

## Appendix K(iii)

### Fees and Charges Policy - Guidance for Managers

#### 1) Frequency for reviewing charges

The setting of appropriate fees and charges should be an integral part of service planning and improvement. Fees and charges (which includes fines, fixed penalties and other such financial sanctions) can be varied in-year and should be reviewed regularly through the year. An annual review is the **minimum** requirement to ensure they are consistent with the Council's priorities, are fully recovering all costs and take account of service aims, market sensitivity and customer preferences.

#### 2) Factors to consider when reviewing charges

Reviews of charges will need to consider the following factors:

- whether the particular service is applying the council's definition of full cost recovery
- competitor charges and market conditions
- inflationary pressures - charges should be increased in line with inflation unless there is a good reason why not. It is good practice to use a consistent measure of inflation across services where possible.
- trends in user demand and the forecast effect of price changes
- customer survey results
- whether it is being subsidised, and to what extent
- council wide and service budget targets
- cost structure implications arising from developments such as investments made in the service
- alternative charging structures that could be more effective
- proposals for targeted promotions during the year, and evaluation of any that took place in the previous year
- method and cost of income collection
- any bad debt provisions as appropriate
- time factors where advance bookings have been taken, notifications to customers of any change to fees must be timely and in advance
- if fees are amended regularly during the year, considerations need to be given to amending internal systems, particularly re: paid customers
- the public sector equality duty (i.e. section 149 of the Equality Act 2010)

A list of questions is provided at **Annex B** to assist service managers to review fees and charges.

#### 3) The use of market intelligence

All managers of services for which a new charge is introduced (particularly for services that have previously been provided for free) should consult with the market and users of the service who are most likely to be affected on the range, quality and cost of the services. Where cost effective to do so, comprehensive and accurate usage statistics, commensurate to the size of the service, should be maintained for all services and at all facilities where charges are made. This will enable analysis of usage, justification of any subsidy given by the Council and

accurate forecasting of the effect of price changes on usage. This is necessary to understand the needs, behaviour and expectations of the market and its users, and their ability to pay. This information should be used in the review of charges.

All managers of services for which a charge is made should take steps to identify competitors offering similar or related services, and make use of comprehensive and dynamic market intelligence in evaluating:

- their charging policy
- the range of services provided
- the quality of services provided
- their cost structure

Benchmarking should be undertaken regularly with other councils in the local area, service providers and with relevant national groupings of authorities, to ensure that charges are at comparable levels and that significant differences are understood and justified.

#### **4) Parameters for calculating different levels of charges**

Charges should be set at a level to maximise both take-up and income targets. Wherever possible the income raised should cover the full cost of providing the service in question. If a service is unable to cover the full cost then the subsidy to the service should be fully justified in terms of achieving the Council's priorities. There are restrictions on making a profit from charging in many cases. Guidance on calculating full costs is set out in **Annex C**.

Full cost should be based on the direct cost of service provision including staff, supplies and services, equipment, premise costs including support service costs where appropriate but not capital charges – however the revenue implications of capital charges can be considered after consultation with Finance.

For certain services it will be normal entrepreneurial practice to set promotional charges, differential charging and frequent user discounts:

- Promotional charges are defined as short term charges that are targeted to increase take-up or awareness of the services that are available
- Differential charges can be used to dampen demand at peak times and increase revenue from spare capacity
- Frequent user discounts are to be used only for commercial reasons such as generating customer loyalty where alternative provision from competitors exists, and where market analysis shows a real risk of reduced income if they are not offered.

**Fines/Penalties** - There may be circumstances where income generation is not the only key driver for the way in which charges are set, for example, where the Council wishes to manage demand, or deter or incentivise certain behaviours such as encouraging re-cycling, discouraging trade use of civic amenity waste sites etc. In this context, however, the general principles of charging should apply and in particular that any charged activities, enforcement etc. must at least recover cost.

#### **5) Concessions**

There are two potential areas of concessions, the first type based on an individual's status, for example child, student, pensioner, disabled person plus a second level based on ability to pay linked to receipt of means-tested benefits, such as housing benefit.

Concessionary charges should not normally apply at times or in situations which would result in the loss of income from customers paying the full charge. No concessions will be provided to non-Brent residents.

Within the overall aim of minimising any social or economic barriers to the take-up of services, Managers should at all times consider ways in which a proportion of income generated from charges could be used in the interests of social inclusion. The types of mechanisms that might be made available to encourage take-up of council services by disadvantaged groups might include transport to facilities, provision of child care, additional promotional discounts to encourage use, or development activity to raise levels of aspiration. Accurate user statistics should be maintained to ensure that a subsidy being provided on social inclusion grounds is effective.

