

## ANNEX A TO APPENDIX A

### Fees & Charges Policy

1. The fees and charges set by the Authority for services provided are the subject of an annual review as part of the Corporate Business Planning process. Changes made between years are agreed as part of the overall budget and council tax setting procedure and form part of the Council's key financial forecasts.
2. This policy provides supporting background and context to the Medium Term Financial Strategy, most particularly that dealing with Income Generation.

### Discretionary Charging

3. The Local Government Act 2003 includes a general power for Councils to charge for discretionary services i.e. services that an authority has the power, but no obligation, to provide and there is no specific charge or prohibition on charging. This also means that there are some discretionary charges that are governed by alternative legislation, in which case this general power does not then apply.

4. The key principles behind charging are that:

- Discretionary charges should recover full costs unless the strategy is to provide a particular service at a subsidy, or at a surplus (if allowable by legislation) in any one year;
- Discretionary income should be optimised through appropriate commercial charges;
- A sound and robust system of discounts or concessions (as appropriate and affordable) should be in place to encourage use by all members of our community in pursuit of our corporate objectives and priorities.
- Discretionary community assets should be operated at nil net cost to the Council provided this accords with the other key principles above.

5. Therefore, the Council will optimise its commercial income where possible to ensure that fee charging services break-even over time (or generate a surplus where legislation permits) and are provided with a nil cost subsidy from the taxpayer where appropriate. Unless legislation prescribes otherwise, any surplus so generated will be returned to central funds to support the provision of other services to the public.

6. The general principle applied previously has been that discretionary fees and charges income were increased by the Retail Price Index (RPI) as at November; For 2016/17 it is proposed that this policy is amended to the Consumer Price Index (CPI) as at November, plus 2%. However, some fees may be increased further where the market will bear such increases, or to reflect the impact of VAT increases or relevant comparative data obtained via benchmarking. Exceptions to this will occur where legal requirements, contractual obligations, market forces or other special circumstances render this inappropriate.

7. In previous years the inflationary measure used by NHDC has been the "all items annual rate" of RPI; however the Retail Prices Index and its derivatives have been assessed by the Office for National Statistics (ONS) and found not to meet the required standard for national statistics. CPI is the inflation measure used in the Government's target for inflation, although RPI will continue to be calculated by ONS as it is still used, for instance in ongoing contractual arrangements and business rates uplift. By way of comparison, the CPI annual rate was 0.1% in May 2015 and the RPI rate was 1.0%.

8. The proposal in this policy to apply CPI plus 2%, instead of RPI, does assume an overall additional increase in the annual uplift applied to fees & charges of approximately 1% compared to the previous RPI measure, provided this is in line with the key principles set out earlier in this document.

9. The rationale is to ensure discretionary services are set at a level that recovers the full cost of provision. Research undertaken by LG Futures (described in Section 5 of the Medium Term Financial Strategy) indicates that, when compared to other tier two authorities across England and also the “nearest neighbour” group, the income to total expenditure ratio for NHDC was below average. NHDC was ranked only 132nd out of the 201 shire districts (122<sup>nd</sup> in the prior year). So at a macro level, this suggests that NHDC does have scope to increase income from sales, fees and charges from at least some of the current activities.

### **Commercial Opportunities**

10. The Council will seek to explore additional funding streams via alternative delivery models. This can include exploration of trading opportunities, delivering existing or new services in a manner which could generate income, as and when they are identified.

11. The precise charging models for commercial opportunities will be considered on a case by case basis, having due regard to legislative requirements and policy decisions. Proposals for goods and services to be delivered, and scales of fees and charges, will require the approval of the S151 Officer and the Monitoring Officer in the first instance, before being presented to Member Committees.

### **Statutory Charging**

12. Provision of many of the Council's services is a statutory requirement and charges for access to these are laid down as part of that requirement. There is therefore no discretion on the setting of these fees available to the Authority.

13. A thorough review of the true cost and effectiveness of providing statutory services must be undertaken on a regular basis to ensure that the fees charged meet the cost of service provision, wherever possible. Where any review indicates an under recovery of cost, alternative methods of service provision and comparison with other comparable authorities must be undertaken, and if necessary a zero based budget review be undertaken on a phased basis to identify opportunities for minimising the liability to the Council

14. There are certain services that must be provided free of charge and it is therefore important that these services are provided in the most efficient and cost effective manner possible, in line with existing Council policies.