

FEES AND CHARGES FRAMEWORK

1. EXECUTIVE SUMMARY

- 1.1 The purpose of this document is to guide decisions on fees and charges and ensure a consistent approach is applied across the authority. Because particular circumstances will apply in different service areas, this guidance is intended to outline some key principles rather than prescribing exactly how each service should set its fees and charges.
- 1.2 The framework applies to those services where the Council has discretion over whether to charge or the level of the charge, but excludes schools and housing. The framework is based on the underlying assumption that where only some members of the public benefit from a service, then they should pay for that service so that non-users do not subsidise users through council tax. However, the framework does recognise that there may be exceptions due to policy, legal or contractual reasons.
- 1.3 There are three key principles which govern charging at Solihull – **viability**, **fairness** and **consistency** – and these are outlined in more detail in the framework and illustrated in an annex which uses a flowchart to explain how these principles should be taken into account in charging decisions.
- 1.4 The framework does not set an overall policy for the Council in relation to concessions but it does outline some of the factors that should be taken into account when designing concessionary schemes and identifies a number of groups who may be considered eligible for concessions, based on need, ability to pay and consistency with council objectives. The framework also highlights some key considerations in relation to the administration and collection of charges, which should be as simple and cost-effective as possible.
- 1.5 A key section of the framework deals with charging governance, which is intended to improve consistency across the authority and to ensure that charging decisions comply with council policy. There is an expectation that all fees and charges should be reported to cabinet portfolio holders annually as part of the budget process - whether they are being increased or not - so that members have a complete picture of the charging activity and associated income within their portfolio. The framework also sets out the information that members require to make charging decisions and provides some guidance for managers in collating that information.
- 1.6 The framework includes a table summarising the roles and responsibilities of service managers, members and Financial Operations in setting charges and identifies sources of further advice and support for managers. This framework will be reviewed and updated annually in line with Financial Regulations.

2. INTRODUCTION

- 2.1 There is a recognised need for councils to have an agreed policy or framework to guide decisions on the use of fees and charges. The Audit Commission has previously reported that by strategically using charging and concessions, councils can influence behaviour by targeting services towards specific user groups. Councils need to be empowered to use charging to support local policies and priorities and be responsive to local circumstances. This will help councils to fulfil their place shaping roles and responsibilities.
- 2.2 Local authority charging is a complex area – for some services, charges are mandatory and the fee is set nationally, while for other services the council may be expressly prohibited from charging. Whilst many of the services provided by the Council sit within a complex local policy and legal framework, they broadly fit within one of the categories outlined in the table below.

Statutory	<ul style="list-style-type: none"> • Legal duty to provide the service with no or limited flexibility in its content or provision • Typically high council service priority • Potentially high negative impact on users and Council policy by charging for service or achieving full cost recovery¹ <p>May be:</p> <ul style="list-style-type: none"> • Non-chargeable: legal requirement to provide the service without levying a charge on the citizen • Fixed charge: statute dictates a fixed charge for the provision of the service • Cost recovery: statute provides that a charge can be levied to recover the cost of providing the service • Chargeable: statute does not prevent charging for the service and does not outline specific charging requirements
Discretionary	<ul style="list-style-type: none"> • Council has powers to deliver services but not a duty, with significant flexibility for the content/provision of service • Typically medium to lower Council service priority • Manageable impact from adopting market pricing

- 2.3 The Local Government Act 2003 gave local authorities the general power to charge for discretionary services which are not covered by any other legislation with the following restrictions:
- the income from charges for a service should not exceed the cost of providing that service (over a “reasonable” but unspecified period, e.g. 3 years);
 - the recipient of the service must have agreed to its provision and to pay for it;
 - authorities may provide discretionary services for free if they so decide;

¹ Full cost recovery means that the charge for the service is sufficient to pay for all the costs of delivering that service, including staffing and materials costs and also an element of overheads relating to directorate or central council functions which support that service. See section 8 for further information.