## **6) Parking**

The level of on-street parking charges must be set for traffic management reasons, such as to ration available space and ensure that there is a rapid turnover of parking spaces, rather than to maximise revenue. Whilst it is reasonable for a Council to take due regard of estimated costs and income arising from the management of parking, it is not lawful for a local authority to use the Road Traffic Regulation Act 1984 to justify imposing charges to raise revenue. This is because section 122 of the Road Traffic Regulation Act 1984 does not include the maximisation of revenue from parking charges as one of the relevant considerations to be taken into account in securing the safe, expeditious and convenient movement of traffic.

## **7) Process for Reviewing Charges**

The following arrangements for reviewing charges will be applied to all areas of the Council where charges for services already exist or could in principle be set:

- Reviews should be carried out in consultation with the relevant Cabinet Member.
- The Chief Executive or the relevant Strategic Director, in consultation with the relevant Cabinet Member, have the delegated power to set and vary fees and charges either annually or more frequently where this is considered necessary. For example, in order to protect usage and income in response to significant market developments. The parameters within which officers can set and vary fees are set out in **Annex A**. However, there are some fees and charges which officers cannot set or vary because it requires a decision by members. The fees and charges which have been excluded from the scope of officer delegated powers are also set out in **Annex A**.
- When introducing a new charge it will be necessary to establish the lawful basis of any charge.

# Fees and Charges Charging Policy Framework

## Annex A

### Setting of Fees and Charges by Officers

1) Statutory Fees

These are set by Government and the Council is unable to vary the amounts to be charged. The Chief Executive or the relevant Strategic Director can implement any changes to statutory fees in accordance with the law and any changes shall be reported to Cabinet and Full Council as part of the annual budget process.

2) All other fees and charges

- i) The following fees and charges must be approved by Cabinet, the relevant Cabinet Member or Full Council (in the absence of any other delegation) before any changes are made:-
  - Parking fees
  - Garden waste fees
- ii) Other than those fees and charges set out in 2(i) above, all other fees and charges may be set or varied from time to time to reflect increases in inflation or market conditions on the following basis:-
  - a) The Chief Executive and relevant Strategic Director may impose new fees and charges, or vary current fees and charges up to +/-20% overall in any one calendar year period.
  - b) However, if the fees and charges are below £1, they can be increased by up to £1 overall in any one calendar year period.
  - c) The relevant Cabinet Member can agree any other changes to existing fees and charges which are the responsibility of the Executive.
  - d) Any new or varied fees and charges must be reported to Cabinet and Full Council as part of the annual budget process.

## **Annex B**

The Head of Service is responsible for the target setting and performance management of income generation.

### **Charging Review – Questions to be considered**

The following questions, based on the Audit Commission's 2008 document "*Positively Charged*", are provided to assist service managers to undertake a review of their charges.

#### **1. What do we want to achieve including:**

- How much income is being targeted for and why?
- Whose use of services does the Council wish to subsidise and by how much?
- Whose behaviour does the Council wish to influence and in what ways?
- How will charges help improve value for money, equity and access to services?

#### **2. What's the current picture?**

- What is the current charge?
- How do charges compare to similar councils and other service providers?
- How are charges structured and why?
- Are cost effective mechanisms available for paying and collecting charges?
- Are income targets being achieved?
- What is the impact, intended or unintended, of charges on local people?
- Which people are using services and which aren't?
- Which users are paying for services and which aren't?
- Are concessions being taken up by the people at whom they are targeted?
- Are the take-up of related benefits in this area being maximised?

#### **3. What do local people think of our charges?**

- Have service users and the public been consulted about the current and proposed charges plus their views on value for money of the service?

#### **4. What are the next steps?**

- What changes, if any, should be made to the level and structure of charges?
- How will the impact of charges be evaluated?
- What data will be required?
- Can the data be collected cost effectively?
- When will approach be reviewed?

## **Annex C**

### **Calculation of Overheads Costs in Fees**

#### **1. Introduction**

The full cost of running the organisation will not be visible to service managers who may be making commercial decisions as to the setting of fees and charges. The basis upon which the costs of delivering a service are calculated can be used to determine if charging or trading is an appropriate model for maximising income.

