

MAIDSTONE BOROUGH COUNCIL
RECORD OF DECISION OF THE CABINET

Decision Made: 17 December 2014

BUDGET STRATEGY 2015 16 ONWARDS - FEES & CHARGES

Issue for Decision

To consider proposals for setting the level of fees and charges for 2015/16 for services where the Council raises income by charging the user of the service and where the setting of the fee or charge is discretionary. To also note the level of fees and charges that are set in accordance with statutory requirements.

To consider the impact of the proposed changes in the level of fees and charges on the Council's medium term financial strategy.

Decision Made

That:

- (a) the proposed fees and charges for 2015/16 totalling an additional £76,300 as set out in Appendix A to the Report of the Head of Finance and Resources be approved;
- (b) the proposed changes to income budgets that occur as a consequence of the proposed fees and charges as set out in paragraph 1.3.8 to the report be approved; and
- (c) Officers be instructed to give further consideration to the charges and budgets for the parking and the development management services and report back to Cabinet in February on options that provide additional income from these services.

Reasons for Decision

The Council adopted a corporate fees and charges policy in May 2009. The Policy promotes consistency across the Council, is focused on the strategic aims of the Council and sets out the approach that the Council takes in setting fees and charges.

The Policy covers fees and charges that are set at the discretion of the Council. It does not apply to services where the Council is prohibited from charging, e.g. collection of household waste or services where the charge is currently determined by Central Government, e.g. planning application fees. Consideration of any known changes to such fees and charges and any consequence to the medium term financial strategy were detailed in the report of Corporate Leadership Team.

The headline objective of the Policy is that fees and charges are set at the maximum level after taking into account conscious decisions on the subsidy level for individual services, concessions, impact of changes on users and any impact on the delivery of the Strategic Plan. Therefore there is a presumption that a charge would be levied for a service unless justified by strategic consideration or legal constraints.

The Policy also proposed that a review of all fees and charges will occur annually in line with the development of the Medium Term Financial Strategy. The review of fees and charges should consider the following factors:

- a) The Council's vision, objectives and values, and how they relate to the specific services involved;
- b) The level of subsidy currently involved and the impact of eliminating that subsidy on the level of fees and charges, the effect on users and the social impact;
- c) The actual or potential impact of any competition in terms of price or quality;
- d) Trends in user demand including the forecasted effect of price changes on customers;
- e) Customer survey results;
- f) Impact on users of proposals both directly and in terms of delivery of the Council's objectives;
- g) Financial constraints including inflationary pressure and service budget targets;
- h) The implications arising from developments such as an investment made in a service;
- i) The corporate impact on other service areas of Council wide pressures to increase fees and charges;
- j) Alternative charging structures that could be more effective;
- k) Proposals for targeting promotions during the year and the evaluation of any that took place in previous periods.

The results of the annual review of fees and charges as required by the policy are reported to the Cabinet in a single report each December. The work completed last December created an increase of £50,440 in the budgeted income from fees and charges for the current year.

It was noted that the second quarter's budget monitoring report that income levels achieved in the first half of 2014/15 are above the midyear target in total however most services have not reached their target. At September 2014 the development management and refuse and recycling

services were significantly above target and supporting shortfalls in most other service.

The detailed results of the review carried out this year were set out in Appendix A to the report of Corporate Leadership Team and approval was sought to the amended fees and charges for 2015/16.

The table below summarises the 2014/15 estimate and predicted outturn for income from the different fees and charges. It showed the proposed budget increase that can be achieved from each service and the percentage increase in budget this creates resulting in a budget proposal for 2015/16 for each service. The table is sub-divided by the effect any increase can have on the medium term financial strategy and approval was sought to the proposed levels of budgeted income for 2015/16 as shown in the table.

