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| Item No. | Classification Open | Date: 26 January 2012 | Decision Taker: Cabinet Member for Transport, Environment & Recycling |
| Report title: | | Sustainable Services – fees and charges 2012/13 – 2014/15 | |
| Ward(s) or groups affected: | | All | |
| From: | | Strategic Director of Environment & Leisure | |

RECOMMENDATIONS

1. That the Cabinet Member agrees the proposed non-statutory fees and charges for 2012/13, with an implementation date of 1 April 2012.
2. That the Cabinet Member notes the indicative non-statutory fees and charges for 2013/14 and 2014/15.

BACKGROUND INFORMATION

3. This report sets out proposals for the fees and charges to be set for Sustainable Services for 2012/13 and indicative charges for 2013/14 and 2014/15.
4. The corporate income policy requires that:
 - Fees and Charges are increased to a level, at a minimum, that is equal to the most appropriate London average (e.g. inner London, family, groupings etc) except where this conflicts with council policy, would lead to adverse revenue implications or would impact adversely on vulnerable clients
 - External income is maximised and mindful of cost of collection
 - Income is increased and council's debt reduced
 - All fees and charges capped by statute are increased to the maximum level the cap allows.
5. Only where it can be demonstrated that adverse financial implications might arise or where increases are not considered realistic due to demand and local circumstances, can fees or charges increases be set at a lower level than that set by the Medium Term Financial Strategy (MTRS).
6. The Council's constitution requires that all fees and charges increases are agreed by the relevant Cabinet Member through an IDM report. An IDM report is also required where no increase or a reduction in fees and charges is proposed.

KEY ISSUES FOR CONSIDERATION

7. Fees and charges are those charges where there is a schedule of rates for services provided. There are various types, namely mandatory and discretionary i.e. where the Authority must charge or where there is a choice of charging or not. Whether mandatory or discretionary, the charges will be either:
 - Fixed – where the level of charges is set by statute and the Authority has no discretion.

- Capped - where a maximum level is set, generally by statute and so charges cannot be set above this level, or
 - Flexible – where there is full discretion on the level of charges to be set
8. Where the Authority has a choice about charging, any decision not to charge must be agreed by the relevant Cabinet Member. This will be reviewed annually and will be considered within the context of the overall budget position.
 9. This report only seeks approval for fees and charges for which there is discretion or where fees are capped, although, all fees and charges are included in the Appendices for information.
 10. In arriving at the proposed fees and charge levels, consideration has been given to a number of factors, including; volume assumptions, benchmarking data, market forces and sensitivity i.e. the impact that increases will have on its customers' ability to pay particularly in the current economic climate and the take-up of services.
 11. Another factor taken into account is that, whilst Southwark may have discretion over the level of fees set, in many cases, this is on a cost recovery basis or must have due regard to the cost of service and be reasonable. The cost of service provision has therefore, also been a consideration in arriving at the proposed fees.
 12. Southwark is the 25th most deprived borough in England and Wales based on Indices of Deprivation 2010 (average rank) and compares poorly on levels of income and employment. This fact has implications for the elasticity (responsiveness) of demand to price changes particularly in relation to Pest control fees.
 13. It is therefore proposed that fees and charges be increased by 5.4% based on the Retail Price Index (RPI) as at October 2011.
 14. Table 1 (see paragraph 32) details the total income expected to be generated from non-statutory fees and charges. A full list of non-statutory fees and charges to be approved is shown in Appendix 1 with details of the benchmarking exercise shown in Appendix 2.
 15. It is proposed that:-
 - a. should there be a request from a commercial entity to provide a refuse collection service, the fees applied would be those quoted by Veolia Environmental services plus a 10% administration charge,
 - b. Waste Container hire and collection charges be increased by 20% and 12% respectively to bring them to a level that is equal to the most appropriate London average as per Medium Term Financial Strategy (MTFS) ;
 - c. Waste Disposal fees be increased by 7.95% to fully recover the annual price variation (contract indexation of 2.8%) plus an additional £8/tonne to account for the landfill tax escalator;
 - d. Pest Control fees and charges be increased by 5.4% in line with RPI.
 - e. The council introduces fees and charges for the Stray dogs service.

