

**REPORT TO: POLICY & RESOURCES COMMITTEE - 13 DECEMBER 2010**

**REPORT ON: IMPACT ON COUNCIL CHARGES OF THE VAT INCREASE TO 20%**

**REPORT BY: DIRECTOR OF FINANCE**

**REPORT NO: 720-2010**

**1 PURPOSE OF REPORT**

1.1 To appraise Elected Members of the impact, on the Council's charges, of the rise in VAT from 17.5% to 20%, with effect from 4 January 2011.

**2 RECOMMENDATION**

2.1 It is recommended that the Committee approve the VAT related increases in Departmental Charges as detailed and proposed in this report. The impact of the increase in VAT on Car Parking charges is being considered in a separate note to this Committee.

**3 BACKGROUND**

3.1 It was announced in the UK Budget of 22 June 2010 that the standard rate of VAT would increase from 17.5% to 20% with effect from 4 January 2011. A number of the charges the Council makes are subject to VAT at the standard rate. The VAT collected by the Council on these charges is payable to HMRC. An increase in the rate of VAT means that a higher percentage of the income from Departmental Charges is payable to HMRC. Therefore without an increase in charges the Council's net income, from these charges, will be reduced.

**4 FINANCIAL IMPLICATIONS**

4.1 Using estimated income levels for the three month period January to March 2011, the following table shows the likely impact, to the Council, for those three months, of NOT increasing Departmental Charges in line with the increase in VAT.

<b>Department</b>	<b>Loss of Income</b>	<b>Customer Charged</b>
Education	< £500	Individuals
EHTS	£1,000	Individuals
Central Support Services	£500	Individuals
Scientific Services	£4,500	Other Councils
Waste Management	£13,500	Commercial Organisations
Housing	£1,000	Individuals
Leisure & Communities	£5,000	Individuals
Dundee Contract Services	£1,000	Individuals/Commercial Organisations

The final column of the table above shows the different customers who would be affected by any increase in charges. Where charges are to individuals the impact of any increase due to VAT will be felt directly by those individuals. Where charges are

to Commercial Organisations and Other Councils the increased amount of VAT will be recoverable and therefore there will, generally, be no impact on these bodies.

- 4.2 Council Departments have been consulted regarding the relative impact of the financial effect of the VAT increase and the effect of that increase on customers. Following that consultation the following increases in charges, due to the increase in VAT, are proposed.

#### 4.2.1 EDUCATION

Service	Existing Charge	Proposed Charge
School Meals - Adults	£2.60	£2.70

#### 4.2.2 ENVIRONMENTAL HEALTH & TRADING STANDARDS

Service	Existing Charge	Proposed Charge
Sale of Dogs	£83.55	£85.35
Dogs Returned to Owners		
- Up to 1 day	£35.10	£35.85
- Up to 2 days	£38.45	£39.30
- Up to 3 days	£40.70	£41.60
- Up to 4 days	£46.25	£47.25
- Up to 5 days	£51.80	£52.90
- Up to 6 days	£56.30	£57.50
- Up to 7 days	£63.50	£64.85
Pest Control		
- Normal working hours	£56.75	£58.00
- Outwith normal working hours	£86.10	£88.00

#### 4.2.3 CENTRAL SUPPORT SERVICES - ADMIN & LEGAL

Service	Existing Charge	Proposed Charge
Underground Garage		
- Saturday parking	£4.40	£4.50
- Concert parking	£2.35	£2.40
Monthly car parking charges - Staff	£50.00	£51.06

#### 4.2.4 SCIENTIFIC SERVICES

It is proposed that all the various charges made by Scientific Services are increased in line with the rise in VAT to 20%.

#### 4.2.5 WASTE MANAGEMENT

The setting of charges within Waste Management for Trade Refuse Collection & Disposal, Recyclates and Skips is currently delegated to officers. It is proposed that this continue and that the VAT increase be applied in light of the prices of competitors and the need to recover overheads.

#### **4.2.6 HOUSING**

It is not proposed to increase the charges made by the Housing Department until the Review of Charges for the financial year 2011/12.

#### **4.2.7 LEISURE & COMMUNITIES**

It is not proposed to increase the charges made by the Leisure & Communities Department until the Review of Charges for the financial year 2011/12.

#### **4.2.8 DUNDEE CONTRACT SERVICES**

It is proposed that the charges made by Dundee Contract Services to external clients are increased in line with the rise in VAT to 20%. These charges include garden maintenance, arboricultural works, property repairs and ground maintenance.

#### **4.2.9 OTHER DEPARTMENTS**

Property leases which are subject to VAT will automatically be increased in line with VAT as this is standard commercial practice.

### **5 POLICY IMPLICATIONS**

5.1 This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti Poverty, and Equality Impact Assessment.

There are no major issues.

### **6 CONSULTATION**

6.1 All Heads of Departments have been consulted in the preparation of this report.

### **7 BACKGROUND PAPERS**

7.1 None

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**26 NOVEMBER 2010**