

Appendix 5

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 development of the 2024/25 budget setting process and refreshing of the Medium Term Financial Plan 2024/25 to 2026/27, 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 whilst addressing a substantial budget gap for 2024/25. There was an identified need to improve the transparency and consistency of governance related to fees and charges and there has been no organisation wide review or established corporate 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 to support this work.
- 1.3 At the outset a number of key objectives were agreed, which included:
 - 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 2024/25 budget and the Medium Term Financial Plan.
 - 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.
 - Adopting and embedding best practice around price setting, transparency and governance as part of the financial improvement journey of the Council.
 - Creating tools and techniques to support the Council in reviewing fees and charges in future years.
- 1.4 The review has taken place between September 2023 and December 2023, where a number of specific service areas were identified for a deep dive alongside a wider review of fees and charges across services.

2. Approach taken to the Review

2.1 To maximise the impact of the review there are three key elements to the review:

- Provision of Tools and Techniques to Support Price Setting - Fees and charges toolkit and training in using the tools and a draft Fees and Charges policy
- A “Hotspots Report” – An initial review of up to 10 service areas, identifying at a high level the scope for and risks associated with increasing prices. These areas consisted of:

No	Service Area
1	Car Parking (including Residents Permits)
2	Theatres
3	Garden Waste
4	Registrars Services
5	Bereavement Services
6	Planning Service (Discretionary)
7	Adult Social Care Charging
8	Shared Service/Provision to Other Councils

- Deep Dive Reviews – A full review of 3 service areas, including detailed analysis of additional income opportunities to support the development of budget proposals:

No	Service Area
1	Car Parking
2	Theatres and Town Hall
3	Registrars Services

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

3. Input into the Medium Term Financial Plan (MTFP)

3.1 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 **£1.853m** in 2024/25, primarily based on an inflationary increase in discretionary charges of 4.6%.

4. Embedding a sustainable approach - Fees and Charges Toolkit

- 4.1 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 officers and maintained and updated by the Head of Financial Planning and Support each year. 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
- 4.2 The toolkit includes approximately 20 different tools, which include market analysis, developing and testing assumptions, cost calculation and reviewing performance.
- 4.3 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.
- 4.4 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. The Council will aim to seek to optimise net income and value for money.

Section B - Fees and Charges Policy

1. Introduction

- 1.1 The Fees and Charges policy forms part of the development of the Medium Term Financial Plan (MTFP) for Middlesbrough, which aims to both deliver a balanced budget and support the delivery of the key priorities in the Strategic Plan, which are:
- A Successful and Ambitious Town: Maximising economic growth, employment, and prosperity, in an inclusive and environmentally sustainable way.
 - A Healthy Place: Helping our residents to live longer and healthier lives, improving life chances and opportunities to thrive.
 - Safe and Resilient Communities: Creating a safer environment where residents can live more independent lives.
 - Delivering Best Value: Changing how we operate, to deliver affordable and cost-effective outcomes for residents and businesses.
- 1.2 The Council's approach to fees and charges represents a key plank of the Council's MTFP. The Fees and Charges Policy provides a framework to enable the Council to provide the optimal balance to income, policy objectives and risk. It is also a significant source of income that supports the delivery of the services. If the Council were to reduce or stop charges for services it would not have the resources to continue providing the services it currently offers.
- 1.3 This Policy sets out key components of the approach to setting, reviewing, governing and communicating fees and charges for the Council going forward:
- A framework for setting prices, using the key considerations of legislation, policy and competition as the principal drivers (section 2)
 - The legislative environment that local authorities operate within (section 3)
 - Methodology for understanding the costs associated with service delivery (section 4)
 - Approaches and Policy objective to the Application of the Charging Policy (section 5)
 - Governance approach to approval of fees and charges, implementation of the policy and a commitment to publish a schedule of fees and charges annually (section 6)

- 1.4 This policy applies to all services that the Council charges a Fee or Charge for, with a core focus on discretionary services to residents and businesses. The principles of the Fees and Charges policy should be applied to services operating in a commercial environment such as rental income (including renting assets to the community and voluntary sector), however for many of these instances it would be inappropriate to include them in the Schedule of Fees and Charges.
- 1.5 The scope excludes Council Tax rates, discounts and premiums, Business Rates and Housing Benefits.
- 1.6 The Fees and Charges policy has a number of interdependencies with other strategies and plans within the Council, including the Council Plan.

