

**REPORT OF: FINANCIAL SERVICES MANAGER**

**TO: EXECUTIVE**

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## **INCOME REVIEW 2017**

### **PURPOSE OF REPORT**

The purpose of this report is to review fees and charges in advance of the 2018/19 budget process in line with the Fees and Charges Policy but equally in response to the significant financial pressures faced by the Council.

### **RECOMMENDATIONS**

The Executive is recommended to:

- (a) approve the proposed changes to fees and charges as outlined in [Appendix A](#), and
- (b) note the possibility of Lancashire County Council taking the administration of resident parking permits back in-house during 2018 ending the current arrangements and the implications for this Council.

### **REASON FOR RECOMMENDATIONS**

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 2017.

### ***Background***

1. 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.
2. 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.

3. Whilst this report focuses primarily on changes to existing fees there are also proposals presented elsewhere on this agenda for the introduction of 'new' charges such as those relating to bulky household waste collections and administrative charges for replacement bins. These form part of an initial set of saving proposals for 2018/19 given the Council's need to find savings estimated currently at £1.2m for next year.

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

4. 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 as at August 2017 was 3.9% (RPI) and 2.9% (CPI). A summary of the fee proposals is presented at [Appendix A](#) with specific matters highlighted below:

#### **Resident Parking Permits**

5. It was agreed as part of 2015 income review to increase the permit charge from £17 to £20. However, this increase 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.
6. The outcomes from the review were due to go before the County Council's Executive Scrutiny Committee in September 2016 but the report was subsequently withdrawn from the 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.*

7. As the report was withdrawn there was no decision to report back and our understanding is the matter will now be considered in 2018. 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. However, at this time the Council cannot implement any increases in charges until the County Council completes its review.

#### **Pest Control**

8. 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 the Council's. Service management considers there is scope to increase charges and still remain 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](#) (both charges include VAT at 20%). This is proposed to help reduce the net cost of the service which for the current financial year is budgeted at £127,410.

PEST SPECIES	CURRENT CHARGE	PROPOSED CHARGE
Rats/Mice/Cockroaches	£24.00	£26.40
Ants	£52.00	£57.20
Bedbugs	£107.00	£117.70
Fleas	£60.30	£66.30
Wasps	£40.00	£44.00
Squirrels	£80.00	£88.00
Other(s)	£52.00	£57.20

### ***Building Control – Fee Earning Activity***

9. The Building (Local Authority Charges) Regulations, introduced in 2010, contain a requirement for an annual review of charges and the publication of an annual statement providing details of income and expenditure split between chargeable and non-chargeable activities.
10. The Statement for 2015/16 disclosed expenditure on 'chargeable' activities of £153,220 with associated income of £149,810 resulting in a deficit of £3,410. The underlying position is one of a cumulative deficit of £44k. The statement for 2016/17 should be published by the end of this month and is expected to detail a surplus for the year in isolation decreasing the cumulative deficit on the account overall.
11. 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 the Council'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 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.
12. Whilst fees should be set at a level to reduce the underlying deficit this must be balanced against the potential loss of work to alternative providers as a result of any increase albeit this is difficult to isolate. However, given the expected surplus in 2016/17 it is considered appropriate to leave fees unchanged at this time.

### ***Cemeteries***

13. 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 12.6% and this is reflected in [Appendix A](#). A summary of the proposals for cemetery charges is provided at [Appendix B](#).

### ***Land Charges***

14. The previous income review secured an increase in charges from 1<sup>st</sup> April 2017; at that time it was intended to increase charges over a two year period to achieve full cost recovery; however, an updated assessment in the current year indicates this point may be reached without the need for further increases. This combined with the risk of lower search volumes support leaving charges unchanged for 2018/19. The position will be reviewed annually in order to align income with service costs.

## ***Planning Fees***

15. The Housing White Paper included an acknowledgement of the resourcing pressures in local planning authorities. In response to the concerns of councils and the Local Government Association (LGA), the Government committed to allowing councils to increase planning fees by 20 per cent from 1 July 2017 provided councils committed to invest the additional income in their planning department. This was reported to the Executive in March 2017 and the Council provided the appropriate response to DCLG at that time so as to benefit from the higher fees from 1<sup>st</sup> July.
16. However, following the Election the implementation of this policy has been delayed. The LGA advise that Ministers are currently considering it and hope to update councils in due course. The LGA continues to urge DCLG to urgently bring forward the increase, which they say will go some way to providing the additional resources planning teams need to fulfil their functions and deliver urgently-needed homes. An increase of 20% would generate c£64k for the Council in a full year based on current budgets.

## ***Other options for income generation***

17. Work is currently underway to identify opportunities for developing new or revised income streams. This seeks to build on best practice elsewhere and tap in to external developments linked to the wider commercialisation agenda within the public sector. The outputs from this work will not necessarily impact in 2018/19 but more over the medium-term period. A small group of officers has met twice to develop ideas and this work will feed in to subsequent income reviews when proposals have been sufficiently developed.

## **IMPLICATIONS**

### **Policy**

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

### **Financial**

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

### **Legal**

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

### **Risk Management**

21. The risks associated with the recommendations outlined in this report stem from customer resistance to revised charges and / or reputational risks from specific proposals including for example, increases on cemetery fees which can be an emotive topic.

### **Health and Safety**

22. There are no new health and safety implications arising from this report.

### **Sustainability**

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

## **Community Safety**

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

## **Equality and Diversity**

25. No specific issues are considered to result from this review.

## **APPENDICES**

**Appendix A** – List of changes in Fees and Charges from 1<sup>st</sup> October 2017 to 1<sup>st</sup> April 2018.

**Appendix B** – Cemetery Charges – proposals for 2018/19.

**LIST OF BACKGROUND PAPERS:** None