

REPORT TITLE: BUDGET UPDATE - FEES AND CHARGES

22 JANUARY 2020

REPORT OF CABINET MEMBER: Councillor Cutler, Cabinet Member for Finance and Risk

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WARD(S): ALL

The council is facing unprecedented financial pressures over the medium term financial period to 2023/24. Forecast reductions in government funding and unavoidable growth pressures (for example changes in Hampshire recycling arrangements) have contributed towards a deficit forecast of £3.4m per annum by 2023/24 even taking into account operational savings. In order to maintain the current range of services offered by the council it is imperative that fees and charges are reviewed on an annual basis and that full cost recovery is achieved wherever possible.

This report sets out the charges made for services by the council and proposes a 3% inflationary increase. Benchmarking has been undertaken particularly where the council offers a service also provided by the private sector to ensure the council offers a market rate.

RECOMMENDATIONS:

1. That the local fees and charges for 2020/21 as set out in Appendix 1 be approved.
2. That River Park Leisure Centre charges as set by the operator in Appendix 2 are noted
3. statutory fees and charges as set out in appendix 3 are noted and will be increased in line with national guidance if received.

IMPLICATIONS:

1 COUNCIL STRATEGY OUTCOME

- 1.1 The income generated by charging for Council services underpins the delivery of the Council Strategy and all of its outcomes. The recovery of costs and additional income is available to be used by Council in achieving its objectives.

2 FINANCIAL IMPLICATIONS

- 2.1 The council is facing unprecedented financial pressures over the medium term financial period to 2023/24. Forecast reductions in government funding and unavoidable growth pressures (for example changes in Hampshire recycling arrangements) have contributed towards a deficit forecast of £3.4m per annum by 2023/24 even taking into account operational savings. In order to maintain the current range of services offered by the council it is imperative that fees and charges are reviewed on an annual basis and that full cost recovery is achieved wherever possible.
- 2.2 Fees and charges generate £10.7m of income for the Council each year. This represents 36% of the total income used to fund ongoing Council services.
- 2.3 Increasing fees and charges in line with inflation (as a minimum – subject to regulatory restrictions) is one of the core principles being proposed to underpin the Council's Medium Term Financial Strategy (MTFS). Where previous budgets have opted not to increase fees, the effect has been to increase the overall subsidy and the net operating costs for council services.
- 2.4 In some cases the council offers a service also provided by the private sector. These fees have been reviewed in order to ensure the council does not influence the local market by under or over charging.

Charging Framework

- 2.5 Full Cost Recovery - where possible, fees and charges for each service should be set at a level which covers the full costs of providing that service including all overhead costs such as the costs of collection. The purpose of this strategy is to ensure that:
- i) the user is paying a fair price for service received
 - ii) that the services remain available to the public
 - iii) there is no unnecessary burden on the council tax payer
- 2.6 Concessions for certain service users - decisions to exempt a particular service from the full cost recovery requirement may be taken by the council and are detailed in this report:

- i) to support a particular group or group of users in support of achieving the Council Strategy
 - ii) where it would be impractical or undesirable (e.g. public access to parks)
 - iii) where charging would not be cost effective (e.g. charging for public toilets)
- 2.7 Concessionary charges - may be available for certain services (e.g. to help users on low incomes).
- 2.8 Where a service is subsidised in line with the Council Strategy, the level of subsidy will be made explicit and the decision will be subject to regular review.
- 2.9 Statutory Fees & Charges - certain charges, such as planning fees, are set by central government and therefore the council only has the ability to determine service levels and specific discretionary services over and above the statutory services (such as planning pre-apps).
- 2.10 Winchester Town - Winchester Town Forum make recommendations to Cabinet in relation to budget setting decisions which are treated as special expenses for the purposes of Section 35 of the Local Government Finance Act 1992.

3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 The Council has general power under section 93 of the Local Government Act 2003 ("LGA 2003") to charge a person for discretionary services, that is, the provision of a service where the Council is authorised, but not required, to provide the service and the person has agreed to its provision. However, the income from discretionary services must not exceed the cost of provision.
- 3.2 Powers to charge were augmented following the Localism Act 2011 and the introduction of a new general power of competence. The overall position on charging may be summarised as follows:
- Authorities must not charge for a service if legislation so provides.
 - Similarly, authorities must charge for a service if legislation so provides.
 - There is a further range of services where specific legislative provisions allow authorities to decide whether to charge and how much.
 - Then there is a further range of discretionary services supported by empowering legislation where there are no legislative provisions on charging. The local authority may then use its charging powers for discretionary services under the Local Government Act 2003.
 - The general power of competence may be exercised for other services where they do not fall into the categories above. An authority may not recover more than the cost of providing that kind of service. Recovery is assessed taking one year with another.

