

REPORT TO: Cabinet

7 December 2020

LEAD CABINET MEMBER: Councillor John Williams,
Lead Cabinet Member for Finance

LEAD OFFICER: Peter Maddock, Head of Finance

Proposed Fees and Charges: 2021/2022

Executive Summary

1. To undertake the annual review and to determine the non-regulatory fees and charges to be set by the Council for the provision of services from April 2021 (unless otherwise stated), where the law allows a charge to be made.
2. This is a key decision as, if adopted, the revised fee scales will result in the authority receiving additional income from fees and charges, which are significant having regard to the Council budget setting process.

Recommendations

3. **That Cabinet is requested to consider the report and, if satisfied, to:**
 - (a) **Approve the fees and charges as detailed in Appendix A of the report to take effect from 1 April 2021 (unless otherwise stated) or the earliest feasible date thereafter.**
 - (b) **Note the proposed variations to fees and charges in comparison to the prevailing inflation rate detailed in the report.**

Reason for Recommendations

4. To ensure that the Council receives income from fees and charges where allowable to contribute to the funding of services, to enable discretionary services to be provided and to assist the Council in preparing its Revenue Budget for 2021/2022.

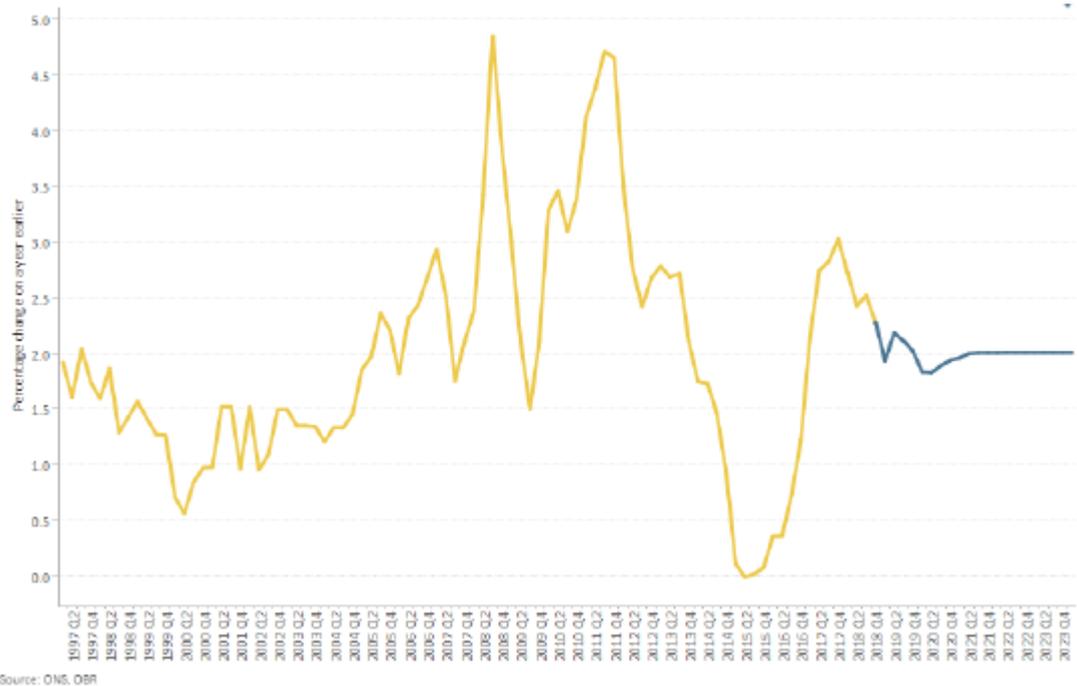
Details

Economic Context

5. In determining the fees and charges for services it is appropriate that some consideration is given to the wider economic context. The Bank of England's Monetary Policy Committee (MPC) sets monetary policy to keep inflation low and stable, which helps to sustain growth and employment; this identifies a target of 2% for the 12-month increase in the Consumer Price Index (CPI). The Bank Rate is kept under review and, until March 2020, this was

maintained at 0.75%. Economic prospects were, however, influenced initially by the uncertainty regarding the withdrawal process from the European Union throughout 2019/2020 and subsequently as the full effects of the Coronavirus pandemic began to emerge, each event acting as a dampener on growth and inflation expectations.

