

## FEES & CHARGES INCOME 2011/12 – FINAL REPORT

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### Summary

1. The report provides Cabinet with an update on the work undertaken by the Council to review income budgets for 2011/12 and the associated fees and charges. This builds on the report provided to Cabinet on 21<sup>st</sup> July 2010 and will form the basis of the schedule of fees and charges to be agreed by Council on 9<sup>th</sup> December 2010. As part of the budget process actual income levels in 2010/11 have been considered and where service areas are under/over achieving against current income targets. The level of fees and charges have been set with a view to achieving budgeted income levels in 2011/12.
2. The report highlights statutory fees and charges, trading accounts and charges to other bodies which are subject to a 1% inflation assumption. It also shows options considered for inflating discretionary fees and charges and recommends the Council adopts a policy to inflate by RPIX + 4% (8.6% in 2011/12). Some fees and charges have been subject to a more thorough review and these are also highlighted.
3. In total, additional income of £1,683,000 is expected to be generated from these changes to fees and charges over and above the income levels built into the budget strategy. However, due to budget pressures in the car parks income budget only £1,433,000 will be incorporated into the budget strategy for 2011/12. Fees and charges will be increased on 4<sup>th</sup> January 2011, where possible, so as to generate additional income to the Council in the current financial year

TABLE 1 – Fees & Charges 2011/12

	Fees & Charges 2010/11	Income Inflation Assumption (1%)	Additional Income from change in policy on fees & charges (RPI+4%) (8.6%)	Service Reviews	Total additional income to be included in budget build-up	Fees & Charges 2011/12	Increase
	£000	£000	£000	£000	£000	£000	%
CYPS	7,550	76	271	120	466	7,016	6.2%
Community Services	42,176	422	1,500	109	2,030	44,206	4.8%
Development Services	15,945	159	492	1,017	1,669	17,614	10.5%
Resources							
- Financing Charges	1,436	15	0	1	16	1,452	1.1%
- Other Services	16,533	165	36	0	202	16,735	1.2%
Corporate & Democratic	372	4	7	30	41	412	10.8%
Legal & Democratic	639	6	36	0	43	682	6.7%
	<b>84,651</b>	<b>847*</b>	<b>2,342</b>	<b>1,277</b>	<b>4,466</b>	<b>89,117**</b>	<b>5.3%</b>

\* includes £308,000 relating to discretionary fees and charges subject to the Councils inflation policy for discretionary fees and charges.

\*\* the budgeted income for 2011/12 will be reduced by £250,000 to reflect the under recovery in car parking income. The total budgeted fees and charges for 2011/12 will be £88.867 million

## Recommendations

Cabinet are asked to;-

- A. Recommend to Council that for 2011/12 and future years the Council adopts a policy to inflate discretionary fees and charges by the retail price index excluding mortgage interest payments (RPIX), as at the September preceding the financial year, plus 4%.
- B. Recommend to Council that increases to discretionary fees and charges are implemented on 4<sup>th</sup> January 2011 or as soon as practical thereafter.
- C. Note the statutory fees and charges over which the Council has no discretion attached at Appendix A for information.
- D. Note the fees and charges which generate ring fenced income and trading accounts where the Council is required to set charges at a break-even level attached at Appendix B for information.
- E. Note that an inflationary increase to the Council's discretionary fees and charges in line with the above policy will generate additional income of £2,342,000 per annum over and above the 1% income inflation assumption. A breakdown of these fees is shown at Appendix C.
- F. Note that service reviews generate additional income of £1,277,000 which has been incorporated into the budget strategy. A breakdown of these fees is attached at Appendices D and E.

## REPORT

### Background

4. Fees and charges represent a significant source of finance for Shropshire Council. In 2010/11 the Council is expected to receive almost £84.7 million in fees and charges. It is important that fees and charges are set at an appropriate level so as to maximise income to the Council.
5. Shropshire Council provides a wide range of services for which fees and charges can be made. Some of these fees and charges are set at a statutory level such as planning application fees and environmental protection fees. Others are discretionary and the Council has the ability to decide upon an appropriate charge for the services. Examples include leisure centre charges and crematorium fees.
6. In addition, the Council provides a range of services to other public sector bodies and other external bodies for which charges are made. For example, the Council recovers costs for services provided to the PCT and for special educational child placements into Shropshire schools from other local authorities.