3.3 There is some flexibility over the interpretation of ‘the authority may not recover more than the cost of providing that kind of service’:

- ‘May not recover more than the cost’ which includes overheads.
- ‘Of providing that kind of service’, Authorities have flexibility over defining the service, and possible interpretations could range from a specialised individual service to a much broader definition at service.

4 WORKFORCE IMPLICATIONS

4.1 The Council relies on fees and charges to cover the costs of staff delivering services as well as those who support that service delivery. Increasing fees and charges in line with inflation is important to ensure increasing staff costs (incremental growth and pay awards) continue to be covered.

5 PROPERTY AND ASSET IMPLICATIONS

5.1 This report details fees and charges associated with management of the council’s property portfolio.

6 CONSULTATION AND COMMUNICATION

6.1 Following consideration of the Outcome Based Budget Challenge report (CAB3178 dated 23 October 2019 refers), a programme of consultation has been undertaken, with presentations on the budget proposals and options for addressing future shortfalls to the Local Councils briefing in November and to the Chamber of Commerce Business Strategy briefing in December. A wider consultation has also been completed to test opinion relating to the range of options set out in the above report. The consultation closed on 13 January and a verbal update regarding the results will be provided to the meeting.

6.2 With regard to parking charges, consultations in relation to both the budget and the Parking Strategy have been completed and will be approved at Council in February.

7 ENVIRONMENTAL CONSIDERATIONS

7.1 The Climate Emergency declaration, the Carbon Neutrality Action Plan and the Air Quality Action Plan all recognise the role charges could play influencing behaviours. An example is the proposal to consider “differential charging” for low emission vehicles.

8 EQUALITY IMPACT ASSESSEMENT

8.1 None of the specific proposals in this report represent a fundamental change in policy requiring an impact assessment.

9 DATA PROTECTION IMPACT ASSESSMENT

- 9.1 Where personal details are taken to fulfil a service, they are stored on the councils IT system in accordance with established policies and procedures. .

10 RISK MANAGEMENT

Risk	Mitigation	Opportunities
<i>Community Support Opposition to increased charges for services</i>	The budget simulator results supported the principle of increasing fees in line with inflation. This has been further tested through the on line consultation process.	
<i>Financial / VfM Cost of services are not recovered rendering discretionary services unviable.</i>	Fees and charges are reviewed to ensure, as a minimum, cost recovery.	Opportunities for the Council to offer services in new areas / to new customers and generate additional income to financially support the Council in the delivery of its outcomes.
<i>Legal Challenge regarding the need to consult regarding fee increases (parking)</i>	Consultation process has included relevant questions on this matter	
<i>Reputation Challenge regarding excessive fees and unfair charges</i>	Comprehensive review of all charges completed including detailed assessments to support charges	

11 SUPPORTING INFORMATION:

General Fund Budget Update

- 11.1 The fair funding review is now planned for implementation from April 2021, including proposed changes to the new homes bonus scheme and business rates retention system, is forecast to cause significant financial pressures on the Councils budget over the medium term. The current estimated deficits are shown below in 11.4.
- 11.2 The provisional government funding settlement was released just before Christmas. The announcements were in line with expectations and only provide indications for 2020/21.

- 11.3 It has now been confirmed that the a further years new homes bonus of £0.939m will be received for 2020/21, although the reward will still be phased out by the end of 2022/23

Outcome Based Budget Update

- 11.4 Report CAB3178 dated 23 October 2019 set out the budget challenge facing the Council, detailed projected shortfalls and included a range of options for addressing the shortfalls. Efficiencies totalling £1.6m in 2020/21 have now been included in budget projections, resulting in projected shortfalls currently being:

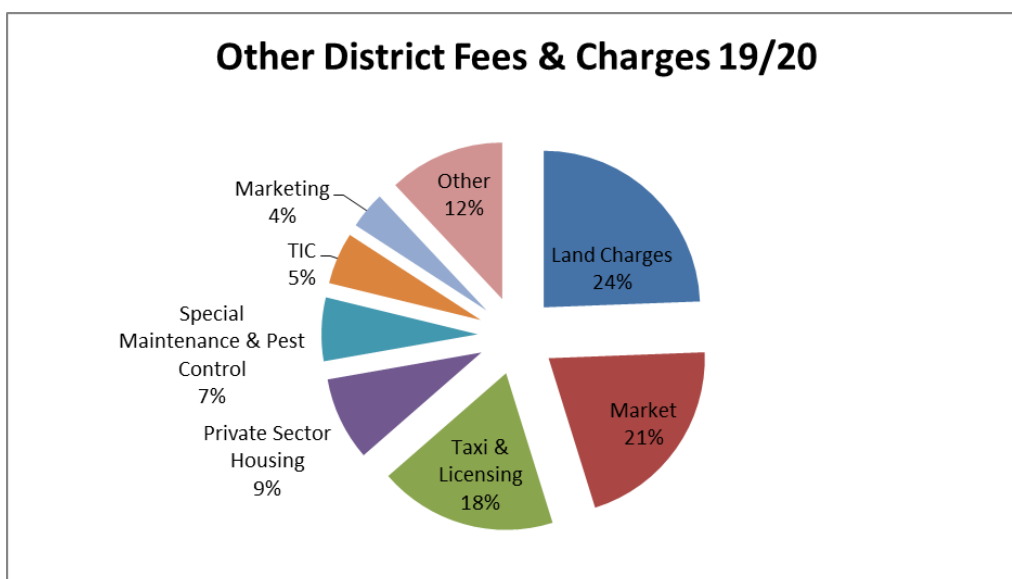
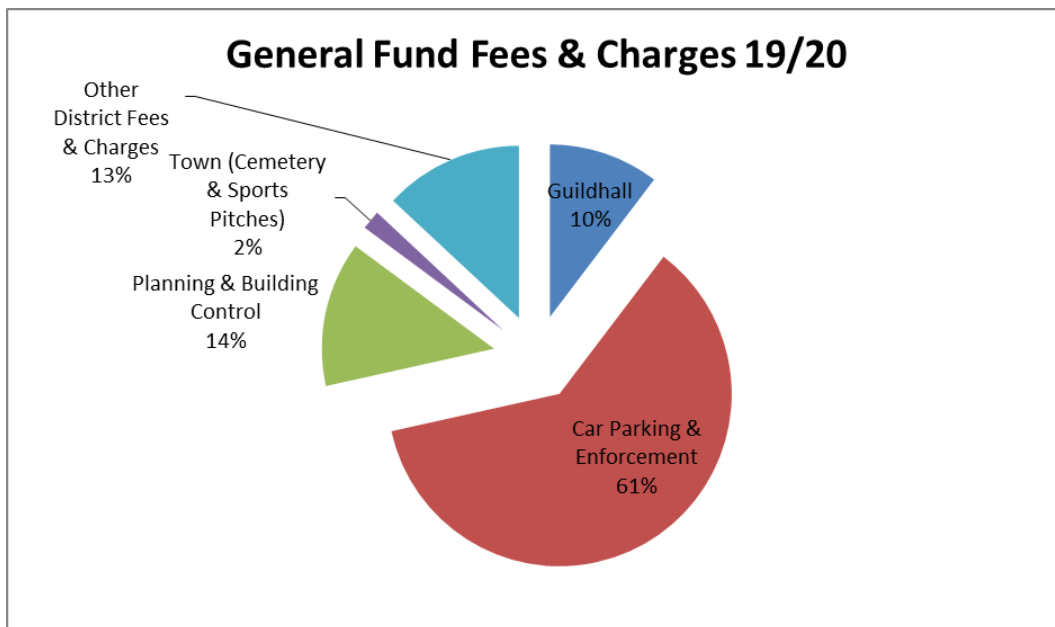
General Fund Revenue (£m)	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24
Budget Surplus / (Shortfall)	0.314	-1.425	-2.221	-3.421

- 11.5 The above projections take account of the loss of income resulting from changes to waste management arrangements by Hampshire County Council as detailed in CAB3178. However, it has yet to take account of:
- Increased costs resulting from the Environmental Services procurement process, estimated at over £400,000 annually
 - Proposals for parking charges and additional investment in relation to parking related services (including additional enforcement) as set out in the Parking Strategy
 - Changes to Pension Fund contributions following the recent actuarial assessment which will result in general fund savings of £700,000 per annum in 2020/21 to 2023/24. However, projections assume this reduction doesn't continue beyond 2024 and so it is proposed this reduction be added to the transitional reserve to help mitigate the impact of the shortfalls rather than be removed from longer term baselines.
 - Any of the savings/additional income options included in Appendix A of CAB3178.
- 11.6 The budget consultation process completed since the October meeting has included meetings with both businesses and parish councils. The on-line consultation is now complete with over 600 responses and results currently being assessed. An update will be provided to the meeting.
- 11.7 A Medium Term Financial Strategy and detailed budget will be considered alongside the Capital Strategy and Treasury Management Strategy at the

February meeting of Cabinet.

