



Chelmsford City Council
7th December 2022
Financial Update Report and Review of Fees and Charges

Report by: Cabinet Member for Fairer Chelmsford

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Purpose

To consider

- the current projections of the financial position of the authority, in the light of the historically high inflation and broader economic disruption and
- approving increases in fees and charges as a partial response.

Recommendations:

- 1) Note the financial position
 - 2) Delegate to officers the implementation of the proposed increases in fees and charges (Appendix 1) as soon as possible.
 - 3) Continue with the budget process for 2023-24 focusing on: identifying savings, reviewing capital programme spend and resourcing, and strategies to address the overall budgetary risks and uncertainties.
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1. Introduction

- 1.1. The Council's finances are under unprecedented stress due to high rates of inflation, increased interest rates and the economic downturn. This report

identifies actions as a partial response to the financial challenges. It does not resolve the financial difficulties the Council faces but forms a strand of a wider response which will be identified in the Budget Cabinet report in January.

- 1.2. The Council's financial strategy has the objective of maintaining strong finances to ensure the delivery of Our Chelmsford Our Plan.
- 1.3. Since July, Members have had three financial reports providing updates on the current and expected future financial position (the Medium-Term Financial Strategy at July Council, a Financial Update at October Cabinet and Revenue Monitoring at November Cabinet. In the light of the issues identified in these reports, Council is being asked to approve and implement increases in several fees and charges at the earliest opportunity (set out in Appendix 1 and summarised in paragraph 5).

2. Summary of Financial Position

- 2.1 The Financial Update Report to October Cabinet identified a forecast £7.9m budget shortfall for 2023/24, due mostly to inflation and car parking income not recovering following the pandemic as much as expected.
- 2.2 The Revenue Monitoring report considered at November Cabinet identified an additional use of unearmarked reserves of £1.127m above the approved 2022/23 budget due to the financial pressures faced.
- 2.3 The Government's Autumn Statement provided little cause to expect material levels of additional Government funding will be made available to the City Council in the financial settlement (expected to be announced before Christmas). Some points of note from the Autumn Statement that impact on the Council are:
 - A 3% increase in Council tax will be allowed in 2023/24 rather than the usual maximum of 2% or £5, whichever is the higher (£5 equals 2.4% for Chelmsford). This would generate an extra £90,000 per annum if implemented.
 - The Government will be reducing Local Authority funding to reflect the reversal of the National Insurance increases. It is unclear what this will mean to the City's funding from Government.
 - The environmental levy on gas has been equalised with electricity. The indicative additional cost to the Council is £50,000 per year.
 - Government Support for increases in energy costs in the public sector remains unknown. However, statements made suggest funding for businesses is expected to be curtailed significantly which would imply any support for public bodies is likely be very limited in scope. Current projections suggest a £2.5m increase in energy costs for the City Council

in 2023/24. The level of this increase will be reviewed up to the point of setting the budget.

- The Council will be fully compensated for Business rate income not rising by inflation. It is unclear what level of additional funding the Council can expect from this.
- No overall cash reductions in national totals for Local Government funding were identified, however, real-terms reductions are expected.

3. Pressures on the Council's finances

3.1 The Council is facing exceptional pressures from inflation, interest rates and the impact of the cost-of-living crisis on our income. Ahead of updated forecasts in the 2023-24 budget proposals, it is worth recalling the details set out in the October and November Cabinet reports.

3.2 Inflation has now reached over 11%, far higher than the Government's target of 2%, pushing up the costs to the Council of gas and electricity, fuel for vehicles, staff pay and tenders for contractors and materials. For example:

- This year's budget for energy costs is £2.4m, more than double last year's budget, and the costs for next year could double again. It is costing an extra £10,000 a week this year to keep our leisure centres open.
- This year's budget for vehicle fuel is £0.9m, but we expect to spend an around extra £300,000. It is forecast to cost £18,500 a week to put fuel in our refuse lorries next year.

3.3 Interest rates have risen rapidly this year, with the Bank of England's base rate reaching 3% (and forecast to rise further), up from 0.1% 12 months ago. This has pushed up the cost of capital investment projects and made some projects unaffordable.

3.4 Residents are also feeling the pressure from these inflationary rises with incomes lagging behind, creating a cost-of-living crisis. That is affecting the Council's income from fees and charges, with car park revenues especially affected. Visits to our car parks have been lagging the original forecasts and, as a consequence, this year's car parking income was heading for a shortfall of £1.3m (£25,000 a week).

