

Item No.	Classification Open	Date: January 13 2010	Meeting Name: Executive Member for Environment
Report title:		Fees and Charges increases within Sustainable Services for 2010-11	
Ward(s) or groups affected:		All	
From:		Strategic Director of Environment & Housing	

RECOMMENDATIONS

1. That the Executive Member agrees the proposed non-statutory fees and charges for 2010/11, with an implementation date of 1st April 2010.
2. That the Executive Member agrees the indicative non-statutory fees and charges for 2011/12 and 2012/13.
3. That the Executive Member notes the information contained within this report on the agreed 2009/10 non-statutory fees and charges and the projected out turn position.
4. That the Executive Member notes information on statutory fees and charges only.

BACKGROUND INFORMATION

5. This report sets out proposals for the fees and charges to be set for Sustainable Services for 2010/11 and indicative charges for 2011/12 and 2012/13.
6. The Medium Term Resources Strategy (MTRS) 2010/11 – 2012/13 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.
7. 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.
8. The Council's constitution requires that all fees and charges increases are agreed by the relevant Executive 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

9. 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
10. Where the Authority has a choice about charging, any decision not to charge must be agreed by the relevant Executive Member. This will be reviewed annually and will be considered within the context of the overall budget position.
11. 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.
12. 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 and the take-up of services. 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. Table 2 (see paragraph 31) 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 are shown in Appendix 1.
14. 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 Collection and refuse container fees and charges be increased in line with indexation on the waste contract currently projected at 1.8%;
 - c) Waste Disposal fees be increased by 1.8% to fully recover the annual price variation (indexation of 1.8%) plus an additional £8/tonne to account for the landfill tax escalator;
 - d) Pest Control fees and charges be held at 2009/10 levels given the current economic climate and the adverse impact on the demand for services that has been experienced since the prices were increased last year.

Division / Business Unit

SUSTAINABLE SERVICES

Commercial Waste

15. With effect from 01/04/2008, the Council no longer provides a commercial waste service as part of its day to day operations. This was a strategic decision to minimise the risk of incurring LATS penalties which would have resulted in adverse reputational and financial consequences. However, under the provisions of Section 45(1b) of the Environmental Protection Act (EPA 1990), a business entity can request the Council to provide a refuse collection service. The Council has an obligation to comply under such circumstances. However, since the start of the Veolia Contract, no request has been received for this service.
16. 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 £15 per month in compliance with Section 33 of the EPA, ie. The Duty of Care.

Household Refuse Collection

17. 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
18. Refuse Collections from any of the above sites would be carried out by the Council's waste Contractor (Veolia Environmental Southwark). The proposed fees are based on based on the estimated cost of collection (excludes disposal costs) used as the basis of the Waste Collection budget incorporated into the Waste PFI. It is proposed that the fees be indexed in line with the Waste PFI annual indexation which is currently projected at 1.8% for the period April 2010 – March 2011.

Waste Container Hire

19. 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 (ie. owned without hire charge implications) by the occupiers of the relevant property subject to numbers on site, placement, size, construction and maintenance requirements stipulated by the Council.

20. 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.
21. The proposed hire rates are based on the estimated cost of container supply, delivery, maintenance, refurbishment, and replacement where necessary. It is estimated that the average useful economic life of a bin is 3-4 years. It is proposed that the fees be increased by 1.8% in line with the waste contract indexation.

Waste Disposal

22. 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.
23. 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.
24. The proposed waste disposal charges are to allow full recovery of contract price increases (estimated at 1.8%), plus an additional £8 for the increase in landfill tax. Landfill tax will be £48 per tonne in 10/11.

Pest Control Services

25. The in-house Pest control service primarily operates as a service to Southwark Council tenants and funded via a service level agreement from 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.
26. 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).
27. 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.
28. 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 four visits per treatment). This implied an increase of 92% for certain categories of pests. These increases however, did not lead to a proportional increase in income, but ensured that the service, at the very least, recovered its costs.
29. A benchmarking exercise comparing Southwark's charges against those of five other London boroughs (near neighbours) is as shown in Table 1. The analysis shows that Southwark's fees are in the main, higher than the average of the comparator group.

