay, the more likely it is that payment will be made. Consideration should be given to:

- payment in advance: which should be the preferred means of recovery if possible
- frequency of payment: having regard to the budgetary patterns of those reliant on benefits or low incomes
- format of payment: including alternatives to cash. The costs of collection should be evaluated. Potentially, they may make the charging proposal uneconomic or require charges to be raised further. Costs of collection must be identified and budgeted for
- the corporate charging policy will need to follow corporate and service policy and financial procedure rules regarding the collectability of the income and debt recovery strategy.

A schedule of all fees and charges is managed and supporting documentation is maintained by the Business Development Team. These schedules include, identified separately:

- any charges that are Statutory
- the increase/decrease from the previous year
- the charge categorisation of that fee
- which committee this fee relates to and
- the schedule records the date of the last review.

The date of any relevant political decision and the minutes of that Committee are also made available alongside the schedule.

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

Adopting a method of full cost recovery means that the total cost of delivery, including the appropriate level of VAT, together with an apportionment of department and corporate overheads is calculated and charged to the service user. It involves analysing the whole process and ensuring that all the stages involved are considered

**Table 4: Costs of Provision to Inform Fees and Charges**

### 1. Employment costs

- Costs of staff who deliver the service
- Salary plus all other on-costs to employer (e.g. pension)
- Allocation of pension back-funding

### 2. Departmental costs

- Costs incurred by the Department to deliver the service, for example:
  - Travel and distribution costs incurred
  - Specialised equipment required
  - Administration and management at the Departmental level
  - Insurance costs paid at the Departmental level
  - Advertising and marketing costs paid at the Departmental level

### 3. Corporate costs and overheads

- Costs incurred by other corporate services to ensure the service is provided, including:
  - Accommodation, IT and Insurance
  - Back office support services such as Treasury and Finance, Human Resources, Legal, Business Operations (e.g. payroll, accounts payable)
  - Democratic costs (e.g. costs of democratic decision-making/governance processes relevant to the service, if and as appropriate)
  - Insurance costs paid corporately
  - Marketing and advertising costs paid at the corporate level

### 4. Financial costs

- Depreciation
- Costs of capital
- Interest on loans
- Costs of payment collection fees
- Debt collection and bad debt write-off