

REPORT OF: CHIEF EXECUTIVE

TO: POLICY AND RESOURCES COMMITTEE

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**INCOME REVIEW
(2021/22 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 2021/22 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) approval to the proposed changes to fees and charges as outlined in [Appendix A](#);
 - b) recommend to Council the proposed new licence fees for new tenancy agreements in relation to garages / caravan plots and Clayton Street industrial estate (para 17).

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. A report elsewhere on the Agenda for this meetings provides an update to the Council's Medium Term Financial Plan (MTFP) for the period to 2023/24. The MTFP shows an estimated funding shortfall of £3.1m; this includes a funding shortfall of c£1.0m for 2021/22.

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. The Council's Financial Strategy recognises that the review of charges is a key part in the development of the Council's budget. To that end, the Council reviews its income strategy annually prior to the budget process, in line with the policy on fees and charges.
6. The proposed new rates of fees and charges form part of an initial set of saving proposals for 2021/22 reflecting the Council's need to reduce net expenditure and achieve a fully self-financing budget.

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. That said, for Councillors' information, however, the prevailing annual rate of inflation as at July 2020 was 1.6% (RPI) and 1.0% (CPI)¹.
8. Acceptance of the proposals is estimated to generate an additional c£50k of income in the current year and c£202k for the year 2021/22. A summary of the fee proposals is presented at [Appendix A](#) with further information on Cemetery Fees, Bulky Household Waste Charges and charges for Delivery of Replacement Waste Containers in [Appendices B, C and D](#) respectively. Specific matters are highlighted below:

Cemeteries

9. 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 12.1%. This is reflected in [Appendix A](#) at line 29. A summary of the proposals for cemetery charges is provided at [Appendix B](#). As Councillors will be aware, it has previously been agreed that the Cemeteries service would become self-financing over a three year period.
10. Special Budget Council agreed to a 2019/20 increase in Cemetery fees at its meeting of the 26th February 2019 but this decision was subsequently reversed in June 2019. This option was resubmitted Special Budget Council on 27th February, 2020 which did not approve the increases. Therefore cemetery prices have been frozen for the previous two consecutive years and this proposal is a resubmission of the 2019/20 recommendations for approval which is a 'blended' mix of charges with effect from 1st November, 2020. It is estimated to increase the overall total budget by c12% (revenue of £45.7k 2021/22) based on the assumption that volumes are consistent with previous year. A detailed pricing schedule is provided at [Appendix B](#).

Collection of Household Bulky Waste

11. Historically there was a charge introduced in 2018/19 for the collection of bulky waste of £10.00 for the collection of up to 10 items. However, members will recall that at the Special Budget Council meeting 27th February, 2020, it was agreed to revert back to free collections, which is now costing £130k pa.
12. This proposal is to re-introduce the charges, in alignment with neighbouring authorities for similar services, of £13.50 for up to 4 items. From the 12 Districts and 2 Unitary Councils within Lancashire, Pendle and Hyndburn are the only Council's that do not make a charge for collection of bulky waste.

¹ Source: www.ons.gov.uk

13. The introduction of a charge will generate a gross saving of £162k, providing £32k towards fixed overheads and administration of the scheme. However, as the increase in cost of collections as a result of reverting to free collections has not been factored into the base budget, the net reduction against the Council's budget is £87k. Further details are provided at [Appendix C](#).

Delivery of Replacement Waste Containers

14. The Council currently charges developers £28 each for the provision of bins for new house builds. This proposal is to charge £15 for the delivery of replacement household bins as it costs approximately £91k pa for the bins alone. It is envisaged that this will have a positive affect on a reduction of the number of requests for bins and promote re-use, recycle and reduce policy in addition to having an impact on the plastics footprint for the environment.
15. During the period September 2019 – August 2020, the Council has purchased 5,660 plastic bins for the requests from households to replace their bin. It is estimated that this would reduce to 3,000 pa if a charge for delivery was made and would generate £45k pa additional revenue.
16. This option compliments the Climate Emergency Action Plan 2020 – 2025, to reduce the use of harmful waste on the environment and to be carbon neutral by 2030 as one of the key themes is the reduction of replacing bins.
17. Further details can be found at [Appendix D](#).

New Income Generation Proposals

18. The introduction of new charges are proposed for the following:
- Licence fee for Garages and Caravan Plots for new tenancy agreements;
 - Licence fee for Clayton Street Industrial Estates new tenancy agreements.
19. The above new charges represent a contribution towards the cost of administering the process for changing or providing new tenancy agreements on the above sites. A new tenancy agreement involves inspections, viewings, preparation of the tenancy at will, hand over keys etc. There is also a requirement from a health and safety perspective to carry out an electrical inspection and certification prior to any new letting. It is proposed that a charge of £45 plus VAT per new tenancy is introduced.
20. The above is included in [Appendix A](#) for completeness and to ensure all charges are considered in future annual reviews.

IMPLICATIONS

Policy

21. There are no new policy implications arising from this report. The fees and charges proposed are presented in support of the Council's Fees and Charges Policy and Financial Strategy, in particular the 'Charging' theme.

Financial

22. The financial implications are as set out in the report and detail at [Appendix A](#).

23. A report elsewhere on the Agenda for this meeting sets out details of the measures being considered as part of the budget strategy for 2021/22. This includes income generation measures. The table below compares the measure outlined in that report, with the proposals given in this report:-

	Estimate £	Proposed £	Variation £
Annual Increase in Fees and Charges	30,000	24,060	(5,940)
Increase in Cemetery Fees	45,000	45,700	700
Increase in Bulky Household Waste Fees	32,000	87,100	55,100
Admin Charge Replacement Wheeled Bins	45,000	45,000	-
Total	152,000	201,860	49,860

24. The extent to which Councillors do not accept the recommendations set out in this report will mean that the Council will have to consider what further budget reductions will be necessary to achieve a balanced budget in 2021/22. This trade-off between changes in fees/charges and reductions in service as a consequence of reducing budgets is not new to Councillors although, given budget reductions during the period of austerity over the last decade, it does mean that the options for Councillors are increasingly limited with any such proposals likely to lead to cessation of services.

Legal

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

Risk Management

26. 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.
27. There is also a risk that if the proposals in this report are not accepted by Councillors, there will be a need to consider what further expenditure reductions are necessary to achieve a balanced budget in 2021/22. Any consideration of such expenditure reductions is likely to impact on the delivery of services by the Council.

Health and Safety

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

Sustainability

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

Community Safety

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

Equality and Diversity

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

APPENDICES

Appendix A – Income Review - 2021/22 Budget.

Appendix B – Cemetery Fees and Charges.

Appendix C – 2021/22 GENERAL FUND REVENUE BUDGET – CHARGING PROPOSAL (Re-instatement of Bulky Household Waste Collection fees).

Appendix D – 2021/22 GENERAL FUND REVENUE BUDGET – CHARGING PROPOSAL (Extension of charging for delivery of bins from new builds to current residential properties).

LIST OF BACKGROUND PAPERS: None