- different people may, where it is fair to do so, be charged different amounts.
- 2.4 This framework sets out the broad principles that govern charging for those services where the Council has discretion to set the charge. Members and budget managers should have regard to these principles when setting charges in their service areas and any divergence from these principles should be explicitly noted and approved.
- 2.5 In general, charges should be considered where only some members of the public benefit from the service provided. This framework is based on the assumption that the user pays and that non-users do not subsidise² users through council tax.
- 2.6 The guiding principles for charging at Solihull are **viability**, **fairness** and **consistency**. This framework explains what these principles mean in terms of deciding when to charge and how much, and the process for reviewing charges.

3. AIMS AND OBJECTIVES

- 3.1 The aims and objectives of this framework are to:
- create a corporate focus to income generation to enhance consistency;
 - set a clear rationale for charging aligned to the Council's objectives;
 - set clear principles for charging;
 - ensure consistency in the application of concessions;
 - provide a transparent and consistent framework for the review of fees and charges; and to
 - establish clear governance and performance management arrangements for charging activity.

4. CHARGING PRINCIPLES

- 4.1 The Council will aim to charge for any services where it is appropriate and cost-effective to do so, unless there are contrary policies, legal or contractual reasons.
- 4.2 In particular, charges should not be levied where:
- it is difficult to establish the beneficiary, for example, street cleansing;
 - charging would be inefficient – that is, where the cost of collection would outweigh the income; or
 - charging would be counterproductive, for example, where users would switch to other services or stop using a service (unless that is the objective of the charge).
- 4.3 Three overarching principles have been established to guide decisions on when and how much to charge for services provided by the authority. These principles

² A service is subsidised where the income from that service does not meet all the costs of that service and so there is a net cost which has to be funded from council tax. The net cost represents the amount of that subsidy.

are summarised in the table at Annex A while the diagram at Annex B illustrates how these principles interact in charging decisions.

Viability

- 4.4 Given the financial constraints faced by the Council and the increasing demands on its services, the economic viability of setting fees and charges at a given level or not at all needs to be taken into account by decision makers.
- 4.5 The Council will aim to maximise income from fees and charges by ensuring that charges to users reflect the full cost of the service provision, unless covered by concessions³ or there are contrary policies, legal or contractual reasons.
- 4.6 If the income from a service does not meet its costs, the service is effectively being subsidised by council taxpayers. Where this occurs it should be a conscious choice, not an accident of history, and should be consistent with council priorities. Where charges are not made for a service or are reduced from full cost recovery level, the reasons should be reconsidered as part of the annual budget process to ensure that they remain valid and that significant income is not being foregone by the Council.
- 4.7 Charging levels should take account of market demand, competition from other service providers and comparisons with charges made by other comparable local authorities to ensure that they are viable.

Fairness

- 4.8 Fees and charges should be set at a level that is fair to users and council tax payers. Concessions should be available to groups determined by the Council as being unable to pay the full charge, where this is consistent with council priorities. It is important to distinguish between those who are unable to pay and those who are unwilling to pay.
- 4.9 Consideration should be given as to whether any groups may be unfairly disadvantaged by the existence or level of any charge, and whether there might be a differential impact on users, for example due to disability, age, race, gender, sexual orientation, religious belief or socio-economic factors. Examples of the kind of scenarios that might need to be considered include:
 - If a disabled person needs to be accompanied by a carer to access facilities such as a swimming pool, then is it fair to charge the carer for use of the pool as well?
 - If accepting cash payments for a service delivered at a satellite location is likely to have cost and security implications, is it fair to insist on debit/credit card payments only, even though some people may prefer to pay cash or may not have bank accounts? Is there an alternative, for example could people be asked to pay at Connect if they wish to pay in cash?

³ A concession is a discount given to a specific group of people, for example children, senior citizens or claimants of income-related benefits.