7. When the budget strategy for 2011/12 was initially drawn up, an assumption was made that overall income levels could be increased by 1%. To this end the budget build up included resources of £847,000 from a 1% increase in fees and charges across the board (£84.7 million x 1%).
8. Fees and charges for the five former district authorities were equalised across the county for a wide range of services on 1<sup>st</sup> April 2009. The Council remains committed to equalising fees and charges across the county of Shropshire.
9. Work is now almost complete in a number of areas where more detailed reviews of fees and charges were needed.

### **Income Forecast 2010/11**

10. The Revenue Monitor 2010/11 Month 6 (September 2010) identified that the Council's Fees and Charges budget is projected to under-recover by £655,000 in the current financial year. This overspend is largely due to expected shortfalls in income relating to car parking charges and planning applications.
11. As part of the budget process action will be taken to deal with lower than anticipated income and this action will depend on whether the shortfall is considered to be a short term or long term issue caused by changes in demand from price elasticity in the economic downturn, for example.
12. Car parking income is forecast to be around £300,000 lower than budgeted in 2010/11 although this has been partly offset by higher than expected income from parking enforcement. It is anticipated that as the economic downturn lifts there will be an upward trend in car park income and the income target will be more achievable in future years. In addition the parking strategy (reported to Cabinet in December) will be based on an assumption that parking charges will increase by RPIX + 4% in future years.
13. Fee income from statutory planning and regulatory functions such as local land charges, building control and planning applications is projected under-recover by over £350,000 in the current financial year. The slowdown in the housing and construction sectors have impacted on income levels and a trend analysis indicates that if the situation does not improve in the near future then expenditure will need to be reviewed to bring it into line with expected future income levels by April 2011.

### **Statutory Fees & Charges**

14. In order to give a complete picture the report highlights the statutory fees over which the Council has no discretion. Statutory fees and charges for the Council are outlined in Appendix A.
15. Services such as planning have a statutory fixed fee imposed whereas other services such as the provision of certain licenses will have a statutory maximum fee level. Statutory fees for 2011/12 have yet to be published. For example license fees for petroleum, firework and explosive licences will not

be published until March 2011. These fees will be changed in line with the statutory guidance following publication.

16. Services such as Building Control have a statutory responsibility to set fees and charges at a break-even level. The Council is unable to make a surplus on these activities.
17. For planning purposes it has been assumed that income from fees and charges in this category will increase by 1% overall.

### **Ring-fenced Fees and Charges**

18. There are a number of business units that operate as trading accounts. Any additional income generated from increases in fees and charges in these areas is ring-fenced to be used within the service. Similarly any deficit on trading activities has to be managed within the service. Examples include, Landlord Services and Shire Services.
19. Landlord Services have conducted reviews in a number of areas as part of their Service Improvement Plan. The costs of providing community alarms have been reviewed with a view to achieving self financing by April 2012. There is also an ongoing plan to harmonise garage rents for Bridgnorth and Oswestry over a three year period to 2012/13. A management review of the garage service is being conducted on the maintenance and disposal of garages with a view to reducing the number of empty garages and possible sale of land. This review may result in changes to service provision and the fees and charges payable to the Housing Revenue Account.
20. In addition, schools generate income through fees and charges. For example, room lettings to external organisations and community groups provide a useful source of income for schools. This income is ring-fenced to be used within schools.
21. Details of proposed fees and charges on trading accounts are outlined in Appendix B.

### **Inflation Policy for Discretionary Fees and Charges**

22. In recent years, the Council has inflated income budgets in line with the price inflation assumption incorporated into the budget strategy. It is important that the income generated from discretionary fees and charges continues to keep pace with inflation and provide an important source of funding for the Council.
23. The Government utilises the Retail Price Index excluding Mortgage Interest Payments (RPIX) for its Revenue Support Calculations and it is proposed to use this as a basis for inflating fees and charges in future years. In July, Members will recall being informed of a plan to increase fees and charges by RPIX (as at the September preceding the budget process) plus 2%. In September 2009 the RPIX was 1.3% and it was therefore proposed to increase discretionary fees and charges by 3.3% in 2011/12 (i.e. 1.3% + 2%) and this was built into the budget strategy.