30. Demand for services has fallen compared to 2008/9 levels. This is believed to be due to a combination of the recession and the increases in fees and charges for 2009/10. Given the current economic climate, it is proposed to hold 2010/11 fees and charges at their current level and review them next year for 2011/12 onwards.
31. Table 1: Benchmarking - Pest control charges (near neighbouring boroughs) see Appendix 2

Resource implications

32. Table 2 shows the budgets and projected out turn for 2009/2010 and the anticipated income levels for 2010/2011 arising from the proposed fees and charges increases.
33. Table 2:- 2009/10 Budgets/ Projected Outturn & Proposed 2010/11 budgets

Division/ Income Stream	2009/2010 Budget £	2009/2010 projected out turn £	2010/2011 Proposed Budget £	Increase In Income %
Container Hire / waste collection	-523,122	-525,000	-532,538	1.8%
Waste Disposal	-192,160	-198,243	-211,345	9.98%
Pest Control	-50,000	-49,200	-50,000	0%

Budget assumptions and implications

34. The refuse collection and disposal budgets have been adjusted to reflect the full recovery of increases in contract costs and landfill tax under the Waste PFI contract. The contract uses RPIX (Retail Price Index) for its annual indexation. The Landfill tax will increase from £40 to £48 for 2010/11 (£8 escalator).
35. The impact of the proposed fees and charges has been taken into account within the Division's 2010/2011 revenue budget. Any repercussions or benefits from demand for services will be reflected in future revenue monitoring reports and budget proposals.

Community Impact Statement

36. The current arrangements ensure that all areas of the borough have equal access to services at reasonable rates. The charges are in the main slightly higher than those of near neighbouring boroughs, however the service offered by the Pest control service is above that offered by most other authorities. There is a discount of 50% for residents on low income to allow them to still access the service.

Consultation / Notification of fee increases

37. 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 Communities, Law & Governance (SB122009)

38. The Executive Member for Environment is recommended to approve the 2010/11 non-statutory fees and charges as outlined in this report. The recommendations will take effect on 1 April 2010 if approved.
39. The approval of the fees and charges sought in this report is a matter reserved to the Executive Member for individual decision making in accordance with Part 3D paragraph 3 of the Council's constitution.
40. 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.

Finance Director (CD122009)

41. This report seeks authority for approving the fees to be charged by Sustainable Services division in 2010/2011. It is only concerned with fees and charges where the Council has discretion about the level to be charged.
42. Currently the MTRS is to generally increase discretionary fees and charges to a level that is equal to the most appropriate London average except where this conflicts with Council policy or would lead to adverse revenue implications. As outlined in the body of this report, part of this proposal considers increasing some fees and charges at rates of 1.8% (Waste Collection and Container Hire) and 9.98% (Waste Disposal), in order to fully recover the cost of the Waste Private Finance Initiative (PFI) contract indexation. For Pest Control Services, no increase in fees and charges has been proposed as most charges are already at or above the London average. Owing to the rising cost of the Waste PFI and based on the pest control benchmarking information provided, this proposal seeks to avoid any adverse revenue implications and is therefore in line with the MTRS.

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, Tel: 0207 525 2389

APPENDIX

No.	Title
1	Detail of proposed Sustainable Services fees 2010/11 to 2012/13
2	Budgets and projected out turn for 2009/2010 and the anticipated income levels for 2010/2011

AUDIT TRAIL

Lead Officer	Gill Davies, Strategic Director Environment & Housing	
Report Author	Mary Morrissey, Head of Sustainable Services	
Version	Final	
Dated	January 2010	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / EXECUTIVE MEMBER		
Officer Title	Comments Sought	Comments included
Strategic Director of Communities, Law & Governance	Yes	Yes
Finance Director	Yes	Yes
Executive Member	Yes	Yes
Date final report sent to Constitutional Officer	January 13 2010	

Fees and Charges increases within Sustainable Services for 2010-11

Appendix 2

Budgets and projected out turn for 2009/2010 and the anticipated income levels for 2010/2011

Description	Southwark	Lewisham	Croydon	Bromley	City of London	Greenwich	Average
Rats - Domestic	72.36			44.35	112.50		38.20
Mice - Domestic	72.36	65.22	91.30	44.35	112.50	55.83	73.59
Wasps - Domestic	48.45	43.48	46.96	37.39	112.50	42.61	55.23
Fleas- Domestic	107.98	130.43	113.48	-	112.50	164.35	104.79
Cockroaches - Domestic	97.34	86.96	142.61	-	112.50	139.04	96.41
Pharoah Ants- Domestic	97.34	-	142.61	-	112.50	45.65	66.35
Garden Ants	97.34	130.43	226.96	-	-	167.22	103.66
Tropical Ants	97.34	86.96	-	-	-	167.22	58.59
Woodlice / Garden Bettles	97.34	130.43	226.96	-	-	-	75.79
Bedbugs - Domestic	107.98	97.83	266.09	-	112.50	55.74	106.69
Bedbugs Concessions	53.99	30.43	164.09	-	-	-	41.42
Moth	97.34	156.52	-	-	112.50	-	61.06
Squirrel - Domestic		130.43	154.78	-	112.50	-	66.29