

**REPORT OF: FINANCIAL SERVICES MANAGER**

**TO: EXECUTIVE**

**DATES: 22<sup>nd</sup> SEPTEMBER 2016**

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## **Income Review 2016**

### **PURPOSE OF REPORT**

1. The purpose of this report is to review fees and charges in advance of the 2017/18 budget process in line with the Fees and Charges Policy but equally in response to the significant financial pressures faced by the Council.

### **RECOMMENDATIONS**

2. The Executive is recommended to approve the proposed changes to fees and charges as outlined in [Appendix A](#), and
  - a) support the introduction of the following new charges from 1<sup>st</sup> April 2017 and recommend them to Council for approval:
    - i) a charge of £20 (excluding VAT) for the treatment of rats, mice and cockroaches in residential premises as per paragraphs 15 – 18 of this report;
    - ii) a charge of £7.50 (excluding VAT) for junior football pitches per paragraph 25 of this report.
  - b) note the possibility of Lancashire County Council taking the administration of resident parking permits back in-house during 2016 bringing an end to the current arrangement with Pendle Council and the implications for the Council;
  - c) approve a 1% increase in the hourly rate for Building Control chargeable activity with effect from 1<sup>st</sup> November 2016;
  - d) agree that in the event of VAT being applied nationally to fees for local land charges that this be applied in addition to the Council's tariff of charges for this service.

### **REASONS FOR RECOMMENDATION**

3. To implement the Council's financial strategy action plan, specifically in support of the 'Charging' theme outlined as part of the updated Medium-Term Financial Plan reported to the Executive in May 2016.

## **Background**

4. The Council reviews its fees and charges annually prior to the budget process, in line with the policy on fees and charges. This also complements the 'Charging' strand as outlined in the Financial Strategy, on which an update was provided at the May meeting of the Executive.
5. Given the financial constraints facing the council it is important to explore ways in which additional income can be generated to help mitigate in some way the significant and ongoing reductions in core funding.
6. Whilst the report focuses primarily on changes to existing fees it does outline a proposal for the introduction of new charges in the Pest Control service. Other 'new' charging proposals such as those relating to bulky household waste collections and administrative charges for replacement bins are not presented here but will feature as part of the wider package of saving options to be submitted to the Executive in due course.

## **Proposed Changes to Fees and Charges**

7. The link between inflation and general fee increases has become less explicit in recent years as efforts are made to reduce the level of subsidy inherent in some charges and move towards full cost recovery where feasible. However, for Councillor's information the prevailing annual rate of inflation at the time of drafting this report was 1.9% (RPI - July) and 0.6% (CPI – July 2015). A summary of the fee proposals is presented at [Appendix A](#) with specific matters highlighted for the Executive below:

### *Resident Parking Permits*

8. It was agreed as part of last year's income review to increase the permit charge from £17 to £20. However, this was not implemented as agreement was not forthcoming from the County Council as the Highways Authority pending their completion of a county-wide review of the administration of resident parking schemes looking at standardising charges and centralising scheme administration.
9. The outcomes from the review were due to go before the County Council's Executive Scrutiny Committee in early September and thereafter be referred to the relevant Cabinet Member for a decision on the 8<sup>th</sup> September. However, the report was subsequently withdrawn from the Scrutiny agenda. The original recommendations in the Scrutiny report included the following:

*Authorise the Director of Governance, Finance and Public Services to give three months' notice to South Ribble, Chorley and Pendle Borough Councils that under the Delegation of Function Agreements or equivalent arrangements with said Councils the consent from the County Council required to carry out the permissive task of managing and administering residents parking schemes is withdrawn.*

10. As the report was withdrawn there is no decision to report back. We understand that the matter will now be considered in October. In relation to the charge for a residents parking permit this Council currently charges £17 albeit that it appeared to be the intention of the County Council to standardise charges across all schemes at £25. At this time no proposals are being made as part of this income review in relation to resident parking permits. Depending on the decisions reached by the County Council we may need to report back on this issue later in the budget process.
11. In the 2015/16 financial year the Council incurred a deficit of £6,174 on the administration of resident parking schemes. This comprised scheme expenditure of £15,321 (of which staff costs were the largest element at £13,619) offset by income from permits of £9,147. Going forward, whilst the Council will no longer receive the income from permits it will retain the staffing costs given this consists of staff time allocations, none of which represents a significant proportion of the officers' time.

### *Building Control – Fee Earning Activity*

12. The Building (Local Authority Charges) Regulations, introduced in 2010, include requirements for an annual review of charges and publication of an annual statement providing details of income and expenditure split between chargeable and non-chargeable activities.
13. The Statement for 2014/15 disclosed expenditure on 'chargeable' activities of £166,840 with associated income of £161,570 resulting in a deficit of £5,270. The underlying position however, remains one of a cumulative deficit of c£40k. The statement for 2015/16 should be finalised by the end of this month and is expected to detail a modest deficit for the year in isolation increasing the cumulative deficit on the account overall.
14. The Planning, Building Control and Licensing Manager has reviewed the implications of the above. Any fee proposals need to consider the impact on market competition, although the scale of fee charges is admittedly only one factor which impacts on market share. In 2014/15 Pendle's market share in terms of numbers of applications was 87%. There has been a drift in market share to the private sector as more providers come into the market and the existing providers grow. Regardless of fee level and customer satisfaction it would appear inevitable that there will continue to be a loss of market share each year due to the increasing activity of the private sector within the market.
15. Whilst the fees charge should be set at a level to reduce the underlying deficit this must be balanced against potential loss of work to competitors which could result from fee increases which is difficult to define. However, given local authority salaries increased by 1% from April 2016 it is considered appropriate to adjust the standard fee charge to take account of this increase, particularly as the costs are mainly attributable to staff. It is recommended that this increase be implemented from 1st November 2016 which, if agreed, will result in an hourly rate of £54.56 compared to the current rate of £54.02.