- If a service is delivered in or to people's own homes, is it fair to charge those who live further away from the Council offices more to receive the same service, to reflect the additional cost to the authority?
- 4.10 Service managers have a duty to undertake Fair Treatment Assessments (previously known as Equality Impact Assessments) of their service provision, which includes charging where applicable. The Fair Treatment Assessment should be carried out in consultation with users of the service and should be used to monitor the impact of changes on different groups. A simplified assessment form is available to managers to assist in carrying out initial assessments to identify how potential changes to fees and charges may affect those who use services and should be used in consideration when proposing any alterations to fees and charges – further advice on FTA's can be sought from the Equalities team.
- 4.11 Commercial organisations should pay the full cost of any service they receive from the Council (subject to any statutory restrictions). Services received by commercial organisations should not be subsidised by other users or council taxpayers. However, it may be appropriate to provide a subsidised service to the charitable or voluntary sector where this supports the Council's objectives.
- 4.12 The impact of pricing policies should be managed through phasing over time when the impact is high. Any significant increases in charges should be introduced over a period of time to reduce the impact on service users.
- 4.13 A tough stance should be taken on fee evasion. Other service users and council tax payers should not be expected to subsidise users who are evading charges for a service they receive, so service managers should ensure that the Council's debt recovery procedures are properly followed and enforced. This can be facilitated by using the corporate Sundry Debtors system to collect income. However, these procedures should be applied with regard to proportionality, so that greater effort is expended on chasing the larger debts.

Consistency

- 4.14 Concessions for target groups should be consistent across the authority's services in terms of eligibility. For example, if children, senior citizens and claimants of income-related benefits are eligible for a concessionary charge for one service, then they should be eligible for concessions across the range of charged-for services.
- 4.15 Charges for similar services or activities should be consistent across the authority.
- 4.16 Charges should clearly link to the achievement of customer outcomes and strategies. For example, if the Council had as an objective the encouragement of physical activity by its residents, then the charges for its sports centres would be expected to reflect that. It may also be appropriate to offer targeted concessions in order to encourage take-up of a service by particular groups in line with stated objectives or policies.

5. CONCESSIONS

- 5.1 The Audit Commission defines a concession as any service for which a local authority has discretion to make a charge and in doing so sets that charge below the cost of service provision. Concession setting is a balancing act. The Audit Commission indicates that councils should be wary of extending concessions to

those who may be able and/or willing to pay more. It is also important that concessions are not ‘wasted’ on services that are a lower priority for the Council.

- 5.2 The Council can standardise the approach and eligibility criteria of concessions whilst allowing for service specific targeting of individuals and groups - where this supports specific objectives of the Council. Discounts, concessions and subsidies may be used either to encourage use of the service by particular groups of users or to avoid those with limited financial means being excluded.
- 5.3 This framework recognises that this remains an aspiration at this point, but it is recommended that when reviewing existing charges or introducing new ones, consideration should be given to applying concessions, based on need, ability to pay and consistency with council objectives, to some or all of the groups detailed in the table below. It would also be desirable to achieve some consensus across the Council in terms of what might be accepted as proof of eligibility and it is anticipated that future work on fees and charges will look at these issues in more detail.

Eligibility	Example proof of eligibility
Young people aged 18-25 who are in full time education.	College matriculation card or letter signed and stamped by the educational institution confirming student status.
Children who are 16 years or under and are not a dependent of/living at the same address as someone claiming a means tested benefit.	Birth certificate or passport as proof of age
Children and young people who are 16 years or under and are a dependent of/living at the same address as someone claiming a means tested benefit.	The benefit award notice and order payment book, in addition to the child’s birth certificate.
Looked after children and young people who are 18 years or under.	The Social Services letter to the foster carer or care home confirming carer status and child’s name, in addition to the child’s passport or birth certificate.
Carers of residents who are in receipt of Carers Allowance.	The benefit award notice and payment book
Foster carers of children and young people where the Council holds the duty of care.	The Social Services letter confirming carer status
Residents aged 18-59 who are in receipt of a means tested benefit.	The benefit award notice and order payment book
Residents aged 60 years or over whose <i>only</i> source of income is the state retirement pension.	Letter of pension entitlement along with self certification that this is the <i>only</i> source of income (may be subject to later verification)
Residents aged 60 or over who are in receipt of a state retirement pension and a means tested benefit.	The individual’s letter of pension entitlement and the benefit award notice.