6. In response to the emerging crisis interest rates have been cut globally with banks seeking to provide liquidity through the purchase of financial assets. In the UK, the Bank of England cut the Base Rate on 11 March 2020 to 0.25% from 0.75% and subsequently reduced it further on 19 March 2020 to a record low level of 0.1%. The Government introduced a number of measures to help businesses survive the current crisis, including loan guarantees for bank lending, payment of business grants and the expansion of retail relief reducing the business rates liability for many businesses.
7. The economic situation has also had an impact on the Council's planned income from sales, fees and charges. A support package was, therefore, announced by the Government in July 2020 to help address spending pressures and in recognition of lost income. The aim is to help Councils respond to Coronavirus as part of a comprehensive plan to ensure financial sustainability for the future. In respect of the impact on income, where losses are more than 5% of planned income from sales, fees and charges, the scheme will reimburse 75p in every pound lost. The net budgetary impact will be assessed as part of the 2021/2022 budget setting process.
8. The outlook for the UK and global economies remains unusually uncertain and MPC projections assume that the direct impact of Covid-19 on the economy dissipates gradually over the forecast period. Twelve-month CPI inflation increased to 0.6% in June 2020 from 0.5% in May 2020 and CPI inflation is expected to fall further below the 2% target and average around ¼% in the latter part of the year, largely reflecting the direct and indirect effects of Covid-19. These include the impact of energy prices and the temporary cut in VAT for hospitality, holiday accommodation and attractions.
9. As these effects unwind, inflation rises, supported by a gradual strengthening of domestic price pressures as spare capacity diminishes. In the MPC's projections, conditioned on prevailing market yields, CPI inflation is expected to be around 2% in two years' time. The Committee does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% inflation target sustainably.
10. The most recent CPI quarterly indices are shown in the table below:



11. The general increases in costs reflected in the indices have a direct impact on the Council's costs. The prevailing economic trend expressed through the indices and the Bank of England's forecast for future inflation are both considered in proposing any increases in fees or charges. In light of these predictions for inflation a 2.0% uplift for fees and charges where possible would ordinarily be recommended with effect from 1 April 2021 but, given the current economic climate, this level of increase may be difficult to justify. It is worth noting that failure to increase fees and charges by 2%, where possible, does add to the funding gap though in reality this is not significant.

Medium Term Financial Strategy (MTFS) – Context of Review

12. The approved MTFS identifies the commitment to explore income generating opportunities and to maximise income from fees and charges (where permitted to do so). It is also implicit that fees and charges should increase proportionately to the increase in the cost of providing services so that the net cost of services does not increase in real terms. The MTFS further emphasises that, in light of forecast savings targets, every effort will be made to increase annual income and reduce annual expenditure without materially reducing front line services provided by the Council.

Review of Fees and Charges: Effective from 1 April 2021

13. In determining the level of charges for 2021 it is proposed that increases in fees and charges should broadly reflect the prevailing trends in inflation except where there are regulatory requirements or a strong case for a higher or lower increase taking into account the requirement to maximise income. In addition, specific circumstances such as the sensitivity of price increases on the demand for the service, or the current market rates for services have been considered.

14. There are also some charges which are required to reflect the cost of providing the service, and these prices have been adjusted accordingly. Taken together these issues have led to a number of proposals where no increase is proposed or where the proposed increase varies significantly from inflation. There are also some instances where charges are very small and the increase may, therefore, appear significantly higher or lower than inflation purely as a result of rounding the charge to the nearest appropriate amount.
15. The report details, at **Appendix A**, the current charges that are applied, the proposed variations and the resulting proposed charge from 1 April 2021. All fees and charges in the appendices are shown net of Value Added Tax (VAT). Where VAT applies to a charge then the gross charge including VAT is also shown. In some instances, VAT may or may not apply in respect of a particular service depending upon the recipient of the service or the purpose of the service. The Cabinet is invited to consider the various charges proposed.
16. In undertaking this annual review, Heads of Service have been encouraged to identify any scope to extend the range of fees and charges and, if so, the level of additional income that could be generated. If available, any trends on the demand for the service over time and/or sensitivity to changes in charging policy are provided.
17. In addition, the 2020/2021 revenue budget identified the scope to consider fee scales and income generation opportunities for the following regulatory services:
 - (a) **Planning**: A review of charges for pre-application advice to derive additional income of £10,000 in 2020/2021 and 2021/2022.
 - (b) **Building Control**: The development of a commercial model for the building control service to generate additional income from consultancy services of £2,500 in 2020/2021 and 2021/2022.

