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<b>Subject:</b>	<b>REGULATORY SERVICES FEES AND CHARGES</b>
<b>Meeting and Date:</b>	<b>Overview and Scrutiny Committee – 2<sup>nd</sup> March 2020</b>
<b>Report of:</b>	Diane Croucher, Head of Regulatory Services

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*At the meeting of the Overview and Scrutiny Committee on 10 February 2020 clarification was sought with regards to the following points:*

- *The rationale for fee setting*
- *Why the port health fees were not set at higher level*
- *Why some fees, such as the scrap metal and animal boarding fees had increased significantly above inflation*
- *In setting the licensing/regulatory fees what consideration had been given to the objectives of the corporate plan*

The Regulatory Services department are responsible for administering a range of licences and approvals. It is a principle established in guidance and case law that those who benefit from the system (e.g. licence holders) should cover the cost of it. A local fee setting system ensures that full costs can be recovered by the council, hence reducing the risk of a subsidy from local taxpayers, whilst also ensuring they do not pay more than they should.

Councils must set fees in a legally robust and transparent manner. Local Government Association Guidance on locally set licence fees helps councils understand the full breadth of issues that should be considered when setting local licence fees in order to meet legal obligations and provide the necessary reassurances to local businesses. The guidance acknowledges that it is vital that councils are free to design the service that best serves the needs of their community and recover costs accordingly. Therefore, it does not provide a fee calculator but does provide general principles to assist councils in the fee setting process.

In accordance with the guidance, fees should be broadly cost neutral in budgetary terms, so that, over the lifespan of the licence, the budget balances. Those benefitting from the activities permitted by the various licences should not, so far as there is discretion to do so, be subsidised by the general fund. As such, our charges are calculated so as to achieve full cost recovery, although we are under no legal obligation to do so.

To ensure that fees remain reasonable and proportionate the Licensing team have established a regular and robust review process following the guidance set out in the LGA document, as well as case law. A thorough review includes a detailed analysis of the actual costs associated with application processing, administration and compliance monitoring. This review process has particular advantages in the early stages of a new licensing regime where fees are set on best guess estimates. Regular reviews allow for the fine tuning of fees and allow steps to be taken to avoid either a surplus or deficit in future years. For example, new scrap metal legislation was introduced in 2013 at which point best guess estimates were made in setting the fees. These were later reviewed once the regime had been implemented and amended in 2017. Since then the regime has changed again to include risk-based inspections and as such a further detailed cost analysis review was undertaken in 2019 resulting in the proposed increased fees.

With regards to animal related fees, including animal boarding, a new legislative regime commenced in October 2018 under Animal Welfare (Licensing of activities involving animals)

Regulations 2018. Due to the timing of its introduction in relation to the fee setting process, the fees and charges set for 2019/20 were again based on best guess estimates correlating to the previous system. Since the new scheme became operational, a thorough review was undertaken in 2019 and fees revised accordingly. The increase seen is primarily due to the introduction of a new risk rating and inspection regime. Every premise must now be inspected upon initial application/ renewal and receive an ad hoc inspection mid-term (except hiring of horses).

As explained above, in general neutral cost recovery is the driving influence when setting the fees as opposed to other factors such as the Corporate Plan or bench marking against other local authorities. However, in certain cases, such as the Port Health fees and charges, due to the commercial sensitivities surrounding the scheme, and the need to minimise the risk of creating unfair or unnecessary economic advantage or disadvantage, consideration is also given to fees charged by other Port Health Authorities. This ensures the proposed fees are generally in line with each other whilst remaining proportionate to the work undertaken.