

REPORT OF: CHIEF FINANCIAL OFFICER

TO: POLICY AND RESOURCES COMMITTEE

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**2022/23 BUDGET SETTING AND MEDIUM TERM FINANCIAL PLAN -
INITIAL EFFICIENCY/SAVINGS OPTIONS AND INCOME REVIEW**

PURPOSE OF REPORT

1. The purpose of this report is to review fees and charges in advance of the 2022/23 budget process in line with the Fees and Charges Policy and to report on initial efficiency and savings options identified through the budget setting process. The report notes the significant financial pressures continued to be faced by the Council and the required next steps in order to deliver a balanced budget through the period of the Medium Term Financial Plan.

RECOMMENDATIONS

2. Policy and Resources Committee is recommended to:
 - a) approve the proposed changes to fees and charges as outlined in [Appendix A](#); and to recommend the Council to approve the proposed new charges relating to bulky household waste collection and administration of replacement bins
 - b) recommend to Council to approve the proposal to support further critical transformation activity to the sum of £250k, utilizing allocated reserves

REASONS FOR RECOMMENDATION

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

Background

4. As reported previously to this committee in June 2021 the Council's latest Medium Term Financial Plan (MTFP) for the period to 2023/24 shows an estimated funding shortfall of £3.04m; this includes a funding shortfall of £1.42m 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 2022/23 reflecting the Council's need to reduce net expenditure and achieve a fully self-financing budget.
7. The council have faced significant funding reductions and demand increase for a number of years and as a result have already delivered significant revenue savings. Despite a thorough review of further options services are generally now at a point where further reductions in resources or services levels will likely result in service failure and will impact local residents negatively.
8. The review of fees and income and efficiency opportunities is a critical element of the Council's financial strategy;
 - **Growing**
 - **Charging**
 - **Saving**
 - **Stopping**
9. Should the Council not explore and utilize opportunities where it is appropriate that residents further contribute financially for these services, a further significant pressure will be placed across critical council services. Where further efficiencies then can not be found to meet the revenue budget gap it will require the consideration of stopping or reducing other Council services which will likely have a significant impact on local residents.

Pendle Transformation Programme

10. In order to manage the risk of service failure from any further cuts to specific services it is felt that the Council now needs to consider a more holistic approach to reviewing and redesigning its services around local resident need.
11. This opportunity and approach is even more critical in view of the potential further increases in demand anticipated as a result of the pandemic, where potential financial, employment and housing demands will require a more joined up approach, including with local partners, to best support our residents.
12. There are significant opportunities to both reduce costs and to provide better services through the utilization of;
 - Customer centric service design
 - Digital services
 - Partnership working and co-located services
 - Process improvement and automation
13. Whilst a number of these opportunities have already been successfully applied in Pendle, there is now the opportunity to take those approaches further and to consider them as part of a wider review of the way the organization is organised to provide key services and support to the community in the most efficient manner.

14. This approach will be critical to ensure the Council can deliver a balanced budget across the period of the Long Term Financial Plan whilst minimizing the level of service reductions and cuts that would be required without a fundamental review of approach.
15. In view of the needs of our residents and the current budget gap and reliance on diminishing reserves it is critical that this work progresses at pace and that the appropriate capacity, skills and experience are brought in to assist in shaping and inform the design and delivery.
16. It is therefore proposed that £250k is identified from reserves in order to fund;
 - a) Transformation Programme Director role for an initial period of 9 months
 - b) Business analysts, change management and programme support
17. The resources will lead the development of a detailed program of work and re-design. They will support service leads and senior officers to understand new operating models and customer focused solutions and will support engagement with partners to understand opportunities to align approaches. Once opportunities have been identified they will be developed into detailed business cases and taken through appropriate governance and decision making, depending on the scale of change. This initial investment will also manage and deliver initial opportunities as appropriate

Proposed Changes to Fees and Charges and initial efficiency opportunities

18. 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 September 2021 was 4.9% (RPI) and 3.1% (CPI)¹.
19. Acceptance of the proposals (fees and operational efficiencies/savings) is estimated to generate an additional c£61k of income in the current year and c£324k for the year 2022/23. A summary of the fee proposals is presented at [Appendix A](#) with further information on;
 - A) Administrative charge for replacement bins – Appendix B
 - B) Bulky household waste collection fees – Appendix C
 - C) Cemetery fee increases – Appendix D
 - D) Increased Garden Waste charges – Appendix E
 - E) Changes to street sweeping; mechanical – Appendix F
 - F) Changes to street sweeping; manual – Appendix G

