

MAIDSTONE BOROUGH COUNCIL

CABINET

19 DECEMBER 2012

REPORT OF CORPORATE LEADERSHIP TEAM

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1. BUDGET STRATEGY 2013/14 ONWARDS – CORPORATE FEES AND CHARGES REVIEW

1.1 Issue for Decision

1.1.1 To set the appropriate level of fees and charges for 2013/14 for services where the Council raises income by charging the user of a service and where the setting of the fee to be charged is discretionary.

1.1.2 The Council has adopted a policy on the setting of fees and charges to ensure that a rational approach is used that takes account of all factors and creates a result that supports the priorities set out in the strategic plan.

1.2 Recommendation of Corporate Leadership Team

1.2.1 That the Cabinet approves the increases in fees and charges proposed by this report and set out in detail in **APPENDIX A**.

1.2.2 That the Cabinet approves the proposed changes to the budgets for fees and charges that occur as a consequence of the revision in fees and charges. The approved sum, as set out in paragraph 1.3.8 of the report, to then be a budget strategy saving for 2013/14.

1.3 Reasons for Recommendation

1.3.1 The Council adopted a Corporate Fees and Charges Policy in May 2009. The Policy sets out the approach that the Council requires in setting fees and charges, promotes consistency across the authority and is focused on the strategic aims of the authority.

- 1.3.2 The Policy covers fees and charges that are set at the discretion of the Council. It does not relate 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 budget strategy are included in the considerations in this report.
- 1.3.3 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 charges will be levied for a service unless justified by strategic consideration or legal constraints.
- 1.3.4 The Policy also proposes 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, hypothetically, the impact of eliminating that subsidy on the level of fees and charges, users and 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 prices 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 service;

- i) The corporate impact of Council wide pressures to increase fees and charges in other service areas;
- 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.

1.3.5 During the work on the budget strategy for 2012/13 the Cabinet tasked officers with completing a corporate review of all fees and charges and this was completed in December 2011. This report repeats that process for 2013/14 as requested by the Cabinet in July 2012.

1.3.6 The work completed last December created an average increase of 2.05% in the budgeted income from fees and charges for the current year. However, the Cabinet will be aware from the second quarter's budget monitoring report that income levels achieved in the first half of 2012/13 are below the midyear target. At September 2012 the shortfall in income was £0.12m and the predicted outturn was £0.2m as set out in the table at paragraph 1.3.8 below.

1.3.7 The detailed results of the review carried out this year are set out in **APPENDIX A** and the approval of Cabinet is sought to the amended fees and charges and the proposed income budgets for 2013/14.

1.3.8 The table below shows the 2012/13 budget and predicted outturn for income from the different fees and charges, the proposed budget increase that can be achieved from each proposal and the percentage increase in budget and proposes a level of budgeted income for 2013/14. The table is sub-divided by the effect any increase can have on the budget strategy.

Service Charge Type	2012/13 Original Estimate	2012/13 Projected Outturn	2013/14 Proposed Increase	Proposed Increase %	2013/14 Estimate
Community Development	20,990	20,990	400	1.91%	21,390
Cemetery	116,450	118,000	2,500	2.15%	118,950
Crematorium	1,039,050	1,039,050	23,650	2.28%	1,062,700
Licences	122,240	122,240	0	0.00%	122,240
Hackney and Private Hire Drivers Licences	40,250	40,250	0	0.00%	40,250
Licensing Statutory	130,000	130,000	1,320	1.02%	131,320
Recycling & Refuse Collection Total	576,830	600,000	0	0.00%	576,830
Conservation	21,470	15,000	0	0.00%	21,470
HMO Licensing	2,380	2,380	0	0.00%	2,380
Town Hall	2,150	2,150	0	0.00%	2,150
Parking Services	2,808,370	2,750,000	35,000	1.25%	2,843,370
SUPPORT TO BUDGET STRATEGY	4,880,180	4,840,060	62,870	1.29%	4,943,050
Environmental Enforcement	193,920	220,000	0	0.00%	193,920
Development Control-Planning	757,160	802,000	110,000	14.53%	867,160
STATUTORY CHARGES	951,080	1,022,000	110,000	11.57%	1,061,080
Building Control	404,770	360,000	0	0.00%	404,770
Development Control-Land Charges	253,750	253,750	0	0.00%	253,750
OBLIGATION TO BREAK EVEN	658,520	613,750	0	0.00%	658,520
Hazlitt Arts Centre	142,000	142,000	0	0.00%	142,000
Parks and Open Spaces	74,600	50,000	0	0.00%	74,600
Street Naming & Numbering	29,000	27,000	0	0.00%	29,000
PRE-SET TARGETS EXIST	245,600	219,000	0	0.00%	245,600
Environmental Health	17,180	16,000	0	0.00%	17,180
Market	209,840	170,000	0	0.00%	209,840
Museum	61,590	52,000	0	0.00%	61,590
Park and Ride	568,756	460,000	0	0.00%	568,756
CURRENT BUDGET IN SHORTFALL	857,366	698,000	0	0.00%	857,366
Total	7,592,746	7,392,810	172,870	2.28%	7,765,616

1.3.9 The level of increase in fees and charges budgets for 2013/14 set out in the table at paragraph 1.3.8 reflects 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.

