

SCALE OF FEES AND CHARGES

Submitted by: Executive Director – Resources and Support Services

Portfolio: Finance and Budget Management

Ward(s) affected: All

Purpose of the Report

To obtain approval for the proposed scale of fees and charges to apply from 1 April 2013.

Recommendation

That the fees and charges proposed to apply from 1 April 2013, as set out in Appendix A be approved and be submitted to the Transformation and Resources Overview and Scrutiny Committee for comment.

Reasons

It is necessary to review the fees and charges which the Council makes in order to keep them in line with the cost of service provision and to establish the amounts to be included in the 2013/14 budget.

1. Background

- 1.1 The Cabinet is asked annually to consider proposals for the fees and charges to be applied during the following financial year. It is proposed that the new fees and charges set out at Appendix A should take effect from 1 April 2013 and remain in force until 31 March 2014.
- 1.2 The Council has an approved Charging Policy, which is followed when fees and charges are proposed and agreed. This sets out the criteria that should be taken into consideration when determining the amounts to be charged.

2. Issues

- 2.1 The preparation of the 2013/14 budget assumes an overall 2.0% increase in the amount of income raised from fees and charges in 2013/14 in line with assumptions about the rate of inflation over the period that these charges will be in force, reflecting the real increases in costs being incurred by services. The proposals have been drawn up taking account of this requirement. However, this does not mean that each charge has been increased by 2.0%, rather that charges have been amended selectively in order to achieve the desired increase in income, a great number of charges are, in fact, recommended to be frozen at their current levels.
- 2.2 Most of the fees and charges are inclusive of VAT but in some cases no VAT is chargeable. The VAT status of individual fees and charges is shown on the attached schedule, Appendix A.
- 2.3 When considering the level of fees and charges the principles contained in the Charging Policy should be followed. In drawing up the proposed charges for 2013/14 these have been considered and evidenced by the completion of a simple pro-forma document indicating the answers to a series of questions linked to the Charging Policy principles, principally in relation to those set out below:

- The income which is being collected at current charging levels and whether this is in line with budget forecasts.
- The cost of service provision compared to the charges being made.
- The use being made of the service, including by classes of user, and whether this shows they are using the service to the extent intended or if any are being deterred from using it.
- Whether concessions are being taken up by the people at whom they are targeted
- The impact of charges on local people.
- Where the charges are set to either encourage or deter activity, whether this is happening.
- Comparisons with charges being made by neighbouring or similar councils or by other organisations providing similar services.

- 2.4 It is perfectly acceptable for charges to be set at a level where costs are not fully recovered. There may be particular reasons for doing so, such as a desire to encourage take up of a service by specified groups, for example young people or the unemployed, or to encourage particular forms of behaviour by charging less than cost. However, the decision to charge less than cost ought to be a conscious one, taken by members and justified by reference to the reasons for setting charges at less than cost as set out in the charging principles contained in section 5 of the Charging Policy. These are shown in full, for reference, at Appendix B.
- 2.5 The Scale of Fees and Charges at Appendix A shows the current and proposed fees for 2013/14 and indicates those which have been frozen at current levels. A number of particular areas are worthy of comment and these are set out in the following paragraphs.
- 2.6 **Car Parking Charges** - the Council recognises the need to promote and maintain economic activity within its town and district centres. The provision of car parking facilities and the level of charges made for parking are factors which influence the number of visitors, particularly to Newcastle town centre. Accordingly, fees charged at all of the Council operated car parks available for use by visitors to Newcastle town centre are recommended to be frozen at their current levels. One notable addition is the introduction of a full day parking rate of £6.00 in respect of both the Midway and Rycroft car parks. This provision was introduced earlier this year in order to meet specific customer demands.
- 2.7 **Market Charges** - similarly, market stall charges are recommended to be held at current rates, apart from the antiques market, where charges are to be reduced by £2.50 per stall per day and bric-a-brac stall charges which are to be increased by £1 per stall per day. This is considered important as a successful market contributes significantly to the vitality of the town centre and its attractiveness to visitors.
- 2.8 **Jubilee 2** - The business plan for Jubilee2 allows for an increase in fees and charges of 2% and a 1% increase in participation year on year. Income and participation targets have been exceeded in the first year of operation. The majority of income is generated through the membership scheme which in most cases is collected by direct debit. One of the major concerns of members throughout 2012 has been the cost of car parking while visiting Jubilee2. Therefore since 2 January 2013 the additional member benefit of 2 1/2 hours free parking for up to 5 times a week on the School Street Car Park has been introduced. In order to maintain positive income levels so we can continue to offer continuous improvement in the services at Jubilee2 it is proposed to increase all categories of memberships at Jubilee2 by £2 a month. This enables many of the 'pay and play' prices to remain frozen and still maintains income and participation levels above those initially set, so that Jubilee2 can continue to develop services, for example a Junior Activity Membership (JAM) scheme

is being launched in January 2013. This is for 12 to 17 year olds and includes swimming, the gym (3.00pm to 5.30pm Monday to Friday and 10.00am to 5.00pm at weekends), JAM climbing wall sessions, JAM group exercise classes and extended access during school holidays.