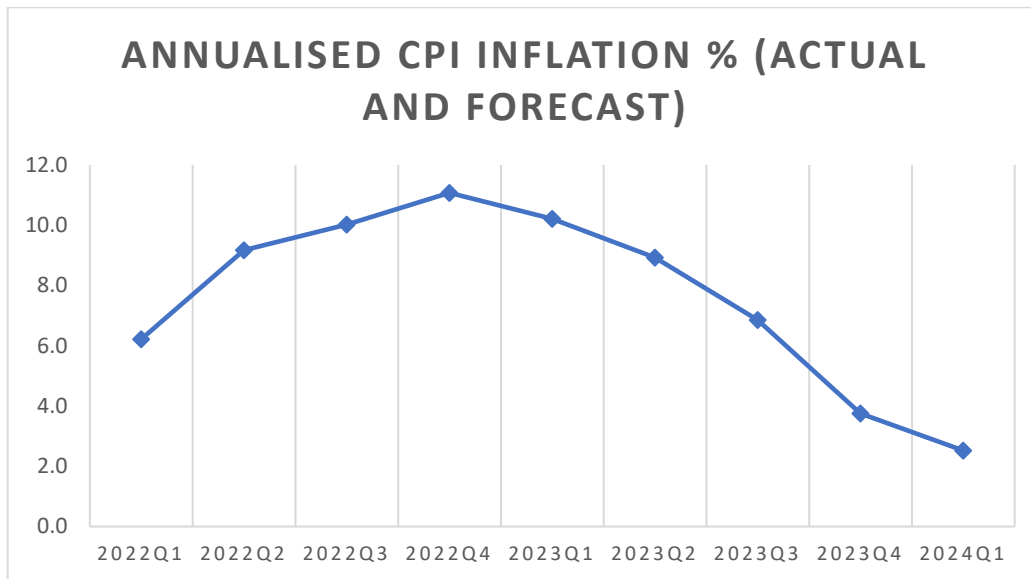
3.5 To put that in context, Council Tax generates £14.7m or around one-quarter of the Council's running costs. Even an increase of 3% next April, as the Government announced in the Autumn Statement, would generate only £440,000 of additional resources – and none this year.

4. Impact on the Council's reserves

- 4.1. Given the financial position, it is inevitable without significant additional Government support that the budget shortfall next year will require the use of unearmarked reserves. This will be to either fund temporary costs or gradually phase in lower levels of Council expenditure over a number of years to avoid a shock adjustment in 2023/24.
- 4.2. The use of reserves in this targeted way is essential to help manage changes but is also a reflection of the uncertainty in the current economic climate. It is possible that some inflationary pressures will be reversed in future years, so the use of reserves reduces the risk of cutting services unnecessarily.
- 4.3. The Section 151 officer is required by law to set a target level of unearmarked reserves. This is intended to ensure authorities set robust budgets and can manage expected and unknown risks. The current target level for unearmarked reserves at Chelmsford is £9m; this will be reviewed in the 2023/24 budget process. The target level was increased during Covid-19 lockdowns, reflecting the additional financial risks. It was expected that the target level would be lowered following the end of lockdowns. However, the Council now faces significant new risks so it is unlikely to be reduced.
- 4.4. In the July Medium-Term Financial Strategy, the level of unearmarked reserves was expected, across the forecast period, to fall to a low point of £9.8m. However, this did not allow for a deterioration in the 2022/23 finances or the use of a significant amount of reserves in 2023/24 to support the budget. Indicatively, unearmarked reserves could fall below the £9m target level and remain under pressure. This issue will be considered in detail in the January Budget report to Cabinet.
- 4.5. The Council will need to consider how best to move from using reserves to replenishing them. In the short term, the Council should consider the following actions to boost or keep unearmarked reserves at the highest level possible in the current circumstances:
 - Manage cashflows on the optimum basis to achieve higher investment income, including deferral of expenditure where possible.
 - Continuous review of spend when delivering services.
 - Savings and efficiencies identified as part of the 2023/24 budget planning will be implemented as early as possible (subject to approvals and practical implementation).
 - Increases in fees and charges recommended in this report are implemented as soon as possible.