The proposed charges from April 2021 reflect the outcome of the reviews undertaken.

18. In the following areas it is proposed to retain fees and charges at the current level:
 - (a) **Waste and Environment**: To support the economic recovery of local residents and businesses during the period of the Coronavirus pandemic, Service Management propose to keep the level of the discretionary fees and charges set for 2021/2022 at the same level as those set for the current financial year.
 - (b) **Transformation**: Fees have been broadly left in line with those charged in 2020/2021. In the main physical activity sessions have not taken place since the onset of the first lockdown this year and, therefore, an increase in fees may be inappropriate. The entire leisure industry is in a state of flux and service user incomes may also have been impacted. It

is proposed, therefore, that fees and charges be retain at the current level but that they be kept under review throughout 2021/2022, as mid-term adjustments may be needed.

- (c) Land Charges: Fees for 2020/2021 were adjusted to reflect the cost of running the Land Charges service. It has been estimated, from calculations based on current and previous year income, that expected income levels will still be met or exceeded. It is considered, therefore, that fees should be left at current levels as cost recovery is expected to be achieved at current fee levels.
- (d) Other: In many cases fees are set by statute and the necessary provision is specified in the schedule of fees and charges.

Options

- 19. While the Council could choose to do so, the option of not adopting the revised fees and charges from 1 April 2021 is not considered to be appropriate. The Council is required by law to set a balanced budget and the additional income from fees and charges contributes to this, albeit marginally. In determining the new fee scales, due regard has been given to the sensitivity of price increases on service demand.

Implications

- 20. In the writing of this report, taking into account the financial, legal, staffing, risk management, equality and diversity, climate change, community safety and any other key issues, the following implications have been considered:

Policy

- 21. The Medium-Term Financial Strategy (MTFS), reviewed by Cabinet on 4 December 2019, requires that fees and charges be maximised having regard to what the market will bear and policy decisions of the Council.

Legal

- 22. The proposed charges have regard to the various statutory requirements regarding the Council's ability to set fees and charges.

Financial

- 23. In considering the preparation of the 2021/2022 Revenue Budget it is proposed that fees and charges should be increased where considered feasible, taking into account the prevailing market sensitivities and demand, in accordance with the Council's stated intention of maximising revenue from fees and charges (including endeavours to maximise the recovery of costs incurred in providing discretionary services). The level by which it is proposed to increase fees and charges reflects the trends in inflation. Whilst it is proposed to apply a 2.0% increase for inflationary pressures in some areas, given the current economic climate there are a number of areas where this would be difficult to justify and, therefore, it is proposed that charges be left

unchanged. It is worth noting that the failure to increase charges, where possible, will not contribute to the funding gap but this is not significant.

24. The income from the proposed charges will be included in the draft Revenue Budget to be submitted to the Cabinet at its February 2021 meeting.

Risk

25. The risk in setting any fee and charge is that it does not provide, due to change in usage, the projected income. A significant increase in charges may discourage the public from using a service resulting in an overall reduction in income. The income received is regularly monitored throughout the year as part of the Council's budget monitoring processes and any significant variation is reported to Cabinet.

Environmental

26. Consideration is given to the environmental impact of setting fees and charges and where possible will encourage behaviour that that supports the Council's aims to reduce carbon emissions.

Equality Analysis

27. In preparing this report, due consideration has been given to the Council's statutory Equality Duty to eliminate unlawful discrimination, advance equality of opportunity and foster good relations, as set out in Section 149(1) of the Equality Act 2010.
28. Where the proposed increase to a fee or charge is significantly higher than the rate of inflation (other than in the case of higher increases in small charges resulting from rounding) a relevance test and, where required, an equality analysis will need to be completed in respect of the specific proposal.

Background Papers

Where the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 require documents to be open to inspection by members of the public, they must be available for inspection:

- (a) at all reasonable hours at the offices of South Cambridgeshire District Council;
- (b) on the Council's website; and
- (c) in the case of documents to be available for inspection pursuant to regulation 15, on payment of a reasonable fee required by the Council by the person seeking to inspect the documents at the offices of South Cambridgeshire District Council.

The following documents are relevant to this report:

- Budget Report – Report to Cabinet: 5 February 2020
- Medium Term Financial Strategy – Report to Cabinet: 4 December 2019

Appendices

A Schedule of Fees and Charges: 2021/2022

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