

REPORT OF: CHIEF FINANCIAL OFFICER

TO: POLICY & RESOURCES

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Contact Details: Susan Guinness
Tel. No: 01282 661867
E-mail: susan.guinness@pendle.gov.uk

**INCOME REVIEW
(2019/20 BUDGET SETTING AND MEDIUM TERM FINANCIAL PLAN)**

PURPOSE OF REPORT

1. The purpose of this report is to review fees and charges in advance of the 2019/20 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. Policy and Resources Committee is recommended to:
 - a) give approval to the proposed changes to fees and charges as outlined in **Appendix A**;
 - b) note the proposed changes to Agency Fees for Disabled Facilities Grants;
 - c) recommend to Council the introduction of an administrative charge of £15 (excluding VAT) for the replacement of wheeled bins (as set out in the report and at **Appendix D**);
 - d) agree the Invest to Save scheme proposed to extend the Niche Wall at Barrowford Cemetery.

REASONS FOR RECOMMENDATION

3. To implement the Council's Financial Strategy, specifically in support of the 'Charging' theme established as a strategy to contribute to balancing the budget within the Medium-Term Financial Plan.

Background

4. 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. To that end, the Council reviews its income strategy annually prior to the budget process, in line with the policy on fees and charges. This also complements the 'Charging' theme as outlined in the Financial Strategy that has been updated and reported to committee elsewhere on this agenda.
5. Whilst this report focuses primarily on changes to existing fees there are new proposals with regard to generating income. Both form part of an initial set of saving proposals for 2019/20 reflecting the Council's need to reduce net expenditure and achieve a fully self-financing budget.

Proposed Changes to Fees and Charges

6. 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. That said, for Councillors' information, however, the prevailing annual rate of inflation as at July 2018 was 3.2% (RPI) and 2.5% (CPI).
7. A summary of the fee proposals is presented at **Appendix A** with specific matters highlighted below:-

Cemeteries

8. Service Management has 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 12.0%. This is reflected in **Appendix A** at line 19. A summary of the proposals for cemetery charges is provided at **Appendix B**. As Councillors will be aware, it was agreed that the Cemeteries service would become self-financing over a three year period. The financial year 2019/20 will be the third year of that undertaking and the uplift in charges proposed is expected to result in a self-financing budget.

Legal Fees

9. The current level of Legal Fees charged has been compared to other authorities. It is proposed that an uplift of 12% is applied to bring Legal Fees in line with comparative charges elsewhere. Again, this is reflected the summary at **Appendix A** and the new charging schedule is attached at **Appendix C**.

Collection of Household Bulky Waste

10. A charge was introduced in 2018/19 of £8.33 (plus VAT, equating to a total charge of £10.00) for the collection of up to 10 items of Bulky Waste. This number of items prevents the Council using smaller vehicles and therefore restricts the possibility of reducing the cost of collection. A comparison with other Lancashire Councils shows that all but one other council charges more than Pendle BC for collection. In addition, those who do charge restrict the numbers of items per collection, to generally 3 or less. It is therefore proposed that the **charge for collection remains unchanged** but the number of items collected is reduced to a maximum of 3.

Pest Control

11. 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 Councils. 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%). The table below sets out the current level of charges and the new charges proposed:.

New scale of charges for Pest Control

PEST SPECIES	CURRENT CHARGE	PROPOSED CHARGE
Rats/Mice/Cockroaches	£26.40	£29.00
Ants	£57.20	£62.90
Bedbugs	£117.70	£129.30
Fleas	£66.33	£73.00
Wasps	£44.00	£48.40
Squirrels	£88.00	£96.80
Other(s)	£57.20	£62.90

12. This is proposed to help reduce the net cost of the service which for the current financial year is budgeted at £137,320.

