

MAIDSTONE BOROUGH COUNCIL

**STRATEGIC LEADERSHIP AND CORPORATE SERVICES
OVERVIEW AND SCRUTINY COMMITTEE**

TUESDAY 6 JANUARY 2015

REPORT OF HEAD OF FINANCE AND RESOURCES

Report prepared by Paul Riley

1. BUDGET STRATEGY 2015 16 ONWARDS – FEES & CHARGES

1.1 Issue for Consideration

1.1.1 This report represents the formal consultation on the decision made by Cabinet on 17th December 2014 in setting the level of fees and charges for 2015/16 and the impact of the proposed fees and charges on the Council's medium term financial strategy.

1.1.2 The charges are 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.

1.2 Recommendation of Cabinet

1.2.1 That Strategic Leadership and Corporate Services Overview and Scrutiny Committee consider the decisions of Cabinet set out below and make any recommendations to the Cabinet at its meeting on 11th February 2015.

1.3 Cabinet Decision

1.3.1 Cabinet approved the proposed fees and charges for 2015/16 totalling an additional £76,300 as set out in detail in Appendix A.

1.3.2 Cabinet approved 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.

1.3.3 Cabinet instructed officers 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.

1.4 Background

- 1.4.1 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.
- 1.4.2 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. However consideration of any known changes to such fees and charges and any consequence to the medium term financial strategy are detailed in this report.
- 1.4.3 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 a charge will be levied for a service unless justified by strategic consideration or legal constraints.
- 1.4.4 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 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.

1.4.5 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.

1.4.6 Cabinet is aware from 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.

1.4.7 The detailed results of the review carried out this year are set out in **Appendix A** and the approval of the Cabinet was given to the amended fees and charges for 2015/16.

1.4.8 The table below summarises the 2014/15 estimate and predicted outturn for income from the different fees and charges. It shows 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 the approval of the Cabinet is 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

1.4.9 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 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. 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.

1.4.10 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.

1.5 Fees & Charges Supporting Medium Term Financial Strategy

1.5.1 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.

1.5.2 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 1.45%.

1.5.3 Specific issues that the Cabinet should note are:

- 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.

1.6 Statutory Charges
(Set by others but may count as a saving)

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

1.6.2 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.

1.6.3 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.

1.6.4 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.

1.7 Review of Revenue Resources

1.7.1 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 relevant Cabinet Member.

- 1.7.2 Any increase set will not benefit the medium term financial 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 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.
- 1.9 Current Budget Shortfall
- 1.9.1 These services are currently reporting significant difficulty in generating income. Any increase in fees proposed is designed to support current targets.
- 1.10 Alternative Action and why not Recommended
- 1.10.1 Cabinet Members could consider their respective service proposals individually. 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 medium term financial 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 a correct 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 recovered directly from the service users where this approach is appropriate.
- 1.12 Risk Management

1.12.1 The budget expectation will form part of the medium term financial strategy for 2015/16 and the major risk is that the proposed increases do not deliver the additional income that is reflected in the budget once it is approved. 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 that any significant variances from income targets are reported to the relevant Cabinet Member along with proposals to mitigate any issues that arise as a result.

1.13 Other Implications

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	

1.13.1 **Financial** – The proposals in this report will provide £76,300 toward the requirements of the medium term financial strategy 2015/16 onwards that is reported elsewhere on this agenda.

1.13.2 **Legal** - A number of the fees and charges made for services by the Council are set so as to provide the 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.

1.13.3 Where a customer defaults the fee or charge for a service must be defensible, in order to recover it through legal action. Adherence to the policy on setting fees and charges provides Cabinet with some assurance that appropriate factors have been considered in setting these charges.

1.13.4 **Equality Impact Assessment** – The objective of the review of fees and charges in this corporate way, including a focus on the factors required by the corporate policy minimises 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.

1.14 Relevant Documents

1.14.1 Appendices

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

<u>IS THIS A KEY DECISION REPORT?</u>			
Yes	<input checked="checked" type="checkbox"/>	No	<input type="checkbox"/>
If yes, when did it first appear in the Forward Plan?			
.....			
This is a Key Decision because:		Budget Strategy Report	
.....			
Wards/Parishes affected:		All	
.....			