1.3.10 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 are all in line with the Council's policy on setting fees and charges that has been outlined earlier in this report.

1.3.11 Each service has been considered separately and in all cases the policy has been followed. A brief explanation of the consideration officers have given to significant issues are given in the following paragraphs.

1.4 Fees & Charges Supporting Budget Strategy (increase available to count as a saving)

1.4.1 On average there was an increase of 2.98% in these fees in 2012/13. As mentioned earlier in this report the current income expectations are not being achieved at the mid point of the year and the year end prediction is a 2.6% shortfall across all fees and charges.

1.4.2 The fees and charges policy identifies current performance as a factor for consideration when setting future fees and charges. Officers have considered this factor in setting the proposed fees and the result is an average increase of 1.29%.

1.4.3 Specific issues that the Cabinet should note are:

a) Recycling & Refuse Collection is showing an increase in income generated in the current year. Longer term the consequences of this additional income will form part of the service changes following the commencement of the new service contract. At this time a separate income target of £50,000 has been set as part of the budget strategy without an increase in fee and it would be a duplication of the increase to include it in this report.

b) The Licensing Service is influenced by a number of fees and charges that are either statutorily controlled or set to break even. The service has considered increases where appropriate and will report to the Licensing Committee to seek approval to these fees. The expected increase is £1,320 but the service has generated income slightly above target in the last two years. As these are minor surpluses and the service is provided in partnership with other authorities in Kent it is felt prudent not to increase these targets outside of the partnership arrangement.

1.5 Statutory Charges

1.5.1 These charges are set in accordance with regulation. The environmental enforcement penalty charge is already set at the maximum. The Development Control charges have been increased by an average of 15% from November 2012 by Central Government and the increase is reflected here as an estimated increase in income of £0.11m

1.6 Obligation to Break Even

1.6.1 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 respective Cabinet Member.

- 1.7 Any increase set will not benefit the budget strategy as it will be set to maintain a break even cost of service.
- 1.8 Pre-Set Targets
- 1.8.1 These services have pre-set obligations and at this time no increases are proposed that will have an additional effect on income budgets.
- 1.9 Current Budget Shortfall
- 1.9.1 These services are currently reporting difficulty in generating income and any increase in fees proposed is designed to support current targets. In all cases managers are developing or implementing action plans following the identification of the concerns through the normal budget and performance monitoring processes in 2012/13.
- 1.10 Alternative Action and why not Recommended
- 1.10.1 The Cabinet could consider these proposals as individual Cabinet Members, as has happened in the past. This is 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 the 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 budget strategy. This is in line with the approved policy on fees and charges.
- 1.10.2 The Cabinet could agree 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.
- 1.11 Impact on Corporate Objectives
- 1.11.1 Increases in fees and charges can have a significant impact on the Council's objectives. The use of the policy as a guide to assessing an appropriate level of increase means that the most appropriate levels are proposed in this report.
- 1.11.2 The direct charging of a fee for a service reduces the level of subsidy required by all Council Tax payers and ensures a greater element of the cost is obtained from the service users where this approach is appropriate.
- 1.12 Risk Management
- 1.12.1 The major risk is that the proposed increases do not deliver the increased income expected. This expectation will form part of the budget strategy for 2013/14. If the income does not reach the levels

expected within the budget the Council will have to take corrective action to balance the budget.

1.12.2 This risk is faced by service managers every year and where the income generated is not sufficient to reach the budget corrective action is taken. In such cases the quarterly budget monitoring reports received by Cabinet will highlight any variances to Cabinet. In addition the constitution requires significant variances from income targets to be reported to the relevant Cabinet Member along with proposals to rectify any problems created.

1.13 Other Implications

1.13.1

1.	Financial	X
2.	Staffing	
3.	Legal	X
4.	Equality Impact Needs Assessment	X
5.	Environmental/Sustainable Development	
6.	Community Safety	
7.	Human Rights Act	
8.	Procurement	
9.	Asset Management	

1.13.2 **Financial** – the proposals in this report will provide £172,870 towards the requirements of the budget strategy 2013/14 onwards that is reported elsewhere on this agenda.

1.13.3 **Legal** - a number of the fees and charges made for services by the Council are set so as to provide a service at cost. These services are set up as trading accounts to ensure that the cost of service is clearly related to the charge made. In other cases the fee is set by statute and the Council must charge the set fee. In both cases the proposals in this report meet the Council’s obligations.

1.13.4 The fee or charge for a service, to be collectable through legal action in circumstances where a customer defaults must be clearly defensible. Adherence to the policy on setting fees and charges provides Cabinet with some assurance that appropriate factors have been considered in setting these charges.

1.14 Equality Impact Assessment

1.14.1 The objective of the review of fees and charges in this corporate way, including a focus on the factors required by the corporate policy minimizes the opportunity for unintended disadvantage to be created. The overview granted to Cabinet by this single report also reduces the possibility of an unintentional focus on a single group by multiple separate decisions.

1.15 Relevant Documents

1.15.1 Appendices

a) Appendix A – Schedule of all fees and charges by service.

1.15.2 Background Documents

IS THIS A KEY DECISION REPORT?

Yes

No

If yes, when did it first appear in the Forward Plan?

September 2012

This is a Key Decision because:

A budget Strategy report

Wards/Parishes affected:

All