- 5.4 In general, residents aged between 18 and 60 who are not in receipt of a means tested benefit would not typically be eligible for concessions, unless the particular service has been identified as one where the Council wants to promote take-up by all users. Thought should also be given to whether it might be appropriate to offer a concession on a time-limited basis.
- 5.5 In considering concessionary schemes it is important to:
- Identify the policy objective met by the concession;
 - Ensure that concessions are specific to target groups (are concessions for elderly people designed to encourage their participation or to make facilities available to those who cannot access them privately? If the latter, would a means-linked concession better target resources?);
 - Quantify the cost of the concession and whether concessionary use is subsidised from charges to other users, from within the service or from general council resources (i.e. council tax);
 - Ensure that concessions are consistently applied; and
 - Review the extent to which concessions are meeting the intended aim.
- 5.6 Consideration may also be given to:
- Other potential discounts, for example, frequent users and promotional charges;
 - Ensuring that consistent assessment and application of entitlement to subsidies takes place, for example, so that users do not have to register separately with different services and that proof of eligibility required is consistent across different services; and
 - Encouraging benefit take-up.
- 5.7 It may be appropriate to consider differential charges in addition to or in place of concessions, where this is consistent with targeted outcomes. For example, although care should be taken not to penalise people based on where they live in the borough, it may be appropriate to charge for some services (e.g. gym membership) at different rates depending on where the service is located, in order to encourage take-up in particularly hard-to-reach areas of the borough. Equally, it may be appropriate to charge non-residents more for a service than residents (in which case proof of residency would be required), but these decisions will depend on the circumstances of each service area.

6. ADMINISTRATION OF CHARGES

- 6.1 Efficient administration should be explicitly considered as part of any framework of charges. Methods of collection should be such that the costs are reasonable in relation to the income collected and should help to minimise the risk of non-payment – see the ‘Income Collection’ section in Financial Regulations.

6.2 The following principles should be followed for the administration of charges. The intention is that the easier it is for service users to pay charges, the greater likelihood that payment will be made:

- The costs of collection (including any security implications, for example of handling cash and cheques) should be evaluated when considering possible payment methods and whether to charge at all;
- Charges should be simple to understand and administer;
- Service users should understand the charges and method of payment before they become liable to pay;
- Reasonable notice should be given to service users before any new or revised charges are implemented;
- Methods of payment should be flexible and convenient and should not disadvantage any particular groups of service users (e.g. those without bank accounts or those who are unable to use online or telephone payments) – however, consideration should also be given to encouraging take-up of more cost-effective payment methods wherever possible;
- Payment should be made in advance (e.g. when booking the service) or at the point of use wherever possible, to minimise the risk of default;
- If invoices are raised for payment this should be done through the central sundry debtors system for greater efficiency and to ensure consistency in pursuing and writing off debt;
- There should be consistent procedures for identifying and pursuing defaulters, and writing off arrears where necessary, where this is not managed through the sundry debtors system.

6.3 Consideration should, in particular, be given to:

- Frequency - having regard to the budgetary patterns of those reliant upon benefits or low incomes (e.g. offering the facility to pay in instalments);
- Format - including alternative arrangements, for example, cash payments from smaller organisations (subject to appropriate financial controls);
- Venue - the aim should be to offer payment points within easy reach of service users, where payment is not made at the point of service; and
- E-payment - methods of payment should be offered by electronic means where appropriate.

6.4 There is a potential link between administration and concessionary schemes for those on low incomes and it is important that these two are not confused. It is inequitable to fail to enforce charges against those on low incomes who choose not to pay, rather than offering concessions to all of those on low incomes.

7. CHARGING GOVERNANCE

7.1 Reviews of charges, including consideration of current charges and the potential for new charges, should be undertaken as an integral part of the budget process each year. Fees and charges relevant to a cabinet portfolio should be reported for approval to that portfolio holder each year as part of the annual budget setting process, even if no variation on existing charges is proposed. This will allow the

cabinet member to take any projected impact on current and future income levels into account when considering budget proposals for their portfolio.

- 7.2 Appropriate consultation with service users and stakeholders will be undertaken in respect of any proposed significant changes to current charges or in relation to the introduction of significant new charges. Engagement with target groups is vital to ensuring acceptance and understanding of the Council’s charging policy.
- 7.3 The introduction of new charges or any variations to existing charges require approval as outlined in the Council’s Arrangements for the Allocations of Cabinet Functions (“Cabinet Delegations”). Variations to charges will generally apply from 1 April unless otherwise approved.

