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**VAT INCREASES**

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**Responsible Cabinet Member – Councillor Chris McEwan  
Efficiency and Resources Portfolio**

**Responsible Director – Paul Wildsmith, Director Corporate Resources**

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**SUMMARY REPORT**

**Purpose of the Report**

1. The report seeks member approval to increase or conversely hold charges for a number of service areas within the Council following the government announcement of a VAT increase in January 2011.

**Summary**

2. VAT charges will be increased from 17.5% to 20% from the 4 January 2011. Charges are usually approved annually in the Medium Term Finance Plan however this VAT rise was not known when the 2010/11 MTFP was approved. A number of areas identify the charges net of VAT and this will automatically be applied from 4 January 2011, however there are a number mainly in Culture which include VAT and this will need to be increased or revenue will be lost.

**Recommendation**

3. It is recommended that :-
  - (a) The schedule of charges in Appendix 1 be approved and implemented by the 4 January 2011.
  - (b) Car Park charges are not increased and are considered as part of future charging decisions in the 2011/12 MTFP.

**Reasons**

4. The recommendations are supported by the following reasons :-
  - (a) To enable the council to recover the VAT increase announced by the government.
  - (b) To avoid administration and reprinting costs that would outweigh the additional income received.

**Paul Wildsmith**  
**Director of Corporate Services**

**Background Papers**

No Background papers were used in the preparation of this report .

Elizabeth Davison : Extension 4447

S17 Crime and Disorder	This decision will not have an impact on Crime and Disorder
Health and Well Being	This decision will not have an impact on Health and Wellbeing
Carbon Impact	There are no issues which this report needs to address
Diversity	This decision will not have an impact on Diversity
Wards Affected	All wards are affected.
Groups Affected	All groups are affected.
Budget and Policy Framework	There will be a negative impact on the budget if the recommendations are not agreed.
Key Decision	This is not a key decision
Urgent Decision	This is not a an urgent decision
One Darlington: Perfectly Placed	This decision will not have an impact on the objectives of the Sustainable Community Strategy
Efficiency	This report does not contain efficiency proposals but the recommendations are to implement efficient responses to the VAT rate change.

## MAIN REPORT

### Information and Analysis

5. In the 2010 Emergency Budget the Chancellor announced an increase in the standard rate of VAT from 17.5 per cent to 20 per cent effective from 4 January 2011. Each year the Council's schedule of charges is approved in the Medium Term Financial Plan, and within the schedule there are VAT exempt charges, Zero rated services, those shown inclusive of VAT and a number shown exclusive of VAT.
6. Where the charge is shown exclusive of VAT the base charge will remain the same and the VAT element will automatically be increased from the 4 January, however if those which are shown as inclusive of VAT are not increased in line with the rise, revenue will be lost to the HMRC.
7. An analysis of predicted revenue has shown the Council would loose approximately £20,000 from January 2011 – March 2011 if charges were not increased, this stems mainly from services within Culture and Car parking.

### Service specific information.

#### Culture

8. The loss of revenue in Culture if increases are not taken forward is estimated at £10,000 between January and the end of March 2011. The administrative cost and small amount of reprinting costs are negligible and it is therefore proposed these charges are increased in line with the rises. The existing and proposed revised charges are shown in **Appendix 1** and have been rounded up to the nearest £0.05 to reduced cash collection and administration costs.

#### Car Parks

9. It is estimated that there will be a financial effect of approximately £10,000 lost income to the Council between January and March 2011 if charges are not revised. To maintain current income, charges for short stay would need to increase by approximately two pence and long stay by eight pence. The minimum practical increases would be 5p. and 10p.
10. It is proposed not to change car parking charges from January 2011 due to the pressures on the car parking budget as a result of the current economic climate and it is felt that this increase may have a more detrimental effect on demand for parking. In addition small increases can cause inconveniences for users of car parks as they are required to carry change, currently machines used do not provide change and there would be a cost in excess of the lost income to provide this facility. It is proposed that this lost income will be considered as part of future charging decisions from next April

### Planning Services and Land Charges

11. Planning fees are zero rated and set at statutory levels and Land charges are not subject to VAT therefore no changes are proposed from January 2011. There are some small charges

for photocopying, copy letters etc. however these charges are low and therefore make VAT increases negligible.

### **Libraries**

12. The estimated loss to the libraries is £500, there would be reprinting costs associated with the change so it is not proposed to increase the charges from January but to recoup the loss in the 2011/12 MTFP proposals.