- 2.9 **Land Charges** - fees have to be set at a level intended to achieve a break even position. Accordingly, the position has been reviewed and revised fees have been calculated to achieve this.
- 2.10 **New Charges** - A study was commissioned from accountancy firm Deloitte to examine the Council's fees and charges, comparing them with those made by a range of other local authorities for whom similar work had been carried out. This was a County-wide project, financed by the West Midlands Improvement and Efficiency Partnership. The resulting report identified a number of areas where there appeared to be scope for increasing income from existing charges. In addition it identified some activities for which no charge is currently made but could be charged for and some activities which are not currently carried out but could be charged for, if they were. In both of these cases some authorities do make a charge. Of the suggestions made, three are feasible for implementation to take place in 2013/14: charging for pre-planning advice, charging developers for the naming of streets and numbering of properties and householders for the naming of dwellings and some new charges relating to bereavement services, specifically in respect of memorial vases and memorial trees and shrubs and for the renewal of exclusive rights of burial. Whether or not to charge for pre-planning advice will require further member approval, which is to be sought from Cabinet on 6 February 2013. Therefore, proposed charges are not included in the scale of fees and charges at Appendix A. If approval is obtained to make a charge for this service, then the fees approved by Cabinet will be included in the published scale. With regard to charging for street naming and the numbering/naming of properties, proposed fees are included in the scale as are the additional bereavement services charges.
- 2.11 Due to the commercial sensitivity of the proposed charges for the trade waste service, these are not included on part 1 of the agenda and are exempt from publication by reasons of paragraph 3 of part 1 of schedule 12a of the Local Government Act 1972. The proposed charges can be found in part 2 of the agenda.

3. **Options Considered**

- 3.1 No price increase, increase in line with inflation or increase above inflation.

4. **Proposal**

- 4.1 To increase income from fees and charges for 2013/14 sufficiently to result in additional income in line with the assumptions in the Medium Term Financial Strategy (MTFS). This can be achieved by selectively varying individual charges, freezing some which are sensitive to customer demand and introducing some new charges.

5. **Reason for Preferred Solution**

- 5.1 Applying selective increases to fees and charges so that overall an increase in income equivalent to the 2.0% assumption contained in the MTFS will contribute to the delivery of a sustainable budget for 2013/14 and later years and should help to keep them in line with the cost of service provision.

6. **Legal and Statutory Implications**

- 6.1 Statutory charges are included in the scale of fees and charges, and are noted as such. These are set by the government rather than by this Council. Land Charges fees are set in accordance with a statutory requirement to balance income with expenditure. All the other charges may be set by the Council in accordance with its Charging Policy.

7. **Equality Impact Assessment**

- 7.1 Because of the wide variety of activities which are subject to fees and charges and the tailoring of some of them to suit particular types of customer there will be a differential impact, for example between adults/young persons, employed/ unemployed, pensioners/others, etc.

8. **Financial and Resource Implications**

- 8.1 The approved levels of fees and charges will be incorporated in the General Fund Budget for 2013/14.
- 8.2 The Medium Term Financial Strategy (MTFS) assumes increased income of £105,000 in total from fees and charges, based on an average increase of 2.0 per cent across the existing range of fees and charges. In addition it includes income arising as a result of the Deloitte's Income Project, estimated at £25,000, referred to in paragraph 2.9.
- 8.3 An assessment has been made of whether the application of the proposed fees and charges will achieve the amount of income assumed in the MTFS for 2012/13. Overall, it appears that this should happen but this depends upon the level of activity not reducing significantly in 2012/13 in relation to the major sources of income. As the last two years have shown, the current economic recession makes it difficult to predict with any degree of confidence what the likely trends in income will be.
- 8.4 It should be noted that the income from fees and charges will be included in the 2013/14 revenue budget on the basis of current activity levels. For the last three years income has been included at levels which prevailed prior to the current economic recession, i.e. at the level included in the 2008/09 budget. To recognise that income would be reduced as a result of the recession, a provision of £200,000 for loss of income was included in the 2012/13 budget. As has been reported in outturn and budget monitoring reports, the actual income received in a number of major income earning areas affected by the slowdown in economic activity, such as planning fees, land charges fees and parking fees, has fallen short in total, in each of these years, by more than the amount provided for. Until the recession recedes this situation is likely to continue. It is, therefore, considered more appropriate to allocate the provision for income shortfalls across the income budgets affected in order to provide a realistic budget for managers to control. At the same time the provision for income shortfalls will be increased in the 2013/14 budget by a further £300,000 which recognises the actual experience over the last three years, to make a total provision of £500,000, the majority of which will be allocated to individual budget heads.