8. ROLES AND RESPONSIBILITIES

Who	Responsibilities
Service managers	Understand the legal and policy context around charging in their service area, e.g. any restrictions on the power to charge and any equalities implications of charging
	Gather and use up-to-date benchmarking data to understand how the Council compares to other local authorities and, where applicable, to the market
	Collate sufficient information to be able to assess the impact of introducing new charges or changing existing ones
	Assess full cost of the service and calculate appropriate charges, with reference to Fees and Charges framework and support from Financial Operations
	Review charges annually and report to members as required
	Follow and enforce corporate debt recovery procedures
	Actively seek new income opportunities as part of service development and in order to contribute towards directorate or corporate savings targets
Directorate Leadership Teams	Understand all income-generating areas within the directorate
	Encourage a culture in which new income opportunities are actively pursued
	Take a directorate-level view of charging to encourage consistency in approach
	Review concessions policies across directorate to encourage consistency
Financial Operations	Assist managers in calculation of the full cost of their service
	Assist managers with benchmarking
	Coordinate annual review of charging as part of budget process
	Review cabinet reports to ensure they contain all the information required

Who	Responsibilities
	Provide advice and guidance to managers as required
Full Cabinet	Review and approve fees and charges
	Make charging decisions in line with delegations
	Challenge charging proposals to ensure consistency with council objectives
	Challenge cabinet reports which do not contain all the information required to make a decision
	Review concessions policies across authority to encourage consistency
Cabinet portfolio holders	Make charging decisions in line with delegations
	Challenge charging proposals to ensure consistency with council objectives
	Challenge cabinet reports which do not contain all the information required to make a decision
	Approve concessions policies
Scrutiny members	Review charging in selected service areas to identify scope for improved income generation and contribute towards annual budget process/act as steering group for income review
	Coordinate any scrutiny review of fees and charges on a portfolio basis
	Consider concessions policies across the authority

9. FURTHER GUIDANCE

Calculation of full cost

- 9.1 When calculating the full cost of a service, it is important to remember that there may be costs which are relevant to that service but which are not shown on a service cost centre. Examples include management costs (e.g. for the service manager, head of service and director), support service costs (e.g. for IT, HR and finance) and premises costs such as utilities (especially for those services which share a building).

Benchmarking

- 9.2 Charging decisions should, wherever possible, be informed by benchmarking data gathered from other local authorities and, where applicable, competitors. Exactly how this information is gathered and used will vary between services but some key considerations are summarised at Annex C. If the benchmarking data suggests that the charges being proposed are significantly higher or lower than the norm, then this does not necessarily mean they should be rejected, but it does mean that managers should be prepared to undertake a little more investigation to understand the reasons behind this.