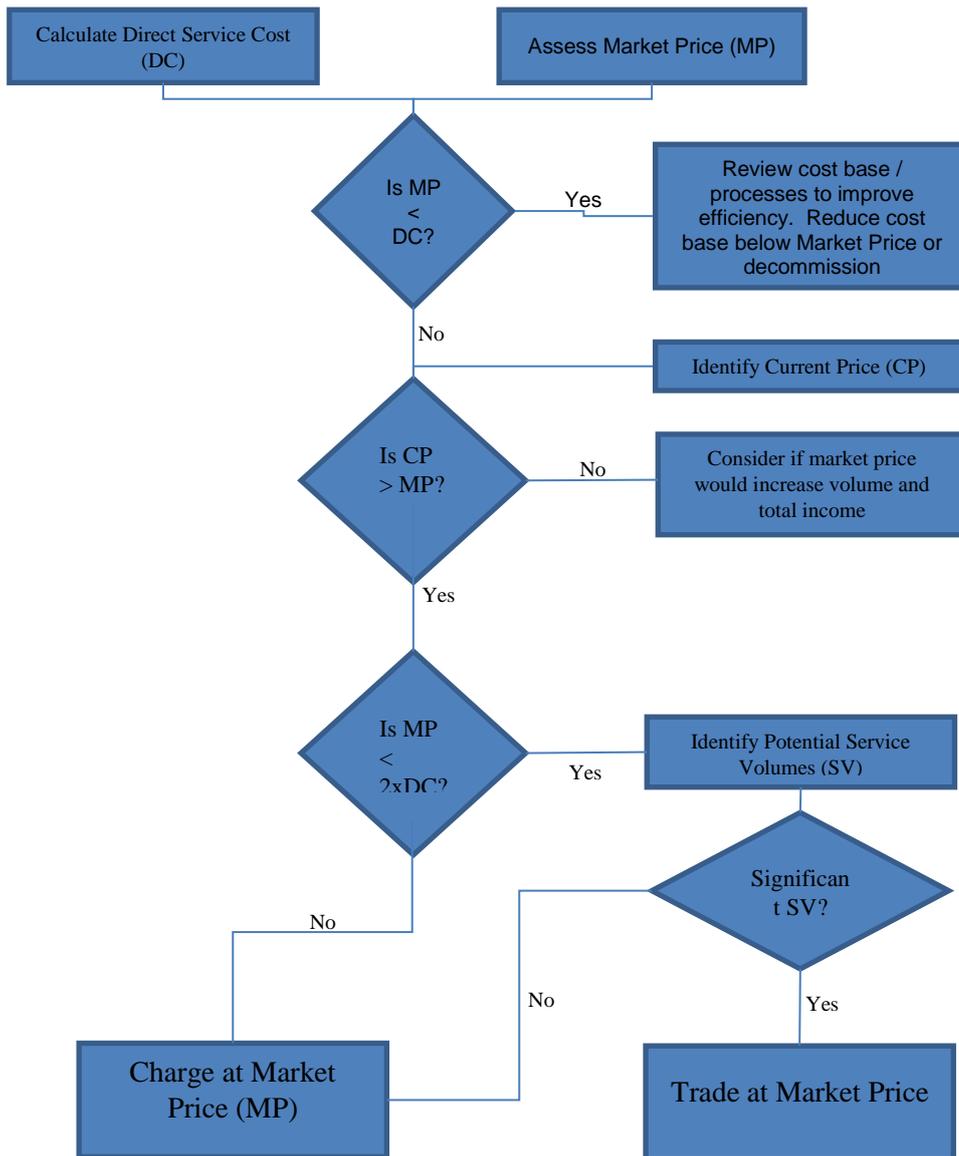
#### **2. The difference between Charging and Trading**

Charging in the context of this policy means the power to charge for a service. The limiting factor in charging for goods and services provided is that in most cases it is limited to cost recovery only. Whereas trading for services allows for fees and charges to be regulated by the market. The limiting factor for trading for services is the market price for the service and the sustainability of any company set up specifically to trade for that service.

Ultimately, the maximum price for a service is set by the market, the decision as to whether to charge or to trade in that service is determined by the cost base for delivery of that service.

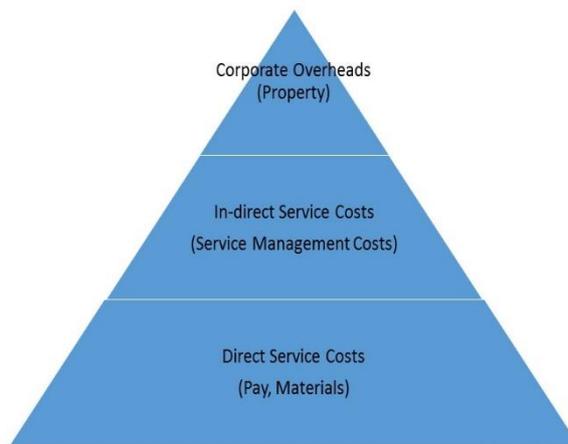
#### **3. Trade or Charge 'Acid Test' decision matrix**

The following flowchart is a simplification of the process for assessing whether charging or trading is appropriate.



