



BUDGET PANEL

SUPPLEMENTARY AGENDA ITEM 8

Tuesday, 25th October, 2011

7.00 pm

Town Hall, Watford

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CONTACT

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COMMITTEE MEMBERSHIP

Councillor J Dhindsa (Chair)

Councillor T Poole (Vice-Chair)

Councillors S Counter, G Derbyshire, S Greenslade, R Martins, M Meerabux, S Rackett and M Watkin

AGENDA

PART A - OPEN TO THE PUBLIC

8. INCOME POLICY (Pages 1 - 10)

Report of the Head of Strategic Finance

Agenda Item 8

Agenda Item: 8

Report to: Budget Panel
Date of meeting: 25th October 2011
Report of: Head of Strategic Finance
Title: Income Policy

1.0 SUMMARY

- 1.1 This report provides information regarding the current income policy of the Council and some relevant information to enable Budget Panel to form a view regarding any increases to fees and charges for 2012/2013.

2.0 RECOMMENDATIONS

- 2.1 The Budget Panel is asked to consider this report and, if it wishes, provide observations to Cabinet.

Contact Officer:

For further information on this report please contact Bernard Clarke, Head of Strategic Finance, telephone extension 8189, email bernard.clarke@watford.gov.uk

3.0 INTRODUCTION

3.1 The Income Policy for the Council is reported annually for review (and amendment as felt necessary). This Policy will help to determine the Council's approach to agreeing levels of fees and charges to apply for any one financial year.

3.2 The Policy cannot be viewed in isolation and needs to consider two potentially conflicting approaches:

- should those who wish to use a service be expected to pay the economic cost?
- are there circumstances where services need to be subsidised through general council tax?

For example, the provision and maintenance of cemeteries has a forecast net cost of £454k in 2011/2012. If this service were to seek to break even then the cost of burials would be beyond the reach of potential users.

3.3 There is also a further issue to consider, namely where the state of an economy is in a depressed condition with a consequent reduction in a communities disposable income, then does a council have a responsibility for its well being. In these circumstances any increase in fees and charges is in effect a 'stealth tax'. There is certainly some evidence that authorities in many parts of the Country have considered income generation as a major contributor in meeting their budget targets.

4.0 CURRENT INCOME POLICY

4.1 The Council's current income policy is attached at **Appendix 1**. Budget Panel are asked whether they would support this Policy or should it be amended? With regard to the availability of concessions for those on limited incomes, this was considered in some depth by Leadership / Budget Panel / and Cabinet as part of last year's budget consideration. The Policy for determining concessions is attached at **Appendix 2**. Again, are Budget Panel content to confirm the approach taken last year?

5.0 INCOME GENERATED FROM FEES AND CHARGES

5.1 The forecast income to be raised from fees and charges is attached at **Appendix 3** and indicates that £5,128k is anticipated for 2011/2012. This excludes SLM where only the effect upon the management fee is shown. It can be appreciated from Appendix 3 that the major sources of income are :

- Housing (£392k) –mainly relates to income from hostels managed by WCHT on our behalf and are generally geared to benefit thresholds.
- Trade Waste (£1,022k)
- Licensing (circa £235k)
- Car Parking (£1,772k)
- Planning, Building Control and Land Charges (£644k)
- Watford Market (£485k)

- 5.2 With regard to Trade Waste, Budget Panel has previously considered this issue and recommended that the service should aim to break even by recovering all its costs. A full report upon the Trade Waste trading account is due to be considered by Budget Panel at its next meeting.
- 5.3 Similarly with regard to car parking (and the CPZ account) this is also due to be considered at the next meeting.
- 5.4 Some Council fees and charges are set nationally and where the Council has no discretion (licensing and planning-although there could be proposals to free up the statutory basis of planning fees). For the Building Control service there is a requirement that it is required to recover its costs on a year by year basis so a target has effectively been set by central government.

