

Fees and Charges Toolkit



Commercialisation and Major Projects

1.0 Introduction

This toolkit is designed for colleagues who are responsible for setting, reviewing or managing fees and charges within the Council. The purpose of this toolkit is to guide the user through the process of setting fees and charges and ensure transparent and consistency across the Council. This toolkit is designed to assist with setting and reviewing discretionary and statutory-discretionary charges.

2.0 What are Fees and Charges?

A fee/charge is a price charged for a good or service that can exist in a variety of forms. Fees and charges are interchangeable; however, a charge is more commonly used when referring to the price of goods and in the phrase 'service charge'. Alternatively, fees often relate to professional services and are often associated with transactional relationships.

There are three types of charges in the Council:

Statutory Charge- This is an amount that the Council is mandated to charge for a service it provides, therefore these charges are exempt from the Council's fees and charges setting and reviewing process.

Discretionary Charge- This is a charge that has no regulations with regards to how the charge is set, instead the Council has the right to set this charge at whatever amount is believed to be appropriate.

Statutory-Discretionary Charge- This is when the Council is mandated to charge for a service in a specific manner, for example, to charge for a statutory service at 'resource cost' meaning the charge equates to the total cost to the council of providing the service.

3.0 A Commercial Balance

The Council's commercial vision is:

"Our vision is to be an innovative and entrepreneurial Council that continually achieves positive annual financial contributions; by generating new revenue and delivering cost reductions, through trading and business improvements"

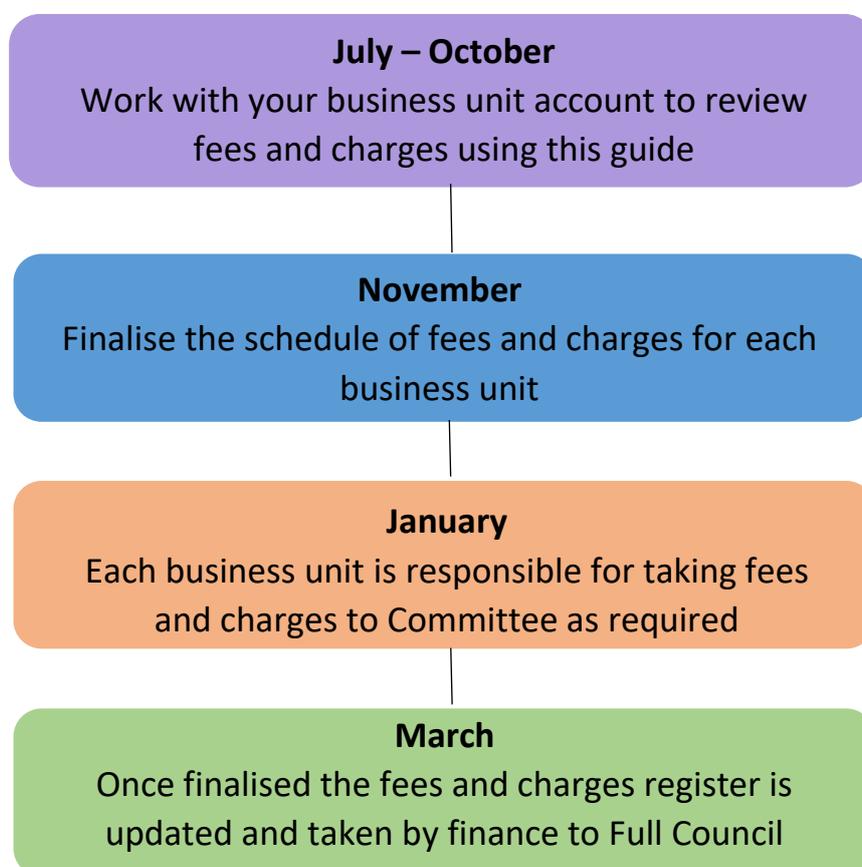
Fees and charges should always be set with consideration of the commercial vision; however, this may not always be the best approach depending on the nature of the service and the potential wider impact. As such, the balance between commerciality and social impact must be considered throughout the process of setting fees and charges.