10. RISK MANAGEMENT

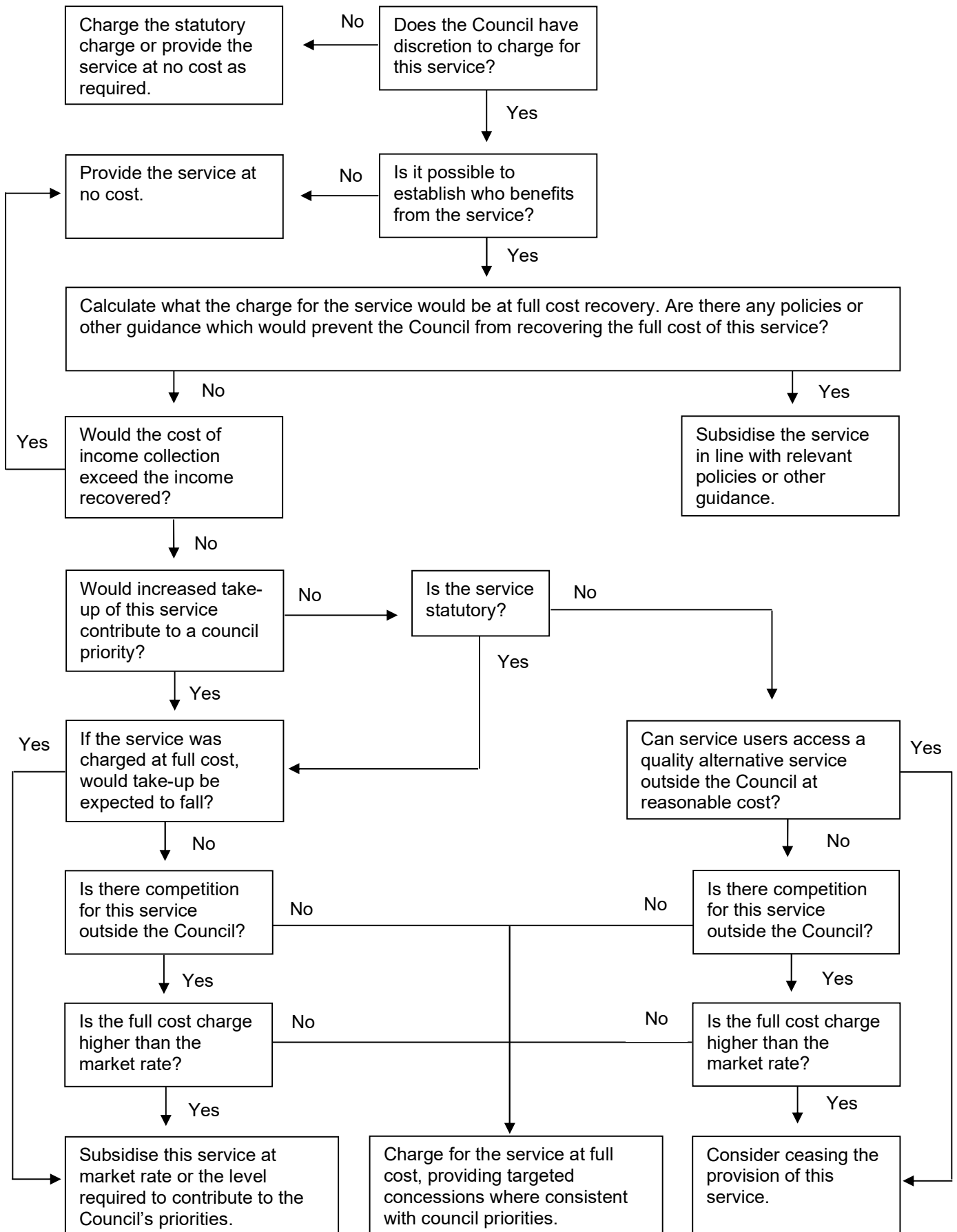
Risk	Mitigating action	Net risk
Fees and charges are not reviewed annually, leading to inconsistency in charging, unnecessary subsidy or failure to maximise income	Require managers to report fees and charges annually to members, whether increased or not (e.g. through Financial Regulations) Corporate review of selected fees and charges each year as part of the budget process	Green
Charges set at the wrong level, leading to failure to maximise income, fall in service demand or encourage behaviour counter to corporate objectives	Managers to monitor impact of charging on service demand, income levels and service user behaviour, and review charges if necessary. Take-up of new services should be monitored and reviewed regularly during the first year and withdrawn if appropriate.	Amber
Public resistance to new or increased charges	Plan communication to publicise and explain reasons behind new/increased charges	Amber
Charges impact on different people unfairly	Managers should consider the potential impact of charging on different groups (seeking advice from the Equalities team) and undertake a Fair Treatment Assessment if required	Amber
Charges cost more to collect than they generate in income	Anticipated costs of collection should be assessed before charges are introduced and if collection costs more than the income generated then either the charge should be increased or no charge should be made.	Green

