



REPORT TO: SPECIAL MORAY COUNCIL ON 16 DECEMBER 2020

SUBJECT: CHARGING FOR SERVICES

BY: DEPUTE CHIEF EXECUTIVE (ECONOMY, ENVIRONMENT AND FINANCE)

1. REASON FOR REPORT

- 1.1 To ask the Council to agree the default increase for fees and charges for Council services for 2021/22.
- 1.2 This report is submitted to Council in terms of Section III (B) (48) of the Council's Scheme of Administration relating to the setting of charges.

2. RECOMMENDATION

2.1 It is recommended that the Council:

- (i) **agrees the default increase for charges for Council services for 2021/22 is 2%;**
- (ii) **instructs services to be commercially aware and review their charges with a view to maximising income; and**
- (iii) **note that the Moray Integration Joint Board (MIJB) at its meeting on 26 November 2020 agreed to recommend to the Council charges for services delivered under the aegis of MIJB.**

3. BACKGROUND

- 3.1 The current Charging for Services Policy was approved by Policy and Resources Committee on 28 October 2017 (paragraph 8 of the Minute refers).
- 3.2 Under this policy, an annual revision of charges is required. In order to preserve the Council's financial position, charges within the control of this council are generally increased annually. The default rate of increase for 2020/21 was 5%, as a savings measure. The default rate for 2019/20 and for 2018/19 was 3%, an inflationary increase in both years, based on the Consumer Price Index (CPI) and other inflation measures. Inflation has been very volatile throughout the pandemic period and the current rate of CPI is not

considered to be a useful measure of inflation. The UK government's target inflation is 2% and that is a more useful measure of what an inflationary increase should be based on. To preserve the Council's real income a default increase of 2% should be considered as the minimum default rate.

- 3.3 An annual uplift cannot be applied to all charges. Some charges levied by the Council for services provided:
- are set by statute, some are limited by statute and some have the method of calculation prescribed by statute.
 - are impractical to increase incrementally on a year-on-year basis, typically small charges and those collected by coin-in-the-slot machines where the cost of re-calibrating the machines outweighs any increased income which would be generated.
- 3.4 In common with most other Councils, one of the approaches which the Council has taken to protect services in a time of decreasing core funding from Scottish Government has been to ensure that the Council maximises its income. A strand to that approach is seeking to ensure that – where possible and appropriate – service users pay for the cost of service delivery. This principle is enshrined in the Council's Charging Policy.
- 3.5 It is anticipated that the Council will continue to have a significant budget gap in 2021/22. In order to contribute towards bridging that gap and to protect services it is recommended that the default increase for charges which are within the Council's control is 2%. Across Scotland Councils are anticipating significant budget shortfalls and a range of ways of bridging the budget gap is being looked at, with charges for service being one consideration. The economic impact of the pandemic could lead to issues about ability to pay, but this should be taken into account when services review individual charges. The two key protections for service users are an understanding of the users of a service and the likely impact of an increase in charges and the Council's socio-economic duty. These issues are discussed in paragraphs 3.7 and 3.8 below.
- 3.6 The Council budgets to generate income of £12 million from charges for services, of which £1.8 million is retained by the MIJB. Almost £2 million is budgeted to be generated by charges set by Scottish Government or otherwise outwith the Council's control. Based on a budget of £8 million for charges within the Council's control, as a rule of thumb, income might be expected to increase by £80,000 for every 1% increase in charges. This needs to be caveated however.
- 3.7 Increasing prices only increases the income to the Council if usage of services remains buoyant. It is known that, generally speaking, increasing prices depresses uptake of services, more so for some services than for others. For example, uptake of school meals is known to be price sensitive, and services where the Council is effectively competing with the private sector need to be aware of the external market place. Understanding the impact of pricing on uptake of services is the first stage towards developing a more commercial approach to charging for Council services, and will be taken into account when reviewing individual charges.

- 3.8 Since April 2018 the Council has a socio-economic duty and requires to consider how any of its decisions would impact on poverty and inequality. To fulfil this duty an Equalities Impact Assessment will be prepared prior to recommending any specific amendments to charges for Council services where this is considered to be appropriate.
- 3.9 A comprehensive list of the charges proposed for 2021/22 will be reported to Council in February 2021 for consideration and approval, prior to the budget for 2021/22 being set, which is expected to be early March 2021, taking into account that the Scottish Budget will not be announced until 28 January 2021.
- 3.10 The Council has the statutory duty of setting charges for and contributions towards social care services. The income generated from these charges is included within the MIJB funding envelope. As the level of charges has an impact on the income to the MIJB and a potential impact on the uptake of services it is considered appropriate that the MIJB recommend to the Council what charges / contributions should be set for adult social care services.

4. SUMMARY OF IMPLICATIONS

(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))

The levying of charges for Council services is an essential component of delivering Council priorities on a sustainable basis.

(b) Policy and Legal

There are no legal implications arising from this report, which is in accord with the Council's policy for Charging for Services.

(c) Financial implications

Levying charges for services forms an important part of the Council's strategy for balancing its annual budget, by generating an amount of income from service users.

(d) Risk Implications

There are no risk implications arising directly from this report. There is always a risk that service usage drops if charges are increased but this can only be assessed in February when individual charges are proposed

(e) Staffing Implications

There are no staffing implications arising directly from this report. Increasing charges collected by direct debit entails workload for the Payments Section.

(f) Property

There are no property implications arising from this report.

(g) Equalities/Socio Economic Impact

There are no equalities implications arising from this report and issues if any will be assessed at the next stage.

(h) Consultations

CMT, Heads of Service, the Commercial / Marketing Officer and the Equalities Officer have been consulted in the preparation of this report.

5. CONCLUSION

5.1 A default uplift of 2% should protect the Council's real income from charges and contribute towards bridging the budget gap which the Council expects for 2021/22, subject to any impact on demand.

5.2 The MIJB should have a strategic role in setting charges for social care.

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Background Papers:	
Ref:	LP/LJC/