

REPORT OF: FINANCIAL SERVICES
FINANCIAL SERVICES MANAGER

TO: EXECUTIVE

DATES: 17th SEPTEMBER 2015

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Income Review 2015

PURPOSE OF REPORT

1. The purpose of this report is to review fees and charges in advance of the 2016/17 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) note the reduction in costs for unpaid Council Tax with effect from July 2015;
 - b) approve a 2.2% increase in the hourly rate for Building Control chargeable activity with effect from 1st November 2015.

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 June 2015.

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 June meeting of the Executive. 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 reductions in central funding.
5. This report focuses on changes to existing fees. The proposals were considered initially by the Budget Working Group at its meeting on 3rd September. The recommendations set out in [Appendix A](#) have been endorsed by the Budget Working Group for submission to this meeting.

6. At this time, there are no 'new' charging proposals submitted for consideration. Whilst a small number of proposals were submitted to the Budget Working Group these were either not supported at this time (e.g. Bulky Household waste collections and administrative charge for replacement bins) or deferred for consideration later in the year as part of the core budget process (e.g. garden waste subscription fee). Given the scale of savings required by the Council it is likely that all the above proposals will be resubmitted for further consideration later in the budget process once we know the outcome of the local government finance settlement for 2016/17.

Proposed Changes to Fees and Charges

7. A summary of the proposals is presented at [Appendix A](#).
8. 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% (RPI - July) and 0.1% (CPI – July 2015).
9. One issue highlighted for the Executive is the charge for Resident's car parking permits. Currently the permit charge is £17. At this level the service operates at a deficit. In 2014/15 the deficit was £3,020. Prior to 2013/14 any deficit on the service was reimbursed by the County Council. However, the County Council expects the Borough Council, as the scheme operator to set charges so as to cover the costs of the scheme. The implications of this are potentially significant for the Pendle scheme. In 2014/15 the Council issued 553 permits generating income of £9,401 with scheme costs of £12,420. To recover this level of cost on equivalent permit volumes would require a charge of £22.50, an increase of £5.50.

Other Charging Related Matters

Costs – Unpaid Council Tax and Business Rates (NNDR)

10. Costs are charged on unpaid debts for Council Tax and NNDR. At the start of this financial year the charges applied were £95 and £100 respectively. The charges are levied where a summons for non-payment has been issued and the Magistrates Court has subsequently awarded a Liability Order to the Council against the debtor.
11. The charges were reviewed in advance of the annual Income Review to take into consideration the outcome of a judicial review case elsewhere which potentially had implications for billing authorities. Following a detailed internal review the charges for council tax costs were reduced to £70 from July. The analysis undertaken also established that the charge for Business Rates should increase to £150. However, this is skewed by the low volumes of summons for unpaid rates (c350) and hence it is proposed to leave the charge unchanged at £100.
12. The charges outlined above for Council Tax and NNDR were submitted to the Court in July and implemented at that time. The Court has to satisfy itself regarding the level of charge and the charges were reviewed by the Court in response to the judicial review case referred to above.

Building Control – Fee Earning Activity

13. 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.

14. The Statement for 2013/14 disclosed expenditure on 'chargeable' activities of £157,500 with associated income of £159,720 resulting in a surplus of £2,220. The underlying position however, remains one of a cumulative deficit of £35k. The statement for 2014/15 will be finalised by the end of this month and whilst this may again result in a surplus position for the year in isolation, an underlying cumulative deficit will remain.
15. 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 2013/14 Pendle's market share in terms of numbers of applications was 89%. There has been a drift in market share to the private sector as more providers come into the market and the existing providers grow. During 2014/15 this had reduced to 87%. 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.
16. 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 2.2% from 1st Jan 2015 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 2015 which, if agreed, would result in an hourly rate of £54.02 compared to the current rate of £52.86.

IMPLICATIONS

Policy

17. There are no new policy implications arising from this report.

Financial

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

Legal

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

Risk Management

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

Health and Safety

21. There are no Health and Safety implications arising directly from this report.

Sustainability

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

Community Safety

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

Equality and Diversity

24. No specific issues arise from the review.

APPENDICES

Appendix A – List of changes in Fees and Charges from 1st October 2015 to 1st April 2016.

LIST OF BACKGROUND PAPERS: None