6.0 COMPARATIVE DATA

- 6.1 The Income policy (at Appendix 1) refers to the need to benchmark with other providers but this itself raises the issue of compare with whom and the following examples are highlighted:
- trade waste should (and does) compare itself against the private sector providers. An associated issue is whether, if there were no local authority provision, would the private sector feel liberated to increase current charges significantly. This could affect the local economy and increase the incidence of fly tipping.
 - The parking service needs to take into account the impact upon the local economy when determining its charging policy. Relevant benchmarking for the town centre might well be with other competing retail centres (Brent Cross provides free parking) rather than with neighbouring councils.
- 6.2 Another issue to be considered is the extent to which increases in charges will actually prove counter productive as customer resistance kicks in and volumes fall disproportionately. In this respect, the advice of SLM has been sought regarding its own charging policy. It has confirmed there is no 'scientific' way of measuring increases against resistance and there does not appear to be a magic 'crossover' point. The comments from SLM included:
 " rightly or wrongly customers are accustomed to an increase every year and, provided it is not disproportionate to increases in costs, will largely go unnoticed. If there is one section of the Community that will complain whatever the increase then it will be pensioners (in many cases where they often have the highest disposable income)".
- 6.3 This of course raises an interesting issue namely, as a principle, should an annual review of fees and charges seek to recover all increases in costs. For example, and pertinent to SLM, gas has increased by 22% and electricity by 13% over the past twelve months. These increases will also have hit individual householders so does a council have a responsibility to 'swallow' its own increased costs?
- 6.4 Similarly to what extent should changes in 'ability to pay' be reflected within a charging policy? Again as an example, the recently announced inflation figures for September have been announced with the Consumer Prices Index (CPI) increasing by 5.2%. This should set the benchmark increase for pensions and social security payments from April 2012.

7.0 LEADERSHIP TEAM CONSIDERATION

7.1 Leadership considered all the issues within this paper at its meeting on 4th October and, understandably, concluded there was no 'one size fits all' approach. It agreed a small task force at service manager level (Chaired by the Head of Strategic Finance) should consider the following issues:

- test areas where we are not cost recovering
- undertake competitor analysis
- review that proposals for increases to fees and charges are realistic (and likely to be achieved).
- consider where inflation is a relevant factor and evaluate price against demand
- ensure we optimise methods of payment from a customer perspective

7.2 The Budget Panel are invited to feed through any observations that this task group might take into consideration. It is hoped that the bulk of the work being carried out by the task group will assist in agreeing fees and charges levels for 2012/2013.

8.0 FINANCIAL IMPLICATIONS

8.1 The ability to raise fees and charges (and hence attract additional income) will ultimately be dependent upon a customers willingness to pay. At this point in time no additional income will be assumed in respect of the 2012/2013 Revenue Estimates.

9.0 LEGAL IMPLICATIONS

9.1 There are no legal implications arising out of this report..

10.0 POTENTIAL RISKS

Potential Risk	Likelihood	Impact	Overall Score
That fees and charges are not increased even where an increase is clearly justified. As a consequence additional income does not accrue and expenditure upon priority services is reduced instead.	2	3	6
That fees and charges are increased significantly with the consequence that the customer usage falls disproportionately	2	3	6

11.0 EQUALITIES

11.1 Any increase in fees and charges needs to recognise the disproportionate affect it may have across different sectors of the community. There are no proposals within this report that will directly impact upon equalities.

APPENDIX 1

Fees and Charges Policy

1. All services provided to an individual/body/organisation should attract a charge, if there is the legal power to make one and it can be collected economically.
2. Charges should be established after consideration of:
 - benchmarking comparisons with other providers
 - consultation with the public, including users
 - market conditions, including flexibility of charges
 - the cost of the service
 - service policy objectives
 - legal requirements

with the aim of ensuring that any subsidy to the service is a deliberate policy decision
3. Wherever possible, there should be provision for reduced charges for those on limited incomes.
4. Methods of income collection must make payment as easy as possible for the customer
5. Heads of Service are responsible for ensuring that these principles are adopted and all services reviewed at least annually.

