

APPROACH TO SETTING FEES & CHARGES

Background

The Medium Term Financial Strategy and longer term financial projections indicate that the Council faces a sustained period during which reductions in expenditure, increases in income or a combination of the two, will be required in order to deliver a balanced budget.

Financial Regulations

The following extracts from Financial Regulations set out the Council's formal arrangements with regard to fees and charges:

The key controls for income include:

- (a) *all income due to the authority is identified and charged correctly, in accordance with an approved charging policy, which is regularly reviewed*
- (b) *all fees and charges are subject to at least annual review and approval by the Full Council. In determining charges, the Council, shall have regard to*
 - *current legislation*
 - *the need to cover the cost of the service, as a minimum*
 - *market rates, where a service operates in free market conditions*
 - *the value of the service to users*
 - *the cost of collecting the income*
 - *the advice of the Director and Borough Treasurer*

Responsibilities of the Borough Treasurer include:

To provide advice, set the framework, collect and review annually proposals for fees and charges from each Director for submission to the Executive and Full Council for approval.

Responsibilities of Directors include:

To review annually the fees, charges and concessions including the appropriate charging of VAT in line with the Council's policies.

Where charges are assessed according to ability to pay, the Director may make arrangements for the reduction of charges in accordance with policies approved by the Council, Committee or the Executive.

Directors may make variations to charges which are set in order to cover specified costs, in consultation with the Borough Treasurer.

The annual review of fees and charges is also an integral part of the annual budget process. Proposed fees and charges are agreed as a basis for public consultation, by the Executive, in December of each year. As well as the wider public consultation, specific consultation is undertaken with the Overview and Scrutiny Commission and the Scrutiny Panels. The results of the consultations are reported back to the Executive in February each year before they recommend to Full Council their proposals for the forthcoming financial year.

Policy

The principles underpinning the Council's approach to setting fees and charges were established by the Strategy and Policy Committee on 20 December 2000 and have largely been enshrined within current Financial Regulations. The principles, which have been applied consistently at every annual review of charges since December 2000 are as follows:

- Fees and charges should aim, as a minimum, to cover the cost of delivering the service. (This cost equates to the cash saving that the Council would make if it ceased to provide the service.)
- Where a service operates in free market conditions, fees and charges should at least be set at the market rate. (This will be defined by comparisons with competitors but also taking into account any adverse impact of charges on usage levels.)
- Fees and charges should not be levied where this is an effective use of resources, i.e. where the cost of collection exceeds any income generated.

Some services, notably but not exclusively Social Care, have strong legal guidance on charging. Clearly any legislation will override the Council's core charging principles.

Subsidies and Concessions

The meeting of the Strategy and Policy Committee on 20 December 2000 accepted that due to the sheer number and different nature of the Council's fees and charges it is not possible to provide detailed guidance on subsidies and concessions, but that it is possible to establish guiding principles. These can be summarised as follows:

- Generally, subsidies and concessions should be offered to encourage use of services while removing a potential barrier of financial hardship.
- To work effectively, subsidies need to be clearly targeted.
- Charges should reflect the needs of the target group and not act as barrier to service delivery.

More Recent Developments

In 2008 the Audit Commission published 'Positively Charged'. The Audit Commission made a number of recommendations on the assessment, use of and reporting of fees and charges. In response to this Accountants Group reviewed the presentation of the Council's financial information to ensure that it highlighted the contribution that fees and charges make to the Council's finances. A new template for reporting fees and charges was developed and was used for the first time during the 2009/10 budget process. The main changes introduced by Accountants Group were:

- A brief narrative setting out the purpose of the charge
- Estimate of the income the fees and charges are generating in the current financial year and will generate in next financial year.
- Details of any concessions available, and
- Details of the links to the Council's Medium Term Objectives

At around the time 'Positively Charged' was published the Council engaged PricewaterhouseCoopers to undertake a 'Revenue Income Optimisation Review'. The outcome from their work was very positive:

- a) That the level of income relative to expenditure is higher than the Council's neighbours (both geographical and statistical) in many services. Further the number and range of services for which the Council charges is broader than many others.
- b) That the Council's approach to revenue generation is generally strong, and
- c) During the review pockets of excellence were found – in particular, the adult social care service demonstrated a number of good practices in relation to fees and charges.

Conclusions

The Council has adopted a clear and straightforward approach to the setting of fees and charges, which has been applied consistently for a decade.

The Council's approach is fundamental to the way in which it conducts its business and is therefore enshrined within the Constitution and Financial Regulations in particular.

Fees and charges are subject to detailed annual scrutiny and public consultation.

The Council has developed the financial information that it publishes to demonstrate how fees and charges contribute towards the Council's overall finances and its wider community and service objectives.

An external review concluded that the Council performs strongly in this area.