Division / Business Unit

SUSTAINABLE SERVICES

Commercial Waste

16. The Council no longer provides a commercial waste service as part of its day to day refuse collection operations. However, under the provisions of Section 45(1b) of the Environmental Protection Act (EPA 1990), a business entity can request the council to provide it with a refuse collection service. The council has an obligation to comply under such circumstances. However, no such request has been received for this service since the onset of the Waste PFI contract.
17. The proposed fees are those of Veolia Environmental Southwark (the Council's Household refuse contractor) plus 10% to cover the council's administrative costs. There will also be an additional charge of £16.55 per month in compliance with Section 33 of the EPA, i.e. The Duty of Care.

Household Refuse Collection

18. Under the stipulations of the Environmental Protection Act S45(3) No charge shall be made for the collection of household waste except in cases prescribed in regulations made by the Secretary of State (Statutory Instrument 1992 No. 588, The Controlled Waste Regulations 1992, Schedule 2 regulation 4). The regulations set out the types of Household Waste for which a charge for collection may be made. They include waste from the following:
 - Residential hostels / homes
 - Universities, schools or other educational establishments
 - Premises occupied by a charity and wholly or mainly used for charitable purposes
 - Prisons or other penal institutions
 - Camp sites, other than from any domestic property on that site
 - Halls or other premises used wholly or mainly for public meetings
19. Refuse Collections from any of the above sites would be carried out by the Council's waste Contractor (Veolia Environmental Southwark). It is proposed to increase fees by 12% to bring them in line with the most appropriate London average.

Waste Container Hire

20. A charge for the hire of waste containers may be levied in accordance with The Environmental Protection Act 1990 Section 46(3b) for Household Waste and Section 47(1) for Commercial Waste. The bins may also be provided (i.e. owned without charge) by the occupiers of the relevant property subject to numbers on site, placement, size, construction and maintenance requirements stipulated by the council.
21. Household Waste – charges are levied for the hire of any container with a capacity greater than 240 litres. The council does not charge for the supply of 240 litre bins to residential properties. Commercial Waste - charges are levied for the hire of all categories of waste containers.

22. The proposal is to increase fees by 20% to bring them in line with the most appropriate London average.
23. The service does not currently charge for recycling bins as income generation is not the key driver in this instance. The objective here is to incentivise/inculcate behaviours leading to a cultural shift, improvement in recycling rates and consequently a reduction in landfill disposal costs. Included in the report are proposed charges for composters and wormeries which are supplied and delivered by the waste contractor. They are included for information only.

Waste Disposal

24. As a statutory waste disposal authority under the Environmental Protection Act 1990, the Council has a statutory duty to dispose of all household and commercial waste collected within the borough. In addition, the Council is required to provide a Civic Amenity facility where residents can dispose of bulky household.
25. Under section 51(3), household waste disposal arrangements are free of charge, however, the deposit of other controlled waste by other persons may be subject to such terms as to payment (if any) as the authority determines. The council does not control the gate fees of third parties under the current contract. There is a certain amount of third party revenues that have been guaranteed (regardless of non-achievement) by the operator in the financial model i.e. used to reduce the unitary payment charged to the council.
26. The proposed 7.95% increase in the waste disposal charge is to allow full recovery of contract price indexation (estimated at 2.8%), plus an additional £8 for the increase in landfill tax. Landfill tax will be £64 per tonne in 2012/13. This fee is mainly used for recharging Southwark Building services and the Street Markets Association for the controlled disposal of their waste. The fee would apply to other internal users who would want to dispose non-household waste. There is also a charge for green waste handling on behalf of the Parks unit via Quadron services Ltd. This charge has no landfill implications and set to increase at 2% per annum as per parks contract. Any increases above 2% to Quadron Ltd are simply passed back to the Parks unit.