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Council Fees & Charges Concessions Policy - April 2011

Policy

Concessions will be available to residents on identified income related benefits. The identified income related benefits are:

1. Housing Benefit, in the form of Rent Allowance or Local Housing Allowance for people living in rented accommodation
2. Council Tax benefit
3. Income Support
4. Job Seekers Allowance (Income based)
5. Working Tax Credit
6. Child tax credit
7. Guaranteed Pension Credit (not 'Savings Pension Credit')
8. Employment and Support Allowance (Income based)

This list will change as changes are made to the names of the benefits or the benefits themselves.

No concession is applied on the grounds of age (except for under 18 teams hiring of football pitches) or disability unless the resident is in receipt of benefits.

Proof of Benefits

Residents will need to confirm the type of the benefit they are claiming and to give permission for a check to be made with Revenues & Benefits that this is the case.

Amount of concession

The amount of concession will be to apply a 50% reduction for all fees and charges.

Variations

For use of the Council's sports pitches the existing arrangements that provide for subsidised fees for junior (under 18) sports teams to use pitches is to continue so as to encourage usage and sport participation (concession to be harmonised to 50%) .

Leisure Centres operate different specific concessions for particular activities

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Fees and Charges 2011/12 - Budget Movement Reconciliation

	2010/11 Original Budget	2010/11 Forecast Outturn	Budget Movement		2011/12 Original Budget
			Price / Volume	SP	
COMMUNITY SERVICES					
Arts and Heritage	2,900	2,900	0	0	2,900
Play and Youth	3,500	3,500	0	0	3,500
Parks & Pitches	67,290	67,290	(6,430)	3,500	64,360
Community Centres	81,860	60,450	(21,110)	0	60,750
Allotments	10,000	10,000	2,000	12,000	24,000
Cheslyn Gardens	4,950	4,950	(1,620)	0	3,330
Cemeteries	113,880	113,880	5,180	78,000	197,060
Housing	383,040	383,040	9,080	0	392,120
	<u>667,420</u>	<u>646,010</u>	<u>(12,900)</u>	<u>93,500</u>	<u>748,020</u>
ENVIRONMENTAL SERVICES					
Trade & Domestic Waste	1,082,730	1,012,760	(63,050)	2,500	1,022,180
Specials & Street Cleansing	57,350	58,900	5,270	0	62,620
Licenses	122,100	122,100	2,580	0	124,680
Other Licenses	6,910	6,910	0	0	6,910
Gaming Licenses	117,730	117,730	(15,190)	0	102,540
Pest Control	6,300	6,300	50	20,000	26,350
Stray Dogs	3,870	3,870	(1,370)	0	2,500
Miscellaneous	8,000	8,000	600	0	8,600
	<u>1,404,990</u>	<u>1,336,570</u>	<u>(71,110)</u>	<u>22,500</u>	<u>1,356,380</u>
CORPORATE SERVICES					
Filming	12,520	12,520	730	0	13,250
Street Naming & Numbering	0	0	0	25,000	25,000
	<u>12,520</u>	<u>12,520</u>	<u>730</u>	<u>25,000</u>	<u>38,250</u>
PLANNING SERVICES					
Parking (incl CPZ)	1,634,690	1,558,190	33,990	103,420	1,772,100
Development and Building Control	639,020	651,520	(16,510)	21,450	643,960
Land Searches	100,000	80,000	(60,000)	0	40,000
	<u>2,373,710</u>	<u>2,289,710</u>	<u>(42,520)</u>	<u>124,870</u>	<u>2,456,060</u>
LEGAL & PROPERTY SERVICES					
Watford Market	549,400	499,400	(64,000)	0	485,400
LEISURE SERVICES					
SLM Proposed Increase (effect on Management Fee)	4,170	44,170	40,000	0	44,170
	<u>5,012,210</u>	<u>4,828,380</u>	<u>(149,800)</u>	<u>265,870</u>	<u>5,128,280</u>
Parking - CPZ	(1,493,400)	(1,385,400)	(2,490)	0	(1,495,890)
	<u>3,518,810</u>	<u>3,442,980</u>	<u>(152,290)</u>	<u>265,870</u>	<u>3,632,390</u>
<u>Allowed for in MTFS</u>					
- Land charges			60,000		
- Market			50,000		
Total reduced income (GF)			<u>(42,290)</u>		

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