2. Establishing a Framework and Principles 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:
 - 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 Taxi Licensing relate to limiting charges to full cost recovery)
 - The **degree of competition** in the environment they are operating within (for example the Council is the statutory planning authority and therefore a developer wanting to build new homes in Middlesbrough has no choice but to engage with the Council, whereas there are a other car parking options that are available to Middlesbrough citizens.
- 2.2 The primary objective(s) of fees and charges based upon the factors above is shown in diagram 1 below:

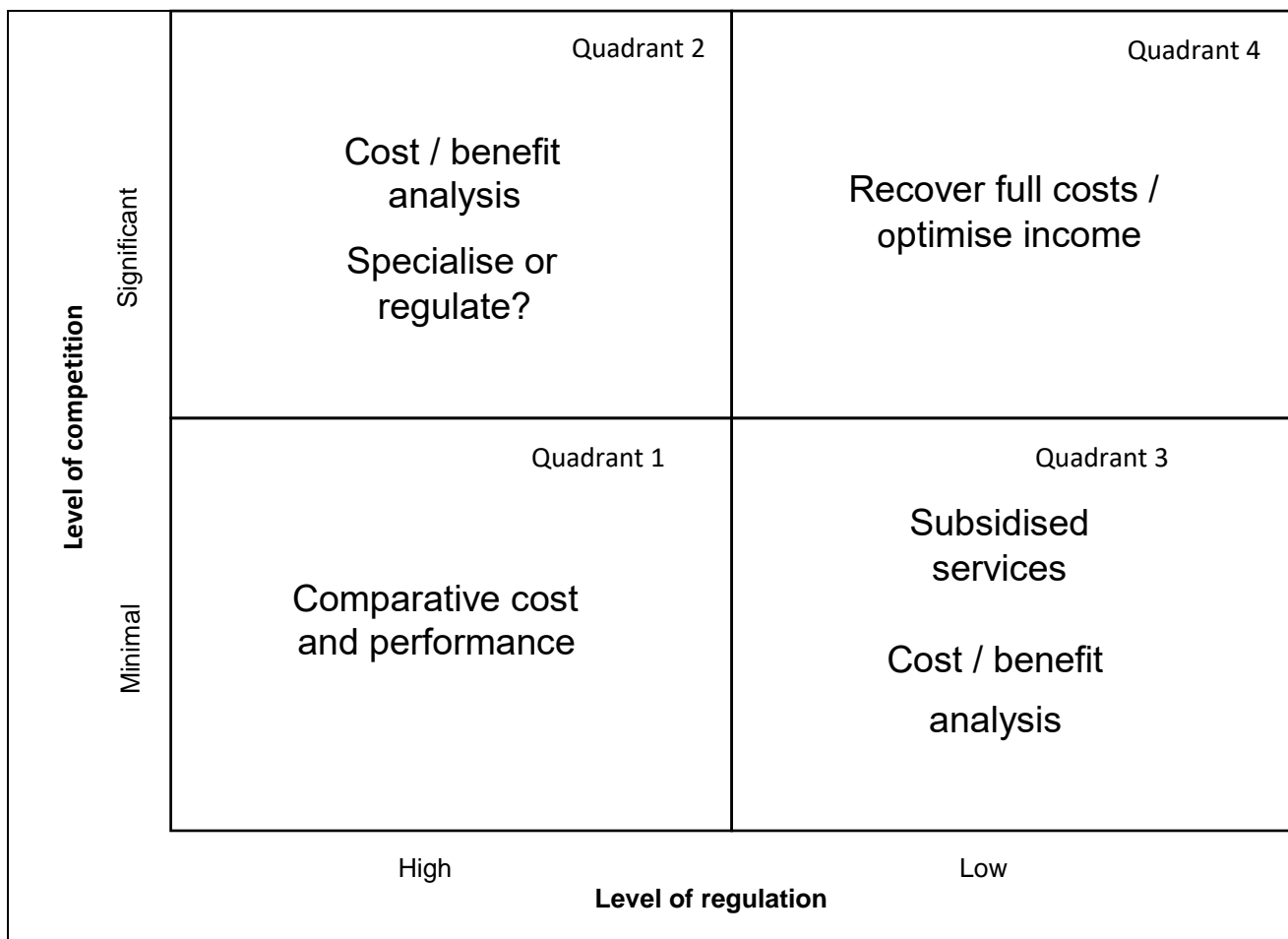


Diagram 1: Primary objectives of fees & charges based upon the key factors of competition and regulation

2.3 In terms of setting prices for any service, the first measure must always be statute that impacts on those services, such as Adult Social Care or Parking Enforcement. This may limit what can be charged for or set 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,

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.

It should be noted that there could be circumstances where the Council has unintentionally subsidised a service which has no specific policy objective and offered a price that has led to there being little or no competition. In this instance the Council should seek to understand the total cost of service delivery and set a pricing approach that seeks to recover those costs.

- 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. The Legislative Environment that the Council operates in

- 3.1 As highlighted in section 2 the primary consideration is the legislation relevant to the Council and that specific service. There are a large amount of legal powers that impact on the Councils ability to charge for particular services and 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.

3.2 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.

4. Full Cost Calculation and Recovery

4.1 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 coaching session may only directly involve in one hour of one person's time, but there will be time spent planning for the session and a small share of the holiday's that the coach receives), but includes other items such as:

- Direct Overheads – such as management time within the service area associated with the delivery of the service
- 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 management costs, building and premises costs (e.g. rent or maintenance) and also costs associated with the running of the Council (e.g. running a democratic system)
- Unproductive time, for example the cost of providing staff development or training or average sick time
- Service investment costs, such as contribution to continued service improvements or capital investments

4.2 The aim of the Fees and Charges Policy is to 'right size' the prices for services – i.e. set a price that achieves the optimal balance of financial return, risk and achieving policy objectives. Where it is found that services are being provided at a price below the optimal level then consideration needs to be given to the likely 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.