Planning Fees

13. Planning application fees fall into two categories. The first is the formal category where fees are set nationally for certain application types. These fees have not kept up with inflation but there was an increase at the start of the year by 20% as determined by Government. Additional resources achieved have been used to supplement the Planning Policy Team.
14. Councils are also allowed to undertake discretionary services such as offering a pre-application advice service. Charges can be made for these. The Council charges for pre-application advice and these are set at rates which reflect the nature of the work to be undertaken and the scale of development. However, these fees have not been reviewed since they were initially introduced. The fee income received has been consistently around £11k over the last few years but this did increase in the last financial year. This reflects a greater demand for the advice as well as the process being seen as beneficial to potential developers. The fees received over the last three financial years are as follows:-

2015/16	£11,972
2016/17	£10,593
2017/18	£17,372

15. There are no set fee categories upon which individual fees are set. Councils have the ability to determine what categories of fees they charge for. Some charging schemes are more complex when fees are compared across neighbouring authorities. Our fee structure is a simple fee structure based on a limited number of categories which works well and therefore no change to the overall categories of fees is proposed.

16. The comparison exercise with our neighbouring authorities also highlighted, however, that Pendle has the lowest charges across all charging categories. Therefore significantly less income is being generated for the same services provided. It is proposed, therefore, to increase the charges as set out in the table below:-

New scale of charges for Planning Fees

Charging Category	Current Fee £	Proposed Fee £
Household	35	80
Significant Major	500	800
Significant Major Follow Up Meeting	250	250
Major	300	500
Major Follow Up Meeting	150	200
Minor With Site Visit	50	200
Other	None currently	200
Listed Building with visit	40	100
Works only involving demolition in a conservation area		100
Trees	30	50
Site History Request		30
Agricultural Advice		Agree fee based on need for outside consultants plus the standard charge

17. It is acknowledged that the percentage increase appears to be high, however, this should be considered in the context of the value of the planning development being applied for. The fees are based on bringing Pendle in line with other Councils and to reflect the nature of the work and personnel involved in the different types of development scale and type.

Disabled Facilities Grants (DFGs)

18. Disabled Facilities grants are mandatory grants of up to £30,000 to provide adaptations and fix equipment to enable disabled residents to maintain some degree of independent living in their own home. Pendle Council operates an **optional** agency service to assist applicants in the application process and the delivery of the adaptation in their home. The Council currently charges a fee of 12.5% for this service with a minimum fee of £250.00.
19. This fee is added to the eligible cost of the works and is paid for from the Better Care fund allocation that the Council receives annually. Because the fee is charged as a percentage of the cost of the work there is an imbalance between the amount of officer time spent on delivering the adaptation and the fee charged, so more expensive jobs pay a disproportionately higher fee. Conversely, a lower fee is charged for minor adaptations despite them taking as long to deliver. This imbalance in fee also has the effect of reducing the amount of money available for the adaptation. A maximum grant of £30,000 attracts a fee, under the current structure of £3,750 thus reducing the money available for the adaptation to £26,250.

20. It is proposed to introduce a banding system for the fees to reduce the fee for the more expensive adaptation whilst raising the fee for lower cost adaptations and reflect the amount of work involved in delivering the adaptation. The Housing Grants Construction and Regeneration Act 1996 together with the Regulatory Reform (Housing Assistance)(England and Wales) Order 2002 allows the local authority to charge a reasonable fee for processing and managing the grant process. The legislation does not, however, set a maximum fee but the best practice guide suggests that a maximum fee of 15% to be reasonable.
21. The table below provides a comparison of the total income generated from the current charging regime to the proposed revised structure.

Table to show the proposed bandings and the difference in income generated.

Level of Grant £	Current Fee %	Proposed Fee %	Number of grants	Total Fee raised 2017/18	Total Applying the Proposed Rates
0 to 10,000	12.5	15.0	45	£18,762	£22,514
10,001 to 20,000	12.5	12.5	6	£5,314	£5,314
20,001 to 30,000	12.5	8.5	12	£21,113	£14,356
Total			63	£45,189	£42,185
% Fee				12.5%	11.7%

22. These changes will decrease the amount of money taken from the overall DFG budget. However it will increase the amount of funding available for adaptations where the maximum grant is needed. The fee will be reduced from by £1,200 from £3,750 to £2,550.
23. We are also proposing to change the fees we charge for “non-agency” grants from a flat fee of 7.5% to a banded one as detailed below. These changes will slightly increase the fee generated, however, it is felt that the income generated more accurately reflects the amount of work that is required to monitor the grant process from application to completion on site given the increased numbers of visits that are required to ensure that the work is satisfactory.