### *Pest Control*

16. Pest Control is not a statutory service and residents have the option of using commercial companies rather than the Council. Commercial company charges are variable but are generally higher than Pendle's charges. There is scope to increase costs and still remain highly competitive. Current charges for services are shown in the table below along with the revised charge based on an increase of 10% as proposed in [Appendix A](#) (charges include VAT at 20%).

PEST SPECIES	CURRENT CHARGE	PROPOSED CHARGE	PRIVATE CHARGE
Ants	£47.00	£51.70	£96
Bedbugs	£97.00	£106.70	£160 for 2 treatments
Fleas	£54.80	£60.28	£123 for 2 treatments (based on a 3 bed semi)
Wasps	£36.40	£40.04	
Squirrels	£72.75	£80.03	
Other(s)	£47.00	£51.70	

17. Due to recent Legislation around the use of certain rodenticides, pest control operators have to concentrate on the 'hierarchy of control', which means that they must also aim to pest proof buildings and reduce food sources and places to live for the rodents. Operators cannot simply rely on rodenticides. The problem with having a free pest control service is that often residents are not taking the advice of the pest control officers and simply expect that we will return to kill the rodents time and time again. This is neither an efficient use of officer time nor an effective way of controlling pests.

18. To help address this, the Executive is asked to consider the introduction of a fee for dealing with rats, mice and cockroaches in domestic premises. Currently, these services are provided free of charge to residents. It is considered that the introduction of a fee will also serve the following purposes;
- Encourage residents to 'own' their pest problem and take the advice of the pest control officer;
  - It is anticipated that the number of requests for service will decrease through reduction of repeat call outs. This will allow time for pest control officers to seek other chargeable work, such as commercial contracts or chargeable investigation work (e.g. camera investigations of drains) and pest proofing.
19. Whilst the introduction of a charge would generate additional income, residents would retain access to a service at a price that is competitive in comparison to commercial operators. For this purpose a charge of £20 (+VAT) is proposed for up to 3 visits whereas commercial operators charge around £60-£70 for 3 visits and £20 per additional visit. Service volumes have averaged 1,156 requests over the past seven years. A charge of £20, if agreed, could generate additional income to the Council of £23,120 assuming no reduction in demand. The likelihood is that service requests would fall. A 25% to 50% reduction in demand would result in additional income of between £17,340 and £11,560.
20. The above matters relating to pest control were considered by the Budget Working Group when it met on 30<sup>th</sup> August. The group felt the entire service should be subject to review including alternative service delivery models. Whilst this work will continue the Executive is asked to consider the charging proposals in this report separately from this.

#### *Cemeteries*

21. As part of last year's income review the Executive were recommended to increase charges by 20% but rejected this. Cemetery fees and charges have remained unchanged since October 2014.
22. Service management have reviewed the current mix of charges and for the purposes of this year's review have proposed a blend of increases which would collectively generate additional income of 12% and this is reflected in [Appendix A](#).

#### *Land Charges*

23. These have remained unchanged for a number of years. Following a review of costs, volumes and activity analysis it has been established that current charges do not recover full costs, which we are entitled to do. The standard land charges fee is currently £65 for residential searches and £125 for commercial property. The full cost recovery charge for a residential land charges search is estimated at £89 and for commercial £145). It is not proposed to move to this in one year but to do so over the next two. The charges proposed in [Appendix A](#) from 1<sup>st</sup> April 2017 are £75 and £135 respectively.
24. The VAT status of land charges is currently under review by HMRC. At present the charges are not subject to VAT but HMRC has challenged this nationally and had sought to make the fees subject to VAT from early July 2016. However, they subsequently deferred this to allow further time for review and consultation. If, and when VAT is applied to land charges it is recommended that this be applied in addition to the charges set by the Council rather than absorbing the VAT element within the current scale of charges.

## *Outdoor Sports – Charging for Junior Football*

25. Councillors may recall that in 2009, a decision was taken to provide outdoor sports facilities free of charge to under 16s. The rationale for the decision was to provide young people with the opportunity of leading a healthier lifestyle at no cost to them. Whilst acknowledging this, the introduction of a modest charge would generate a contribution towards the cost of providing the facilities (comprising both the pitch and, where available, changing accommodation). For this purpose a charge of £7.50 (excluding VAT) per booking is proposed. Service management estimate that this would generate c£4k per annum.

## **IMPLICATIONS**

### **Policy**

26. There are new policy implications arising from this report in relation to proposals for the introduction of new charges for Pest Control and Junior Football which require referral to Council for approval should the Executive endorse the proposals set out in this report

### **Financial**

27. The financial implications are as set out in the report.

### **Legal**

28. There are no legal implications arising directly from this report.

### **Risk Management**

29. There are no risk management implications arising directly from this report

### **Health and Safety**

30. Health and Safety implications could arise if residents view the introduction of a charge as a barrier to dealing with infestations or take action themselves to deal with rodents.

### **Sustainability**

31. There are no sustainability implications arising directly from this report.

### **Community Safety**

32. There are no community safety issues arising directly from the contents of this report.

### **Equality and Diversity**

33. No specific issues arise from this review.

## **APPENDICES**

**Appendix A** – List of changes in Fees and Charges from 1<sup>st</sup> October 2016 to 1<sup>st</sup> April 2017.

**LIST OF BACKGROUND PAPERS:** None