Fees and Charges - Background

- 11.8 The Council charges for a wide range of its statutory and discretionary services and the revenue this generates is significant to the Council.
- 11.9 Historically, the fees and charges levied for these services has been periodically reviewed and changes made as and when has been individually necessary or appropriate. Given the changing financial climate, the council will adopt an annual review and publish all fees and charges.
- 11.10 Fees and charges are budgeted to generate income of approximately £10.7m in 2019/20. This is approximately 36% of total funding and compares to council tax at 26%.
- 11.11 Some charges for Council services are monitored, reviewed and agreed by external bodies, for example those such as statutory planning and some licensing fees set by Government. Other fees are determined within contracts (for example the leisure contract) or by specific council strategies (for example parking fees as part of the car parking strategy).
- 11.12 As part of the budget setting process for 2020/21 a comprehensive schedule of all fees and charges across the Council has been compiled. This has enabled a comprehensive review to be undertaken for those charges under the Cabinet's control.
- 11.13 The purpose of this report is to outline proposed changes to corporate fees and charges levied for services by the Council and approved by Cabinet. A minimum target increase of 3% for all fees and charges should be implemented from April 2020 where possible. For simplicity the 3% uplift has been rounded in certain areas where rounded charges are the most practical (for example where cash payments are accepted).
- 11.14 Budget holders have been asked to consider the impact of increases to fees and charges before making any final recommendations, particularly where charges are levied on anyone considered as vulnerable.
- 11.15 The make up of the council's fees and charges is set out in the charts below:



Summary

- 11.16 Fees and charges are proposed for the forthcoming financial year and are presented for approval.
- 11.17 The majority of charges are to be increased by a 3% inflationary adjustment. This report contains the fees and charges for services directly managed by Cabinet, the increases in this report will be budgeted to achieve additional fees and charges income of £260k in 2020/21. The attached Appendix 1 shows the level of locally set proposed charges for 2020/21 and the percentage change to 2019/20 for individual charges.

- 11.18 Car Parking charges are not shown in Appendix 1 as they are subject to the car parking strategy and budget consultation process. The final published fees and charges list will include the approved car parking charges for 2020/21.
- 11.19 Appendix 2 shows the level of fees and charges for Leisure Centre Services which are set by the current service provider Places Leisure. These charges are not further discussed in this report.
- 11.20 It should be noted that those fees set nationally by the Government are not discussed further in this report, these include: planning application fees; fees for certain licences including alcohol. Fees set by the Government are set out in Appendix 3.

Fees & Charges by Team

- 11.21 The table below summarises the movement in fees and charges by team that are set out in detail in Appendix 1.

<u>Service</u>	<u>Comments</u>
<p>Building Control</p> <p>Budget = £527k</p> <p>Proposals = +£15k</p>	<p>All fees and charges are proposed to increase in 20/21 by the 3% inflationary adjustment.</p> <p>A 3% inflationary uplift is considered to be appropriate to ensure the continued full cost recovery of this chargeable service. Non-chargeable service costs cannot be recovered under The Building (Local Authority Charges) Regulations 2010.</p>
<p>Cemetery (Town Account)</p> <p>Budget = £164k</p> <p>Proposals = +£5k</p>	<p>All fees and charges have been increased in 20/21 by the 3% inflationary adjustment.</p> <p>Cemeteries are managed by the Winchester Town Account under partial cost recovery. Charges have been thoroughly reviewed and benchmarked over the past few years with a recommended 3% inflationary uplift for 20/21. Casket charges for out of town residents have been benchmarked and are proposed to increase by 9%.</p> <p>The charges required for full cost recovery would be significantly higher than those set by other neighbouring authorities and would likely reduce demand and therefore increase the net cost of the service. The majority of the service costs are grounds maintenance related, where there is a continued requirement to maintain the entire cemetery and not just the new areas where</p>