Delivery of Replacement Waste Containers

20. The number of replacement waste containers requested by residents has risen considerably since the service has been provided for free. This is placing a huge financial burden on the council as well as contributing negatively to the environment in respect of the use of plastics and fuel emissions. 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 to residents as it currently costs approximately £91k pa for the bins alone. It is

¹ Source: www.ons.gov.uk

envisaged that this will have a positive effect 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.

21. This option is an important contributor in delivering 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.

Bulky Household Waste Collection Fees

22. A charge of £10 was introduced in 2018/19 for the collection of bulky waste of up to 10 items. However, at the Special Budget Council meeting 27th February, 2020, it was agreed to revert back to free collections, which has resulted in a cost to the council for the service of £130k per annum.
23. This proposal is to re-introduce the charges is 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.
24. Critically, as well as supporting the council financially, the charge will make a significant contribution towards the Councils environmental commitment to become carbon neutral by 2030. Since the withdrawal of charges, demand for these services has risen significantly, increasing fuel emissions and, alongside increased flytipping, increasing waste being sent to landfill.

Cemeteries

25. 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 £46,470.
26. 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 and this proposal is a resubmission of the 2020/21 recommendations. Additional income levels are based on the assumption that volumes are consistent with pre COVID demand. A detailed pricing schedule is provided in the appendices.
27. It is further proposed to introduce an additional charge for non-Pendle residents. This is an approach that a number of other Local Authorities, including local neighbours, take in order to assist in managing the number of burial places available and ensuring local residents are given a priority. The exact nature of the scheme and level of income this will achieve is still being developed within the service and will be included in future budget reports.

Increased Green Waste Charges

28. In order to meet increasing costs of the service and to bring costs more in line with other nearby Local Authorities two options are presented to members;
- An increase of £2 annually for both 2022/3 and 2023/24 (£35; 22/23, £37; 23/24)
 - An increase of £7 for 2022/2 (£40; 2022/23)

29. The second option of an increase to £40 will better reflect the current costs of the service, but there is a small risk that residents may not sign up to such an increase. Some other local authorities do not run their scheme throughout the year. In view of the current financial cost of the service it is recommended that an increase to £40 for 2022/23 is agreed.

Street Sweeping Efficiencies

30. Two proposals are detailed in the appendices, providing the opportunity to reduce costs of both manual and mechanical operations by a total of £49k pa through better aligning resources to demand and revising current routes and operational responsibilities.
31. Officers are confident this will not have a negative impact on the local environment and cleanliness of the area

Verge Maintenance Arrangements

32. There is an opportunity to reduce costs by £7k pa by reviewing the initial cut dates and frequency of cuts during the initial and late cut period. Officers are confident the changes will have minimal effect on the local area and residents, but will be reviewed through the maintenance period.

IMPLICATIONS

Policy

33. 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

34. The financial implications for income/fee proposals are as set out in the report and detail at [Appendix A](#). In addition to the income generation of £324,630 in 2022/23 it is expected these measures will also reduce expenditure by a further £93,200.
35. The efficiency options in respect of street sweeping and verge maintenance will further save £56,000 in 2022/23
36. 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 2022/23. 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

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

Risk Management

38. 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.
39. 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 2022/23. Any consideration of such expenditure reductions is likely to impact on the delivery of services by the Council.

Health and Safety

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

Sustainability

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

Community Safety

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

Equality and Diversity

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

APPENDICES

- Appendix A** – Income Review - 2022/23 Budget.
Appendix B – Administrative charge for replacement bins.
Appendix C – Bulky household waste collection fees.
Appendix D – Cemetery fee increases
Appendix E – Increased garden waste charges.
Appendix F – Changes to street sweeping; mechanical
Appendix G – Changes to street sweeping; manual
Appendix H – Revised verge maintenance arrangements

LIST OF BACKGROUND PAPERS: None