- 4.3 There are however some services where legislation limits the costs that can be recovered, 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.
- 4.4 Therefore, regardless of the legislation about 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.
- 4.5 There may be instances where the Council has entered into long term contracts for services, but the cost of delivering the services increases significantly during the life of the contract, in this case the Council should explore opportunities for contract renegotiation.

5. Collection of Charges

- 5.1 Wherever practical and legal the Council will levy the charge and collect the income before the service is delivered, which will reduce the likelihood of customers incurring debts which are costly for the Council to collect. For example, if a customer wishes to subscribe to the Council's Green Waste collection scheme the charge will be levied in advance, payment made and after that point the Council will begin collecting the Green Waste.
- 5.2 The Council will seek to encourage the most efficient form of charge collection available and, in some cases, may offer differential pricing for different payment methods (e.g. a reduced charge is offered for customers paying by Direct Debit – recognising the reduced cost to the Council of this mechanism of payment).

6. Approaches and Policy objective to the Application of the Charging Policy

- 6.1 The Council may have a range of policy objectives for the delivery of a particular service, which will impact on the pricing decision the Council makes and therefore it is important to establish a framework for why a particular approach should be taken.
- 6.2 The default position is the recovery of full cost of service delivery and any deviation from this position requires approval via the relevant Executive Director and will be highlighted as part of the "Schedule of Fees and Charges". An objective of the policy is to ensure that the Council only subsidises the delivery of non-mandatory services where there is an explicit policy decision to do so. Where charges are set by statute no additional approval is required.
- 6.3 The table below provides an overview of different pricing approaches and the policy rationale for a particular approach:

Type	Objective	Likely Quadrant
Beyond full cost recovery: where legislation explicitly permits	The primary policy objective for the council providing the service with the objective of maximising income and legislation explicitly permits the Council to recover beyond full cost; or The council wishes to disincentivise a certain type of behaviour and is using price as a tool to achieve this	4
Full cost recovery : This is the preferred position and discretionary services are anticipated to fall into this category unless otherwise agreed	The council wishes to make the service generally available, but there is no policy rationale for providing a subsidy from general taxation.	4
Full cost recovery with concessionary discounts	The council wishes to make the service generally available and is prepared to subsidise the service to ensure disadvantaged groups have access to the service.	3 or 4
Subsidised	The council believes there are policy / public benefits from usage and therefore provides a subsidy from general taxation however users of the service are expected to make some contribution to the cost.	2 or 3
Nominal	The council wishes the service to be fully available but sets a charge to discourage frivolous use.	2
Free	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.	
Statutory Charges	Set in line with legal obligations and national government charging policy.	1

7. Governance, Review & Implementation

- 7.1 Executive and Full Council will have full visibility and oversight of price setting for fees and charges. Notwithstanding this, it should be noted that there may be individual service reasons for price changes in year – these will be managed through the appropriate governance process and in line with the appropriate level of delegated authority for decision making. The Council will publish, as part of the annual budget setting report the Fees and Charges Policy alongside a schedule of all proposed fees and charges (with the exceptions highlighted below). To support visibility of policy and risk considerations the Schedule of Fees and Charges from 2025/26 will commence in referencing the specific legislation relevant to a service area and key policy considerations. This approach reflects the councils drive towards delivering against its corporate priorities, delivering value for money and ensuring it is learning from best practice from other Councils.
- 7.2 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 there may be some fees and charges that it is not appropriate to include in this report.
- 7.3 Licensing Committee – It should be noted that there are a number of charges that are under the jurisdiction of the Licensing 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.
- 7.4 Changes to prices must reflect legislation and this may include formal consultation and consideration of responses prior to implementation (for example changes to Car Parking fees requires formal communication at relevant assets 21 days in advance of any changes).
- 7.5 Where the proposals attached in “Schedule of Fees and Charges” in **Annex 1** are approved they are deemed to be valid from 1 April, 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.
- 7.6 To enable services to operate with agility in commercial environments Heads of Service have delegated authority to reduce prices in year or offer ‘bulk discounts’, provided they consult with the relevant Service Director and the section 151 officer and they can evidence that it would be financially disadvantageous to the Council if it were not to do so.

- 7.7 The management of performance of fees and charges will take place as part of the normal financial performance and budget management process Heads of Services will be responsible for recommending any changes to optimise performance. As part of the budget setting process all fees and charges will be reviewed and an 'ongoing' challenge approach adopted, which will be overseen by the Head of Financial Planning & Support (Deputy Section 151 Officer).
- 7.8 The Section 151 Officer will ensure the Policy is reviewed on an annual basis to ensure it remains fit for purpose and may need to be reviewed by exception if there is a significant change in government policy impacting on the Council's ability to charge. As part of the Council's annual review the default position will be to increase charges by the prevailing rate of inflation as indicated through the MTFP planning assumptions used by the Council.
- 7.9 Reasonable notice should be given to service users before any decisions to amend or introduce new fees and charges are implemented.

Annex

1	Fees and Charges Schedule 2024/25
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