Service Charge Type	2014-2015 Estimate	2014-2015 Outturn	Budget 2015/16		2015/16 Estimate
			Proposed Increase - £	Proposed Increase - %	
Cemetery	118,950	118,950		0.00%	118,950
Crematorium,	1,104,780	1,084,780		0.00%	1,104,780
Licenses	123,240	123,240		0.00%	123,240
Hackney Carriage and private Hire Drivers Licenses	40,250	40,250		0.00%	40,250
Recycling & Refuse Collection	760,060	810,060	50,000	6.58%	810,060
Conservation	21,470	21,470		0.00%	21,470
HMO Licensing	2,380	2,380		0.00%	2,380
Parking Services	2,752,270	2,752,270	21,300	0.77%	2,773,570
Town Hall	2,150	2,150		0.00%	2,150
SUPPORT TO BUDGET STRATEGY	4,925,550	4,955,550	71,300	1.45%	4,996,850
Environmental Enforcement	193,920	193,920		0.00%	193,920
Licensing Statutory	131,320	131,320		0.00%	131,320
Development Management - Planning	1,068,940	1,103,920	5,000	0.47%	1,073,940
STATUTORY CHARGES	1,394,180	1,429,160	5,000	0.38%	1,399,180
Building Control	346,320	346,320		0.00%	346,320
Development Management - Land Charges	253,750	253,750		0.00%	253,750
OBLIGATION TO BREAK EVEN	600,070	600,070		0.00%	600,070
Parks & Open Spaces	70,040	70,040		0.00%	70,040
Street Naming & Numbering	29,000	29,000		0.00%	29,000
PRE-SET TARGETS	99,040	99,040		0.00%	99,040
Museum	80,040	80,040		0.00%	80,040
Environmental Health	12,480	12,480		0.00%	12,480
Market	179,840	179,840		0.00%	179,840
Park & Ride	401,350	401,350		0.00%	401,350
CURRENT BUDGET SHORTFALL	673,710	673,710		0.00%	673,710
Total	7,692,550	7,757,530	76,300	0.99%	7,768,850

As required by the Policy, the level of increase in fees and charges budgets for 2015/16 set out in the table at paragraph 1.3.8 of the report reflected consideration of the effect of increasing the charges, such as elasticity of demand and creating movement of users to competitors or ceasing to use a service. A number of services have either not proposed an increase or, where they have, the increase has not resulted in an increased budget. The reasoning behind these actions is all in line with the Policy's guidance.

Each service has been considered separately and in all cases the Policy has been followed. Brief explanations of the consideration officers have given to significant issues are set out in the following paragraphs:-

Fees & Charges Supporting Medium Term Financial Strategy

For comparison purposes, there was an average increase of 1.03% in these fees in 2014/15. An increase in income has the same effect as a saving on the corresponding budget.

The fees and charges policy identified current performance as a factor for consideration when setting future fees and charges. Officers considered this factor in setting the proposed fees and the result is an average increase of 1.45%.

Specific issues that were noted:

- a) It is possible that there will be a shortfall in a number of services areas. At this time most services have developed plans to mitigate the shortfall or remove it and the success of these plans will be monitored throughout the remainder of the year;
- b) There is currently a downturn in income from the crematorium that is unlikely to be mitigated;
- c) There is additional income from recycling and from garden waste bins;
- d) The increase in parking income is the result of increased usage.

Statutory Charges

(Set by others but may count as a saving)

These charges are set in accordance with regulation or specified by central government.

The environmental enforcement penalty charge is already set at the maximum. It is not expected at this time that statutory licensing income will increase in 2015/16.

Development Control charges were increased by an average of 15% in November 2012 by Central Government and have not been amended since that date. This income budget already reflects assumptions about increased income to fund additional staffing in 2014/15 and a further review of the level of staffing compared to the volume of applications is being completed. If a further increase in budget is possible without related increases in staffing costs this will be reported to Cabinet in February 2015, in time to be included in the final budget for 2015/16.

The fee for pre-application advice is set locally and the increase in income for Development Control reflects an increase in the hourly rate for this advice. As the increased salary cost has already been taken into account in the Medium Term Financial Strategy, this increase can be utilised to support the budget for 2015/16.

Review of Revenue Resources

Both Building Control and Land Charges have a statutory obligation to break even. Both services will consider any necessary increase following budget setting and, if necessary, report this to the relevant Cabinet Member.

Any increase set will not benefit the medium term financial strategy as it will be set to maintain a break even cost of service.

Pre-set Targets

These services have pre-set obligations such as the targets set through the Medium Term Financial Strategy in previous years. At this time no increases are proposed that will have an additional effect on income budgets.

Current Budget Shortfall

These services are currently reporting significant difficulty in generating income. Any increase in fees proposed is designed to support current targets.

Alternatives considered and why rejected

Cabinet Members could have considered their respective service proposals individually. This was not recommended as the consideration of the full range of fees and charges in this way enables the impact of all charges to be considered together. This gives Cabinet the ability to assess the impact of changes on individual customers. The consideration of fees and charges in this way removes the need to set a generic target for increases as part of the medium term financial strategy. This is in line with the approved policy on fees and charges.

The Cabinet could have agreed different increases to those proposed. Officers have considered all aspects of the policy in developing these proposals and they are in line with the factors set out earlier in this report.

Background Papers

None

Should you be concerned about this decision and wish to call it in, please submit a call in form signed by any two Non-Executive Members to the Head of Policy and Communications by: **30 December 2014**