24. The RPIX index for September 2010 has recently been published which indicated an inflation rate of 4.6%. The inflation policy for discretionary fees and charges has therefore been reviewed and the following options considered:-

**TABLE 2 – Discretionary Fees and Charges Inflation Policy Options**

	Estimated Income £000	Additional Income £000
RPIX at Sept 2009 +2% (i.e. 3.3%) (currently built into budget)	1,017	0
Changing to RPIX at Sept 2010 +2% (i.e. 6.6%)	2,034	1,017
Changing to RPIX at Sept 2010 +3% (i.e. 7.6%)	2,342	1,325
Changing to RPIX at Sept 2010 +4% (i.e. 8.6%)	2,650	1,633

Note : the result of this change in policy, plus an additional £50,000 achieved from service reviews (below) has resulted in additional income of £1,683,000 which is above that already included in the budget strategy. Due to budget pressures in the Car Parking income budget additional income of only £1,443,000 will be built into the budget strategy.

25. It is proposed the Council adopts a policy of inflating discretionary fees and charges by RPIX (as at the September preceding the start of the financial year) plus 4%. Discretionary fees and charges will increase by 8.6% in 2011/12 (i.e. 4.6% + 4%). This inflation policy for discretionary fees and charges will be adopted by the Council for future years and will be incorporated into the Council's Medium Term Financial Plan.
26. The report summaries discretionary fees and charges for 2011/12 where an increase in line with the Council's inflation policy for discretionary fees and charges is proposed. These fees and charges are shown in Appendix C.

### Reviews of Discretionary Fees and Charges

27. As part of the budget process Directorates have conducted a range of service reviews with a view to generating additional income. Directorates have considered new areas of charging as well as reviewing existing fees and charges. This report brings together reviews that have been highlighted to Members previously in the Fees and Charges report presented to Cabinet on 21<sup>st</sup> July 2010 and as part of savings proposals shown within the Revenue Budget report presented to Cabinet on 15<sup>th</sup> September 2010.
28. In determining income budgets for 2011/12 and the associated fees and charges Directorates have considered a range of overarching principles including:-
- the impact of any change in charges on the level of total income available to the Council and the requirement to achieve budget savings.
  - the extent to which the market is able to bear the proposed level of fees and charges.
  - the timescale for introduction of any new fees and charges and whether it is appropriate to phase in increases.
  - the concessionary rates that should apply to particular groups of service users.
  - the cost of collection and whether these may outweigh the income generated,

- any consultation requirements that have to be met prior to revision of charges,
  - whether the Council has the legal power to charge for a service
  - the local impact of an increase / decrease in fees and charges.
  - the additional risk inherent in placing reliance on fee income as a fundamental source of council resources.
29. The report highlights in Appendix D details of discretionary fees and charges following these reviews.
30. Attached at Appendix E is a summary of the range of reviews that have been conducted and their outcome on the 2011/12 Revenue Budget. It also highlights areas where a review has been conducted but after consideration of the above principles fees and charges have not been changed.

### **Community Services**

31. Community Services have highlighted the following areas that have been subject to review or are expected to generate additional income for the Revenue Budget in 2011/12;-
- Wedding / naming ceremonies at Shrewsbury Castle
  - Countryside access charges
  - Secret Hills Discovery Centre
  - Swimming lessons
  - Improved indoor leisure facilities
  - Theatre Severn pantomime
32. Other discretionary fees and charges will be increased in line with the Council's inflationary policy for discretionary fees and charges.
33. Full details of these reviews and the additional income expected are described in Appendix E.

### **Children & Young Peoples Services**

34. Children & Young Peoples Services have indicated that they are proposing to increase fees and charges in line with the Council's inflation policy for discretionary fees and charges.
35. The following areas that have been subject to review and are expected to generate additional income for the Revenue Budget in 2011/12;-
- Post 16 Home to College Transport
  - New charging policy for Early Years' courses
36. Children & Young Peoples Services will implemented a higher than inflationary increase in post-16 transport in September 2010. It is expected that policy changes will deliver a maximum of £25,000 per annum additional income in 2011/12. A new charging policy for Early Years courses has also been developed.

37. Full details of these reviews and the additional income expected are described in Appendix E.

### **Development Services**

38. Development Services receive over £9 million per annum in income from statutory fees and charges and charges to other bodies. These are subject to the Council's inflation assumption of 1%. Discretionary fees and charges are being increased in line with the Council's inflation policy for discretionary fees and charges. However, a number of services have been subject to a more thorough review.
39. Development Services have highlighted the following areas have been subject to review or are expected to generate additional income for the Revenue Budget in 2011/12:-
- Environmental Health e.g. pest and dog control, abandoned vehicles
  - Planning maps and local plan related fees
  - Railcards
  - Highways charges e.g. road closures, inspections and permits
  - Car parking enforcement fines
  - Crematorium
  - New Roads & Street Works Act and related charges
  - Traffic – charging for discretionary services
  - Rental income associated with depots / offices
  - Cover for shortfall in Landfill Allowance Trading Scheme income assumptions
  - Market Drayton and other bus station charges
  - Car parking charges (Parking Strategy)
  - Contribution to Housing Enablement Rural Enabler
  - Provision of Housing Strategy expertise to other local authorities
  - Introduction of mineral and waste enforcement charges
  - Tree safety inspections and advice charges
  - Rent on industrial units
  - Pre-application planning advice charges
  - Park & Ride fares and concessions
  - Removal of pre 9.30 am public transport concessions
40. Full details of these reviews and the additional income expected are described in Appendix E.