#### 4. Calculating the total cost of delivery

Calculating the costs of a service is a complex process that overlays direct costs, service overheads and corporate overheads to produce a total service unit cost.



### *Direct service costs*

Direct service costs include pay, national insurance and pension plus any associated costs such as travel, materials, printing, stationery – any costs that the service manager has within their budgetary control. The unit of cost would be based upon the service being offered – per instance, per hour, per session and would include all of the direct service costs for providing that unit of service. Units may be combined if appropriate such as visits per week to calculate the cost of a visit.

### *In-direct service costs*

This could include annual leave, statutory holiday and training (non-chargeable time), service management and administration & support, service specific IT etc.

### *Corporate overheads*

Corporate overheads would include the political and management infrastructure of the Council, property and support services.

## **5. Applying corporate overheads**

The audited accounts of the Council have been reviewed to assess the value of corporate overheads in relation to staff costs. The corporate overhead costs that may be included within the calculation of the total service unit cost is **80% of the staff cost** of service provision.

Incorporating this level of corporate overheads into a total service unit cost enables the Council to set fees and charges as close to the market rate as possible, this maximising income from fees and charges, only considering setting up companies to trade for services where there is a compelling case to do so.

## **6. Recommendation**

In considering which charging basis to use it is recommended that services charge the **market or benchmarked rate for fees and charges**. Where the market price is greater than double the direct cost of providing the service, a review of the actual costs of delivering the service should be undertaken and consideration as to whether trading in that service is appropriate.

## Equality Analysis- Blank Form – Online EA System

### Stage 1 Screening Data

#### **1. What are the objectives and expected outcomes of your proposal? Why is it needed? Make sure you highlight any proposed changes.**

The proposals are intended to vary levels of fees and charges across a range of council services to raise additional income to support the delivery of core services. The proposed fees and charges have been adjusted in line with Outer London Averages (2013-14). In some cases the fees have been adjusted downwards to be in line with competitors' charges. No additional net income is planned for Adult Social Care, Children's services or Education / Schools.

The work stream is part of the Council's Brent 2020 vision and is one of the projects the Council needs to take over the next five years so that it can continue to deliver priorities and support the residents of Brent.

#### **2. Who is affected by the proposal? Consider residents, staff and external stakeholders.**

The proposals will affect anyone in receipt of these services.

Any potential staff implications will be assessed separately.

#### **3.1 Could the proposal impact on people in different ways because of their equality characteristics?**

Any increase in fees and charges, regardless of the service provided, will have a more adverse impact on those individuals and socio-economic groups who are less able to meet the cost.

#### **3.2 Could the proposal have a disproportionate impact on some equality groups?**

**If you answered 'Yes' please indicate which equality characteristic(s) are impacted**

Fees imposed for waste collection, for example, will have a more adverse impact on those less able to transport waste themselves due to a mobility difficulty, disability or age. Increased charges of burial services will have an impact on age and socio-economic groups. Decreased gym membership fees may have a positive impact on residents.

Most proposals require only a modest revision of fees and charges. Any proposed changes that may have a more significant impact on service users with protected characteristics, will require individual equality analyses and will be subject to separate decisions around policy and implementation.

#### **3.3 Would the proposal change or remove services used by vulnerable groups of people?**

No services will be removed but charges may increase / decrease to bring the Council in line with Outer London Averages (2013-14) or with competitors' charges. No additional net income is planned for Adult Social Care, Children's services or Education / Schools.

This work is intended to sustain and support the delivery of core services across the Council.

### **3.4 Does the proposal relate to an area with known inequalities?**

The proposals relate to the affordability of Council services. Any increase in fees and charges, regardless of the service provided, will have a more adverse impact on those individuals and socio-economic groups who are less able to meet the cost.

### **3.5 Is the proposal likely to be sensitive or important for some people because of their equality characteristics?**

Yes.

### **3.6 Does the proposal relate to one of Brent's equality objectives?**

Yes. It relates to the following equality objective: To ensure that local public services are responsive to different needs and treat users with dignity and respect.

### **Recommend this EA for Full Analysis?**

Yes. At this stage a high level analysis has been carried out given the broad range of services involved.