	income is being received.
Development Management Budget = £20k Proposals = +£162k	Only pre application fees are set by the council. A new charging structure was presented to the Health & Environment Policy Committee in July 2019; these proposals are now recommended for approval.
Engineering Budget = £- Proposals = +£5k	The majority of services are delivered under an agency arrangement with Hampshire County Council. Charges have therefore been updated to reflect those levied by Hampshire County Council.
Environmental Health & Licensing Budget = £137k Proposals = £1k	Charges are generally proposed to be increased by 3% apart from Taxi and Private Hire which is currently under the 'tip top taxis' project so should be held for 20/21 and subject to review from 21/22.
Estates (Markets) Budget = £315k Proposals = +£25k	All charges have been reviewed and uplifts of a minimum of 3% have been applied. As market stall charges have not been increased for a number of years above inflationary increases are proposed for 20/21.
General Fund Housing Budget = £131k Proposals = +£4k	Fees for HMO licenses have been set to ensure the Council recovers the cost administering the licencing process. An increase of 3% reflects the increasing operating costs, which relate mainly to staff costs.
Guildhall (Trading Account)	<p>The trading account operated at a loss in the previous financial year. Rather than apply the inflationary adjustment, all fees and charges have been reviewed, benchmarked, and the potential impact on demand has been assessed. As a result greater than inflation increases have been proposed for some services and a reduction in the fairy lights charge to ensure the Guildhall remains commercially competitive.</p> <p>As a trading account the Guildhall income is not categorised as fee and charge income in government returns. However, charges are included in this section for transparency.</p>

<p>Historic Environment</p> <p>Budget = £1k</p> <p>Proposals = £-</p>	<p>Fees are set to cover costs and not to generate additional income. No fee increases are proposed.</p>
<p>Housing Revenue Account</p> <p>Proposals = +£20k (Mainly HRA)</p>	<p>All fees and charges have been increased in 20/21 by the 3% inflationary adjustment.</p>
<p>IMT</p> <p>Budget = £33.5k</p> <p>Proposals = +£1k</p>	<p>All fees and charges have been increased in 20/21 by the 3% inflationary adjustment.</p>
<p>Land Charges</p> <p>Budget = £370k</p> <p>Proposals = +£11k</p>	<p>Most fees and charges have been increased in 20/21 by the 3% inflationary adjustment.</p>
<p>Legal Services</p> <p>Budget = £13k</p> <p>Proposals = +£1k</p>	<p>Fees are set within the National Court Guidelines for cost recovery. Most minimum charges have not been increased, although the standard hourly rates for legal officers have been increased in accordance with the national guidelines.</p>
<p>Natural Environment & Recreation (Town Account)</p> <p>Budget = £41k</p> <p>Proposals = +£1k</p>	<p>Fees have been increased by the 3% inflationary adjustment. Fees for sport pitches have increased by 3% but a report will be taken to the town forum with further proposals in order to bring greater alignment to other neighbouring authorities.</p> <p>Memorial Bench charges have been reviewed and aligned to the Cemeteries charge to ensure full cost recovery and consistency across charges.</p> <p>The proposed fees for 2020/21 do include recommendations to introduce modest charging for charities for major events on public land.</p>
<p>Pest Control</p> <p>Budget = £81k</p> <p>Proposals = +£12k</p>	<p>Whilst it was always intended to recover the full cost of operation, the service currently operates at a deficit. After review and benchmarking, in 20/21 it is proposed to split the fees into two categories – residential and commercial. The charges will increase by 15% for the residential and 35% for the commercial operations. The recommended</p>

	<p>growth in charges takes account of inflation and increased operating costs but more importantly bring greater alignment with other councils and the commercial market for pest control services. The increased charges will remain at the median when compared to other Hampshire councils.</p> <p>Whilst the commercial charges are proposed to be set above the residential charge, discounts will be offered for longer term contracts. This aims to encourage businesses to take a longer term view of controlling pests on their premises.</p> <p>A 50% discount is offered to customers in receipt of Housing Benefit or Universal Credit.</p>
<p>Special Maintenance</p> <p>Budget = £19k</p> <p>Proposals = +£0.5k</p>	<p>Fees and charges are proposed to increase by the 3% inflationary adjustment.</p>
<p>Sport & Physical Activity</p> <p>Budget = £6.5k</p> <p>Proposals = +£0.5k</p>	<p>Most fees and charges have been increased by the 3% inflationary adjustment.</p>
<p>Tourist Information Centre</p> <p>Budget = £81k</p> <p>Proposals = +£1k</p>	<p>Most TIC income is derived from sales of merchandise which is excluded from this review. The volume of other activity is low but above inflation increases have been proposed where possible.</p>
<p>Tourism & Marketing</p> <p>Budget = £76k</p> <p>Proposals = +£2k</p>	<p>Most fees and charges have been increased in line with the 3% inflationary adjustment</p>

Total Proposals = an increase of £260k additional projected income from 2020/21

- 12.1 Cabinet can choose not to increase fees and charges however this would mean that the charged for services do not cover costs and council tax payers as a whole bear the cost of service. This is not recommended.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

None.

Other Background Documents:-

None.

APPENDICES:

Appendix 1 – Local Fees & Charges

Appendix 2 – Leisure Centre Fees & Charges

Appendix 3 – Statutory Fees & Charges