Pest Control Services

27. The in-house Pest control service primarily operates as a service to Southwark council tenants and funded via a service level agreement with the Housing Revenue Account. There is no statutory duty to provide a free pest control service. The Council has a statutory duty to control pests under the Prevention of Damage by Pests Act 1949 and the Public Health Act 1936.
28. The Local Government Act 2000 gives local authorities power to do anything which they consider is likely to achieve the promotion or improvement of the economic, social and environmental well-being of their areas (power of well being).
29. The Local Government Act 2003 includes a general power for local authorities to charge for discretionary services. The proposals are for works typically carried out for private residents and leaseholders.

30. Pest control fees and charges were restructured in 2009/10 to move away from the single charge of £66.00 inclusive of VAT (£56.17 excl. VAT) for treatment through to eradication of the pest infestation (usually up to 4 visits per treatment). This implied an increase of 92% for certain categories of pests. Demand for services has fallen compared to pre 2009/10 levels. This is believed to be due to a combination of the recession and the increases in fees and charges from 2009/10.
31. A benchmarking exercise comparing Southwark's charges against those of other London boroughs (near neighbours) is as shown in Appendix 2. The analysis shows that Southwark's fees are typically 15% lower than the average of the comparator group. From the foregoing discussion on the demographics of Southwark and given the current economic climate, it is proposed to only increase fees by 5.4% (RPI).
32. The risk is that, if a leaseholder can not afford to carry out a treatment or decides to live with the problem on financial grounds, this could potentially lead to infestation in the whole block making the Council implement block treatment which would eventually cost more than any benefit derived from the increase in fees.
33. With effect from 1st November 2011, the Southwark Pest Control unit has had the responsibility for the council's obligation under section 149 and 150 of the Environmental Protection Act 1990 to deal with Stray dogs found within the borough. Following a benchmarking exercise it was found that Southwark Council was one of a few London local authorities which do not charge for the return of a stray dog to its owner.
34. The proposal is to introduce fees for the service is in line with the most appropriate London average. These charges are meant to cover the costs involved with collection and welfare of the dog while in the council's possession.
35. Under section 149(5) (EPA 1990), the authority may charge the owner all expenses incurred during the dog's detention plus a further prescribed amount. The expenses should be calculated as the per day kennel cost plus any costs involved in detaining the dog. Authorities should also include any charges incurred in respect of injured dogs that receive treatment. And it may also retain the dog until full payment has been made to the Council by the owner.
36. Current statistics indicate that the council collects approximately 300 dogs with a return to owner rate of approximately 15% (45 dogs). The proposed charges would therefore result in new income in the region of £5k. The introduction of a charge could potentially result in a reduction in the number of dogs returned to owners.

Resource implications

37. Table 1 shows the budgets and projected out turn for 2011/12 and the anticipated income levels for 2012/13 arising from the proposed fees and charges increases.

Table 1:– 2011/12 Budgets/ Projected Outturn & Proposed 2012/13 budgets

| Division/ Income Stream | 2011/12 Budget £ | 2011/12 projecte d out turn £ | 2012/13 Proposed Budget £ | Increase in budgeted income £ | Increase In Income % | Comments |
|---|---------------------------------|--|--|--|---|---------------------|
| Container Hire / waste collection | 528,353 | 541,000 | 631,888 | 103,535 | 19.60% | See points 17-21 |
| Pest Control | 50,500 | 50,500 | 53,227 | 2,727 | 5.40% | See points 25-30 |
| Subtotal - Hire/collections & Pest control | 578,853 | 591,500 | 685,115 | 106,262 | | |
| Waste Disposal | 199,082 | 201,540 | 215,831 | 16,749 | 7.01% | See points 22-24 |
| Total - Division | 777,935 | 793,040 | 900,946 | 123,011 | | |

Budget assumptions and implications

38. The percentage increases in budgeted income assume current income budgets (2011/12) in SAP will not be inflated.
39. The total net increase in income from refuse container hire/collections and pest control services is estimated to be £106,262 as shown in Table 1. This amount will be considered as part of the proposals in the budget and business planning exercise for 2012/15 which is currently underway.
40. The increase of £16,749 in Waste disposal income will be used to adjust both the waste disposal income and expenditure budgets. This is to allow full recovery of increases in contract costs and landfill tax under the Waste PFI contract (contract uses RPIX - retail price index excluding mortgage interest - for its annual indexation). The Landfill tax will increase by the annual £8 escalator from £56 to £64 in 2012/13.
41. Any benefits or repercussions on demand for services arising from the proposed fees and charges will be reflected in future revenue monitoring reports and budget proposals.
42. The majority of fees and charges have been increased in line with MTRS but where there are good reasons why this has not been adopted, this has been detailed within the body of the report. Where the charge for a particular line item is not in line with the MTRS the overall revenue for that service will not be adversely affected.

