

Item No.	Classification Open	Date: 22 January 2013	Meeting Name: Cabinet Member for Transport, Environment & Recycling
Report title:		Fees and charges proposals for Sustainable Services Division for 2013/14 – 2015/16	
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 2013/14, as set out in Appendices 1 and 2, with an implementation date of 1 April 2013.
2. That the Cabinet Member notes the indicative non-statutory fees and charges for 2014/15 and 2015/16.

BACKGROUND INFORMATION

3. This report sets out proposals for the fees and charges to be set for Sustainable Services for 2013/14 and indicative charges for 2014/15 and 2015/16.
4. The Medium Term Resources Strategy (MTRS) 2011/12 – 2013/14 and the corporate income policy require that:
 - Fees and Charge 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
 - Income generation is maximised by seeking income streams in line with council policies and priorities.
 - 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 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. The Organisation for Economic Co-operation and Development (OECD) economic outlook, analysis and forecasts for the UK economy (November 2012) projects growth to recover gradually and gain momentum towards the end of 2013, as exports and household spending pick up as confidence recovers. The subdued recovery and continued uncertainty mean that consumer demand will remain fragile for yet a little longer. This fact has implications for the elasticity (responsiveness) of demand to price changes particularly in relation to Pest control fees.
 12. 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.
 13. It is therefore proposed that fees and charges be increased by 2.7% based on the Consumer Price Index (CPI) as at November 2012 (ONS) unless it would lead to adverse revenue implications or would impact adversely on vulnerable clients.
 14. Table 1 (see paragraph 36) 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 a benchmarking exercise shown in Appendix 2.
 15. It is proposed that:
 - 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;
 - Fees and charges for Waste Container hire and collection, Pest Control and Stray dogs be increased by 2.7% in line with the current rate of inflation, the Consumer Price Index (CPI) as at November 2012. (ONS);
 - Waste Disposal fees be increased by 6.98% to fully recover the annual price

variation (contract indexation of 2% plus an additional £8/tonne for the annual landfill tax escalator).

Division / Business Unit

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 in 2008.
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 £17 per month in compliance with Section 33 of the EPA (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 2.7% in line with the Consumer Prices Index (CPI) annual inflation (November 2012).

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.

- 22.. The proposal is to increase fees by 2.7% in line with the rate of inflation.
23. The service does not charge for recycling bins as income generation is not the key driver in this instance. It is recommended that the council maintains this position as it emphasises its commitment to recycling and enhances its reputation in relation to its Corporate Social Responsibility practices.

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.
26. The council does not control the gate fees of third parties under the Waste PFI contract. There is a certain amount of third party revenues which has been assigned to the council in the PFI financial model and used in the calculation of the unitary charge of the contract.
27. The proposed 6.98% increase in the waste disposal charge is to allow full recovery of contract price indexation (estimated at 2%), plus an additional £8 for the increase in landfill tax. Landfill tax will be £72 per tonne in 2013/14. 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 also apply to other internal business units which 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 the current parks contract.

Pest Control Services

28. 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. The Council has a statutory duty to control pests under the Prevention of Damage by Pests Act 1949 and the Public Health Act 1936. There is no statutory duty to provide a free pest control service.
29. 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).
30. 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.
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 in the main lower than the average of the comparator group. The service offered is incidental to the unit's fundamental objective (paragraph 25). The unit has its overheads effectively covered under its main contract and these ad hoc works are therefore charged at marginal cost plus a margin. Other boroughs do not have such a commitment and therefore charge at full cost plus a margin. The different cultures therefore give us different basis of comparison.

32. It is also believed that the opportunity cost of increasing Pest control fees could potentially be adversely significant. 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 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. The Southwark Pest Control unit also has 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. The charges are designed to cover the costs involved with collection and welfare of the dog while in the council's possession.
34. 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.
35. Current statistics indicate that the council collects approximately 250 dogs with a return to owner rate of approximately 20% (50 dogs).

Resource implications

36. Table 1 shows the budgets and projected out turn for 2012/13 and the anticipated income levels for 2013/14 arising from the proposed fees and charges increases.

Table 1:– 2012/13 Budgets/ Projected Outturn & Proposed 2013/14 budgets

Division/ Income Stream	2012/13 Budget	2012/13 Projected outturn	2013/14 Proposed Budget	Increase In Income %
	£	£	£	
Container Hire /waste collection	634,353	624,580	634,353	0%
Pest Control	50,500	44,520	50,500	0%
Subtotal- Hire /collection & Pest control	684,853	669,100	684,853	
Waste Disposal	199,082	184,520	189,502	-4.81%
Total - Division	883,935	853,620	874,355	-1.08%

Budget assumptions and implications

37. It is assumed that there will be no corporate inflation increase in the income budgets as compared with 2012-13 figures.
38. Although all services are showing outturns below target, it is believed that the proposed increase in charges and demand for services will bring the income back to at least budgeted income levels for 2012/13. However, the decrease of £9,580 in waste disposal income is due to a general decline in waste tonnages over the last few years. As the budget no longer reflects current volumes, the amount will be offset against the waste disposal expenditure budget.
39. 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.

Staffing implications

40. There are no staffing implications

Community Impact Statement

41. 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

42. 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

Strategic Director of Finance and Corporate Services (ET/01/13)

43. This report recommends that the Cabinet Member for Transport, Environment & Recycling agrees the proposed non-statutory fees and charges for 2013/14, with an implementation date of 1st April 2013, and notes the indicative non-statutory fees and charges for 2014/15 and 2015/16.
44. The strategic 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, the proposal considers increasing Waste disposal fees by 6.98% (indexation and landfill escalator) and all other fees and charges by 2.7% (the current rate of inflation). Officer time to effect the recommendation will be contained within existing budgeted revenue resources.

45. Any repercussions on demand for services arising from the proposed fees and charges will be reflected in future budgetary control reports.

Director of Legal Services (SB/01/13)

46. The Cabinet Member for Transport, Environment & Recycling is recommended to approve the 2013/2014 non-statutory fees and charges set out above. The recommendations will take effect on 1 April 2013 if approved.
47. 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.
48. 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.
49. The proposed increases are intended to be consistent with the MTRS and will apply to the existing non-statutory fees and charges.
50. 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
None		

APPENDICES

No.	Title
1	Details of proposed Sustainable Services fees 2013/14 to 2015/16
2	Sustainable Services Benchmarking exercise 2013/14

AUDIT TRAIL

Lead Officer	Deborah Collins, Strategic Director of Environment & Leisure	
Report Author	Ian Smith, Head of Sustainable Services, Environment & Leisure	
Version	Final	
Dated	22 January 2013	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Director of Legal Services	Yes	Yes
Finance Director	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team	22 January 2013	