9. **Major Risks**

- 9.1 A major risk is that the current economic recession leads to less demand from users of Council services, resulting in significant loss of income. This is already happening, as outlined in paragraph 8.4 above. The level of charges will in some cases influence this demand.

10. **Key Decision Information**

10.1 This is a key decision; it has been included in the Forward Plan.

11. **Earlier Cabinet/Committee Resolutions**

11.1 Last reviewed at Cabinet meeting on 18 January 2012.

12. **List of Appendices**

Appendix A - Listing proposed charges from 1 April 2013.

Appendix B - Charging principles included in Charging Policy.

5. CHARGING PRINCIPLES

- 5.1 Charges should be made for services whenever the Council has a power or duty to do so.
- 5.2 There will be an initial presumption that charges to be made for the provision of a service will be set at a level intended to recover the cost of providing the service.
- 5.3 However, this presumption may be modified by the application of the charging principles set out at 5.5 below, which may result in no charge being made or a lesser charge being made or in some cases a charge being made which is greater than that required for cost recovery.
- 5.4 No charge will be made in cases where the Council is not permitted to charge by law. Where charges are set by external bodies, those charges will be applied. Where maximum or minimum charges are specified externally, charges will be set in compliance with those requirements.
- 5.5 The following matters will be considered when deciding whether to set a charge, which is not to be based on cost recovery. The headings in bold indicate general areas for consideration and the bullet points below them are particular factors which should be taken into account where relevant.

The cost of providing the service

- All direct costs are to be included.
- All overheads related to the provision of the service, which may be attributed to the cost of the service, are to be included.
- Best estimates may be made of costs where it is not practical to obtain precise data or identify precisely those overheads attributable to the service.
- Unit costs are to be calculated by reference to realistic user numbers based on actual experience, either in relation to this Council or, if appropriate comparable services elsewhere.

How much income is it desired to generate and why?

- Is the service required to make a surplus or break-even?
- Does income from the service make a significant contribution to reducing the net amount of the Council's revenue budget?
- Have any targets been set for the income or class of income of which it is a component?
- Is income needed to fund future investment?

Comparison of charges made by neighbouring or similar councils or other providers of similar services

- In making this comparison it will be necessary to establish whether the services being provided by these other bodies are comparable to those provided by the Council and to make adjustments where this is not so.
- Is there a logical reason for significant differences between this Council's charges and those of others?
- Will customers be lost to other service providers if charges are set too high?

Whose use of services is it desired to subsidise and by how much?

- Can all potential users afford to pay the full cost of the service or the same charges as other users?
- Is it desirable to subsidise all users of the service, for example because there is likely to be a desirable outcome for the community as a result
- Are there particular classes of users that should be subsidised, such as the unemployed, benefits recipients, the elderly, disabled persons or children?
- Should subsidies be given by reducing the charges payable or by offering concessions to offset the charge?

Whose behaviour is it desired to influence and in what ways?

- Is it desirable to influence users to use particular facilities, for example where they are under-used, by charging less for their use than for other similar ones?

- Is it desirable to persuade users to behave in a way which is more acceptable to the community in preference to any other or others less acceptable and can this be promoted by setting charges at a level which might achieve this?
- Is it desired to promote a particular pattern of use, for example short stay parking as opposed to another, such as long stay parking or to discourage peak time use of facilities?
- Should some behaviour or activities be discouraged by setting high charges or penalties?
- Can anti-social behaviour be reduced by charging for services which discourage people from behaving irresponsibly at a level which they will find attractive, for example charges for the collection of bulky waste to discourage fly-tipping?
- Are there desirable outcomes which the Council wishes to see realised, in line with its corporate objectives, which could be assisted through the charging regime, for example maintaining the economic vitality of the town centres through the provision of reasonably priced facilities such as car parking?

How will charges help to improve value for money, equity and access to services?

- What are users' perceptions with regard to what constitutes a fair and reasonable charge?
- Are there any issues relating to social inclusion or equalities?

Will the cost (including staff time) of collecting the income due outweigh the amount of income likely to be collected?

- Is it worth making a charge?
- Should a charge be made anyway as a matter of principle?

Any other relevant factors

It will be a matter for the Council to determine what the charge will be, based on its consideration of the above factors.

5.6 Where, without prior agreement by the Council, individuals or organisations engage in activities that result in a cost to the Council, the Council will seek to recover this cost, wherever possible.