Staffing implications

43. There are no staffing implications.

Community Impact Statement

44. The current arrangements ensure that all areas of the borough have equal access to services at reasonable rates to pay and the take-up of services. However, this flexibility is limited to only where Southwark has discretion over the level of fees set. In addition, in certain services such as Pest Control, concessions and discounts are made available for community groups, the young, the elderly and for those on means tested benefits. There is a discount of 50% for residents on low income to allow them to still access the service.

Consultation / Notification of fee increases

45. No consultation required on the above fees and charges. However, once approved, formal notification of price increases will be made via the appropriate channels.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Concurrent report from the Finance Director – (NR/F&R//6/1/12)

46. This report recommends that the Cabinet Member for Environment agrees the proposed non-statutory fees and charges for 2012/13, with an implementation date of 1st April 2012, and notes the indicative non-statutory fees and charges for 2013/14 and 2014/15.
47. The Finance Director notes the resource implications contained within the report and the comparison of proposed council fees with the appropriate inner London average fees and that only in certain circumstances can fees or charges increases be set at a lower level than the MTRS allows. As outlined in the body of this report, part of this proposal considers increasing some fees and charges at rates of 5.4% (Pest Control), 12% (Waste Collection), 20% (Container Hire) and 7.95% (Waste Disposal). Officer time to effect the recommendation will be contained within existing budgeted revenue resources.

Strategic Director of Communities, Law & Governance

48. The Cabinet Member for Environment is recommended to approve the 2012/2013 non-statutory fees and charges set out above. The recommendations will take effect on 1 April 2012 if approved.
49. Section 93(1) of the Local Government Act 2003 enables the council to charge for providing discretionary services. The power in the Act is subject to the requirement that the council is not prevented from charging for the services by virtue of any other legislation. The report refers to the relevant legislative powers which enable the Council to charge fees in each case.
50. The approval of the fees and charges sought in this report is a matter reserved to the Cabinet Member for individual decision making in accordance with Part 3 paragraph 3 of the Council Constitution.
51. The proposed increases are intended to be consistent with the Medium Term Resources Strategy and will apply to the existing non-statutory fees and charges.

52. The report confirms that there are no prescribed legal requirements for consultation on the proposed fees and charges although any proposed increases will need to be publicised and notified. Officers should ensure that all forms of notification explain how and to whom any complaints or queries should be made.

BACKGROUND DOCUMENTS

| Background Papers | Held At | Contact |
|--|--|--|
| Sustainable Services Budget Working Papers | Divisional Finance Sustainable Services Manor Place Depot 30-34 Penrose St London SE15 3DW | Daniel Brew-Riverson Divisional accountant 0207 525 2389 |

APPENDICES

| No. | Title |
|-----|---|
| 1 | Detail of proposed Sustainable Services fees 2012/13 to 2014/15 |
| 2 | Sustainable Services Benchmarking exercise 2012/13 |

AUDIT TRAIL

| | | |
|---|---|--------------------------|
| Lead Officer | Gill Davies, Strategic Director Environment & Leisure | |
| Report Author | Ian Smith, Acting Head of Sustainable Services | |
| Version | Final | |
| Dated | 26 January 2012 | |
| Key Decision? | Yes | |
| CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER | | |
| Officer Title | Comments Sought | Comments included |
| Strategic Director for Communities, Law and Governance | Yes | Yes |
| Finance Director | Yes | Yes |
| Cabinet Member | Yes | Yes |
| Date final report sent to Constitutional Team | 26 January 2012 | |