**4. Use the comments box below to give brief details of what further information you will need to complete a Full Equality Analysis. What information will give you a full picture of how well the proposal will work for different groups of people? How will you gather this information? Consider engagement initiatives, research and equality monitoring data.**

Any proposed changes that may have a more significant impact on service users with protected characteristics, will require individual equality analyses and will be subject to separate decisions around policy and implementation.

### **Stage 2: Analysis**

**5. What effects could your policy have on different equality groups and on cohesion and good relations?**

#### **5.1 Age (*select all that apply*)**

- Positive
- Neutral
- Negative

**Please give details:** Some charges may particularly impact on specific age groups (e.g. burial service charges and fees) those who are less mobile or have a disability (e.g. waste collection charges). On the whole, however, children, young people and vulnerable adults are protected from the proposed fees and charges. No additional net income is planned for Adult Social Care, Children's services or Education / Schools.

**5.2 Disability (select all that apply)**

- Positive
- Neutral
- Negative

**Please give details:**

Some charges may particularly impact on those who are less mobile or have a disability (e.g. waste collection charges). On the whole, however, children, young people and vulnerable adults are protected from the proposed fees and charges. No additional net income is planned for Adult Social Care, Children's services or Education / Schools.

**5.3 Gender Identity (select all that apply)**

- Positive
- Neutral
- Negative

**Please give details:**

**5.4 Marriage and civil partnership (select all that apply)**

- Positive
- Neutral
- Negative

**Please give details:**

**5.5 Pregnancy and maternity (select all that apply)**

- Positive
- Neutral
- Negative

**Please give details:**

Some charges may particularly impact on those who are less mobile (e.g. waste collection charges).

**5.5 Race (select all that apply)**

- Positive
- Not known
- Negative

**Please give details:**

Any proposed changes that may have a more significant impact on service users with protected characteristics, will require individual equality analyses and will be subject to separate decisions around policy and implementation.

**5.7 Religion or belief (select all that apply)**

- Positive
- Not known
- Negative

**Please give details:**

Any proposed changes that may have a more significant impact on service users with protected characteristics, will require individual equality analyses and will be subject to separate decisions around policy and implementation.

**5.8 Sex (select all that apply)**

- Positive
- Not known
- Negative

**Please give details:**

Any proposed changes that may have a more significant impact on service users with protected characteristics, will require individual equality analyses and will be subject to separate decisions around policy and implementation.

**5.9 Sexual orientation (select all that apply)**

- Positive
- Neutral
- Negative

**Please give details:**

#### **5.10 Other (please specify): socio-economic groups**

- Positive
- Neutral
- Negative

**Please give details:**

Any increase in fees and charges, regardless of the service provided, will have a more adverse impact on those individuals and socio-economic groups who are less able to meet the cost.

#### **6. Could any of the impacts you have identified be unlawful under the Equality Act 2010? Prohibited acts include direct and indirect discrimination, harassment, victimisation and failure to make a reasonable adjustment.**

- Yes
- No

Any proposed changes that may have a more significant impact on service users with protected characteristics, will require individual equality analyses and will be subject to separate decisions around policy and implementation.

#### **7. Please provide a brief summary of any research or engagement initiatives that have been carried out to formulate your proposal.**

A benchmarking exercise was undertaken to establish the arrangements and charges of comparable services at neighbouring boroughs. Those areas identified as offering services that attract a fee, make a charge or impose a fine were contacted to provide a record of those charges. Potential new charges/fees were also sought. Information was also sought with respect to the level of demand for each service.

#### **What did you find out from consultation or data analysis?**

It was established that the council offers comparable services at non-comparable charges and that there were significant opportunities to adjust charges in line with those imposed by neighbouring boroughs and local competitors.

#### **Were the participants in any engagement initiatives representative of the people who will be affected by your proposal?**

The proposals are wide-ranging and cover a number of unrelated different council services.

Any proposed changes that may have a more significant impact on service users with protected characteristics, will require individual equality analyses and will be subject to separate decisions around policy and implementation.

**How did your findings and the wider evidence base inform the proposal?**

The proposals were informed by analysis of charges made for similar / comparable services in neighbouring boroughs.

**STAGE 3: ACTION PLANNING**

**8. What actions will you take to enhance the potential positive impacts that you have identified?**

Any proposed changes that may have a more significant impact on service users with protected characteristics, will require individual equality analyses and will be subject to separate decisions around policy and implementation.

**9. What actions will you take to remove or reduce the potential negative impacts that you have identified?**

Please refer to point 8 above.

**10. Please explain how any remaining negative impacts can be justified?**

Raising additional income is crucial for the Council so that it is able to sustain and support the delivery of core services.