4.0 Reviewing Fees and Charges

Every year, fees and charges should be renewed in line with inflation and the Council's updated resource formula as appropriate. If a fee or charge is set by benchmarking a benchmarking review should take place every 4 years to ensure the Council is in line with other providers. In the intervening years the fee/charge should be updated using inflation.

Any decisions made by the business unit relating to resourcing costs or inflation must be discussed with the accountant for the business unit. This will ensure that the proposed changes to fees and charges have been calculated accurately and consistently.

The timeline for setting fees and charges each financial year is;



5.0 Methodology

There are three methodologies for setting a fee or charge;

- Benchmarking
- Resourcing formula
- Inflation

The most appropriate method to use will differ depending on the nature of the service and methods are often combined. The circumstances in which each method should be applied are explained below.

Conduct a benchmarking exercise:

- If the service on offer is new to the Council.
- If the service/offer has recently been changed or developed.
- Every 4 years to ensure that the Council's prices are in line with other providers.

Calculate and apply a resourcing formula:

- If benchmarking cannot be applied for example if the product/service is unique and there are no comparable offers in the local area.
- If the product/service will vary and one fixed price cannot be set.

Apply inflation annually:

- If the service/offer remains the same e.g. there is no upgrade, or change, which reduces or increases the value to the customer.
- Annually for the years in between benchmarking exercises (every 4 years).

6.0 Inflation

Inflation refers to an environment of generally rising prices of goods and services within a particular economy. Inflation is measured to produce three main estimates of inflation CPI (Consumer Price Index), RPI (Retail Price Index) and CPIH (Consumer prices index including owner-occupiers housing costs, with CPI the most commonly quoted figure in the Council.

The rate of inflation is forecast to hover around 3% until the end of 2022/23. For this reason, when increasing a fee and charge within the Council through inflation, a rate of 3% should be applied annually unless an alternative rate is specified. However, you should refer to your accountant to be updated annually about the rate of inflation.

7.0 Benchmarking

Through benchmarking, organisations can compare themselves to other providers to ensure their charge is viable in the market place.

In order to benchmark effectively you should:

- Compare **at least 3** similar authorities who offer the same service. These authorities will need to be of a similar size, operate within a nearby region, contain a similar number of

residents, schools and transport links as Newark and Sherwood. If a local authority does not provide the service, compare to **at least 4** private companies.

- Compare to **at least 1** private company with a comparable offer in the local area.
- Repeat every 4 years to ensure that the Council's prices are in line with that of other providers.
- Repeat sooner than 4 years if the Council's offer is developed in any way (either an enhancement or limitation of the offer).

Once all required information has been gathered about other providers pricing, an average price should be calculated from which the Council's new fees and charges can be based. If the Council's offer deviates from the benchmarked average the fee/charge should be amended to align with the average charge (within a reasonable margin e.g. within 5-10%).

8.0 Resourcing Formulas

A 'Resource Formula' is a means of calculating the full resource cost of a service/activity considering all costs incurred, including infrastructure, staffing and equipment and so on, to enable full cost recovery. Resources include salaries, the cost of materials, supplies, equipment, technologies and facilities. For example, the resource cost of a cup of tea is not just the cost of the teabag and milk it is also the energy used to heat the water, a percentage of the cost of the teaspoon and the equipment used to wash the cup, and the staff time taken by the individual to make the tea.

It is important that the resource required to provide a service is understood to ensure that the agreed fee/charge covers the cost of the service. This should always be discussed with the accountant for your business unit before any fees and charges are confirmed.

In order to set resourcing formulas accurately you should:

- Seek guidance from your business unit accountant.
- Re-calculate resourcing formulas if there are changes to overheads or hourly rates.
- Review resourcing formulas with your account at least once a year to reflect inflation, staffing and overhead costs.
- Regularly check to ensure any discretionary provision is at least covering costs.

It is important to consider the above for statutory-discretionary charges that are based on resourcing formulas, as well as non-statutory charges. This will ensure that the fees and charges set are both accurately and in line with the Council's commercial vision.

9.0 Further Support

If you require further support please contact the Accountant for your business unit or the Commercials Team on commercials@nsdc.info.