Table to show the proposed bandings and the difference in income generated.

Level of Grant £	Current Fee %	Proposed Fee %	Number of grants	Total Fee @7.5%	Total Fee that could be raised
0 to 15,000	7.5	10	4	£1,748	£2,331
15,001 to 30,000	7.5	7.5	4	£7,315	£7,315
Total			8	£9,063	£9,646
% Fee				7.5%	7.9%

New Income Generation Proposals

Administration Charge for Replacement Wheeled Bins

24. It is proposed to introduce an administration charge for the replacement of wheeled bins of £15 plus VAT. The charge is to cover the cost of delivery only, the cost of the bin itself will remain free of charge. Further information for this proposal is set out in the pro-forma provided at **Appendix D**. Councillors are asked to recommend to Council the introduction of this charge from April 2019.

Invest to Save – Niche Walls Income Generation

25. Within the current climate of reducing core funding, many public sector organisations are adopting a commercial approach to identify opportunities to generate new income streams. The proposal here seeks to build on best practice elsewhere and is expected to achieve an annual income budget of £13,500.
26. Barrowford Cemetery provides a Niche wall. Niche walls include spaces for the ashes of passed relatives to be placed within them and covered with a commemorative plaque. This is a well-used service and therefore space at Barrowford Cemetery is reaching capacity (with only one more niche currently available) and thus an extension to the wall is required to meet anticipated demand. Income from each niche is approximately £900 and on average there are around 15 sales each year.
27. Capital costs to extend the wall are estimated at £39,730 including construction and provision of plaques. Capital investment would increase capacity by approximately 165 spaces. Using a simple payback approach for this project with typical sales and income per niche, the capital costs would be recovered in approximately three years' time and provide additional capacity and income for a further eight years thereafter. This model in the table below is for illustration purposes only and therefore assumes no inflationary increases.

Estimated Payback Period from Niche Wall 'Invest to Save' Project

	Investment	Income	Net	Cumulative	Niche
	(£)	(£)	Exp/(Inc)	Exp/(Inc)	(Spaces
			(£)	(£)	available)
Year 0 (2018/19)	39,730	-	39,730	39,730	165
Year 1 (2019/20)	-	(13,500)	(13,500)	26,230	150
Year 2 (2020/21)	-	(13,500)	(13,500)	12,730	135
Year 3 (2021/22)	-	(13,500)	(13,500)	(770)*	120
Year 4 (2022/23)	-	(13,500)	(13,500)	(14,270)	105
Year 5 (2023/24)	-	(13,500)	(13,500)	(27,770)	90
Year 6 (2024/25)	-	(13,500)	(13,500)	(41,270)	75
Year 7 (2025/26)	-	(13,500)	(13,500)	(54,770)	60
Year 8 (2026/27)	-	(13,500)	(13,500)	(68,270)	45
Year 9 (2027/28)	-	(13,500)	(13,500)	(81,770)	30
Year 10 (2028/29)	-	(13,500)	(13,500)	(95,270)	15
Year 11(2029/30)	-	(13,500)	(13,500)	(108,770)	-

* Payback achieved at end of Year 3 (2021/22)

28. The required capital expenditure can be funded from within the existing Capital Programme (General Asset Renewal) and any future repair and maintenance costs falling on the General Fund would be absorbed within existing budgets.

IMPLICATIONS

Policy

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

Financial

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

Legal

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

Risk Management

32. 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

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

Sustainability

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

Community Safety

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

Equality and Diversity

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

APPENDICES

Appendix A – List of changes in Fees and Charges from 1st October 2018 to 1st April 2019.

Appendix B – Cemetery Charges – proposals for 2019/20.

Appendix C – Legal Fees – proposals from 1st October 2018.

Appendix D – Administrative Charge for Replacement Wheeled Bins

LIST OF BACKGROUND PAPERS: None