### **Resources, Chief Executives, Legal & Democratic Services**

41. It is proposed that the fees and charges in these areas are increased fees in line with the Council's inflation policy for discretionary fees and charges.
42. It has been highlighted the following areas have been subject to review and are expected to generate additional income for in 2011/12:-

- Room Hire
- Customer Services advertising income

43. Full details of these reviews and the additional income expected are described in Appendix E.

### **Concessions**

44. The Council applies concessionary fees and charges for particular groups of service users who wish to access Council services. Concessionary rates are typically applied to children and older people. Details of concessions on discretionary fees and charges are shown within Appendix C.
45. Leisure Services provide concessions as part of "BeActive". These concessions entitle eligible people up to 50% discount on activity sessions, including some provided by the Outdoor Recreation Team and programmed swimming lessons.
46. The Council also provides concessions for services in accordance with national guidance where appropriate. For example, free school meals are provided in accordance with the nationally set eligibility criteria.

### **Value Added Tax (VAT)**

47. In June it was announced in the Emergency Budget that the rate of value added tax would rise from 17.5% to 20% on 4<sup>th</sup> January 2011. The fees and charges shown in this report which are inclusive of VAT incorporate this increase.

### **Implementation Timescale**

48. Early implementation of the fees and charges outlined in this report will generate additional income to the Council in the current financial year. Where practical it would be advantageous to increase fees and charges on 4<sup>th</sup> January 2011 to coincide with the increase in VAT. This would mean that there would only need to be one change to fee schedules and point of sale machines.
49. A small number of fees and charges are subject to statutory consultation periods or require a notification period prior to implementation. Directorates will endeavour to increase these fees and charges as soon as practical after 4<sup>th</sup> January 2011.

### **Risk Assessment**

50. Raising the level of income the Council generates from fees and charges creates additional financial risk to the Council as it becomes increasingly dependent on trading levels and the general health of the economy to achieve its budget.
51. Increasing fees and charges also has the potential to reduce the overall income available to the Council if trading volumes fall as a result of the price increase. Services areas which have private sector competitors or are discretionary elements of household expenditure are particularly susceptible



to falling transaction levels as a result of competition or a downturn in the economy.

52. Services have considered these risks when setting fees and charges. Actual income levels will be closely monitored against budget as part of the monthly financial monitoring process to give an early indication of service areas failing to meet their income targets.

### Financial Implications

53. Applying the Council's inflation policy to discretionary fees and charges together with service reviews generates £4,466,000 per annum (outlined in Table 1). This represents an additional income of £1,683,000 against our planning assumptions. However, due to an under recovery in the current car parking income budget which is expected to continue into the next financial year the additional income to be built into the budget strategy for 2011/12 will be £1,433,000. The budgeted fees and charges income for 2011/12 will be £88.9 million.
54. A detailed breakdown of the budgetary increase in fees and charges by Directorate are shown in Appendix F.

**List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)**

Cabinet, Fees and Charges 2010/11, 6<sup>th</sup> January 2010

Cabinet, Revenue Budget 2011/12 and Medium Term Financial Plan 2011/12-2014/15

**Human Rights Act Appraisal**

There are none arising directly from this report

**Environmental Appraisal**

The activities identified within this report should not result in a negative environmental impact.

**Risk Management Appraisal**

Any risks associated with fees & charges are considered as part of the decision making process. A risk assessment is included within the report.

**Community / Consultations Appraisal**

Any consultations required will be conducted prior to the implementation of the fees and charges for 2011/12

**Member Champion**

Cllr Keith Barrow

**Local Member**

All Local Members

**Appendices**

A – Statutory Fees & Charges

B – Trading Account Fees & Charges

C – Discretionary Fees & Charges – Inflationary Increase

D - Discretionary Fees & Charges – Service Review

E – Income Reviews 2011/12

F – Additional Income Budget Build-Up 2011/12