Annex A: Guiding Principles for Setting Fees and Charges

Viability	Fairness	Consistency
<p>The Council will aim to maximise income from fees and charges by ensuring that charges to users reflect the full cost of the service provision, unless otherwise required.</p>	<p>Fees and charges should be set at a level that is fair to users and council tax payers. Services received by commercial organisations should always be charged at full cost, unless otherwise required, and concessions should be available to groups determined by the Council as being unable to pay the full charge.</p>	<p>Concessions for target groups should be consistent across the authority's services in terms of who is eligible.</p>
<p>The decision to subsidise a service by either not charging for it or by charging at less than full cost, should be a conscious choice, not an accident of history.</p>	<p>Significant price increases should be phased in over time to reduce the impact on service users.</p>	<p>Charges for similar services or activities should be consistent across the authority.</p>
<p>Charging levels should take account of market demand, competition from other service providers and comparisons with charges made by other comparable local authorities.</p>	<p>A tough stance should be taken on fee evasion so that other users do not pay more to compensate for non-payers.</p>	<p>Decisions about whether and how much to charge should be consistent with the achievement of customer outcomes and Council strategies.</p>

Note: further explanation and examples are provided in the body of the framework.

Annex B: Framework for guiding charging decisions



Annex C: Key considerations for benchmarking exercises

Step	Issues to consider	Comments
<p>Identify the objective of the benchmarking exercise and the information required.</p> <p>Avoid undertaking an exercise which is more detailed or time-consuming than necessary.</p>	<p>Is it to inform a decision about the level of a charge?</p> <p>Is it to compare pricing structures?</p> <p>Is it to identify opportunities to introduce new charges?</p> <p>Is it to identify other options for service delivery?</p>	<p>This is the most straightforward type of data to collect as charges levied by most organisations will be easily available.</p> <p>Some organisations may charge a flat-rate for a service where others charge on an hourly basis or an actual cost basis.</p> <p>Sometimes looking at charges levied by other organisations can highlight chargeable services that we aren't currently providing but might want to consider.</p> <p>This requires more detailed analysis to understand the information available so is most likely to be achievable through benchmarking clubs.</p>
<p>Identify appropriate comparators for the service.</p> <p>Avoid selecting comparators just because their data is readily available or because it supports a decision you've already made – they may not be the most appropriate.</p>	<p>Can a service user choose to access services from other councils in the area (e.g. leisure/bereavement services)?</p> <p>Is the Council the only service provider in the area (e.g. bulky waste collection, licensing)?</p> <p>Is there a market locally for the service (e.g. pest control, car parking)?</p> <p>In some instances service users will be able to choose from a mix of private and public providers.</p> <p>There is no set minimum number of organisations which should be considered but there should be a sufficient range to assist an informed decision.</p>	<p>Consider other local authorities in the immediate geographical area.</p> <p>Consider local authorities in our statistical nearest neighbours group (see www.cipfastats.net)</p> <p>Consider private sector providers operating in the borough.</p> <p>Consider all or a combination of the above.</p>
<p>Identify how the information could be gathered</p>	<p>Potential sources could include:</p> <ul style="list-style-type: none"> • Schedules of charges/price lists available on the 	<p>This will depend on the comparator organisations being reviewed and the purpose of the exercise.</p>

Step	Issues to consider	Comments
	internet <ul style="list-style-type: none"> • Surveys undertaken by post/phone • Benchmarking clubs • Visits to other organisations 	
Ensure the information is comparable or that where it is not, this is clearly identified.	E.g. are charges based on a flat rate or an hourly fee? Do they include materials where applicable? Is the service being provided the same as the service provided by the Council?	
<p>Present the information in a way which supports decision making.</p> <p>Avoid including too much or not enough detail and be clear about how many/which comparators were selected.</p>	<p>This will depend on the purpose of the exercise and the information which has been gathered, which could range from:</p> <p>Straightforward comparison of charges for a particular service</p> <p>Qualitative information on how a service is structured or delivered</p> <p>Sometimes benchmarking may suggest that the charges being proposed are relatively high or relatively low. This does not necessarily mean they should be rejected but it should prompt further investigation to understand why this is (e.g. a private company may have lower overheads and be able to charge a lower rate, another local authority may charge more for a service because it is not one of their priorities).</p>	<p>Tables – e.g. showing charges levied by different organisations, or the range of charges levied (perhaps with an average) together with notes as to the type and number of comparators used.</p> <p>Narrative explanation of the benchmarking exercise undertaken and the key conclusions</p>