5. Fees and Charges Proposals

5.1 The Council has normally sought to increase its budgets for fees and charges by 2% each year as this was broadly deemed to represent inflation. However, with rising inflation, the assumptions have been increased; the increase was 3.2% in 2022/23 and a suggested 4% in 2023/24. It should be noted that actual and projected UK inflation rates are significantly higher. Inflation data from OBR (Government independent fiscal watchdog) is shown below.



5.2 Details of the fees and charges proposals are identified in Appendix 1. A summary is set out below, including financial implications below:

Service Area	Summary of Proposal	2022/23 (part-year effect) £000s	2023/24 (full-year effect) £000s	Increase over the budget assumption £000s
Planning	Planning Pre-application	6	32	25
Car Parking	Car Parking. No inflation was assumed in the budget planning.	38	180	180
Bereavement Services	Cremations	59	277	196
Bereavement Services	Burial Plots	2	8	5
Bereavement Services	Interment	4	14	12
Recycling and Waste	Special Collections	6	24	22
Leisure	Leisure charges	35	371	156
Total		150	906	596

6. Conclusion

- 6.1 The Council finances are under significant stress as a result of exceptional rates of inflation and the cost-of-living crisis.
- 6.2 It is recommended that increases in fees and charges, identified in this report, are implemented as soon as possible.
- 6.3 The Council will take further actions to improve financial resilience as part of a balanced budget produced for January Cabinet.

List of appendices: Fees and charges proposals

Background papers:

None

Corporate Implications

Legal/Constitutional: Increases in charges above the level prescribed in the budget guidelines require Council approval.

Financial: As set out.

Potential impact on climate change and the environment: None

Contribution toward achieving a net zero carbon position by 2030: None

Personnel: None

Risk Management: Financial resilience will be discussed in the Budget report to January Cabinet.

Equality and Diversity: An Equality Impact Assessment is not required as the fees and charges proposals do not introduce new or revised policies

Health and Safety: None

Digital: None

Other: None

Consultees:

Relevant Policies and Strategies:

Medium-Term Financial Strategy

The proposals should continue to support delivery of the Our Chelmsford Our Plan Corporate Plan.

Appendix 1**Urgent Review of Fees and Charges**

Directors have undertaken an urgent review of fees and charges in consultation with Cabinet members. The objective is to increase some charges at the earliest opportunity to support the Council's financial position.

This section identifies the fees and charges proposed to be changed and explains the background and financial implications.

1. The Planning Advice Service

Unlike planning application fees which are set nationally, fees for planning advice are set by individual councils. The types of advice available can vary but most councils offer a pre-application advice service which allows applicants to submit their proposals informally for comments and advice prior to submitting a formal planning application. Pre-application advice is a valued part of the process that has the following benefits:

- It enables a potential applicant to decide whether to proceed with an application if the advice shows planning permission is unlikely to be granted
- It enables the applicant to make changes to their proposals to make it more likely permission will be granted
- It gives the applicant advice on the fee and the various supporting documents, drawings and reports that are needed to make an application valid
- It gives the local authority the opportunity to influence the design and layout to ensure better quality development
- It flags up potential impacts on neighbouring properties that can be overcome or reduced prior to the application being submitted, leading to fewer objections

Overall a good pre-application advice service means better development, fewer invalid applications, fewer refusals, fewer appeals and a more streamlined planning application process.

The planning advice service at Chelmsford also provides property history checks so people can find out whether they have permitted development rights or what the authorised use of a property is, and provides advice to householders on whether planning permission is required for various projects.

Current Fees	New		Subsequent	
	Written £s	Meeting £s	Written £s	Meeting £s
Householder	68	200	44	133
Small residential	192	561	127	386
Minor Development	386	1,124	264	792
Small Major Development	772	2,390	514	1,543
Large major development	n/a	2,680	n/a	2,009
Strategic development	n/a	4,019	n/a	3,014

Planning advice income for 2021/22 was £175,894. Predicted fee income for 2022/23 is £170,000

Proposed Fees	New		Subsequent	
	Written £s	Meeting £s	Written £s	Meeting £
Permitted Development and Property History Check (new charge)	75	n/a	n/a	n/a
Householder	98	290	75	224
Small residential	242	711	178	536
Minor Development	425	1,236	290	871
Small Major Development	849	2,629	565	1,697
Large major development	n/a	2,948	n/a	2,210
Strategic development	n/a	4,421	n/a	3,315

The proposed increase in charges should deliver an additional £6,000 in 2022/23 (part year) and £32,000 in 2023/24 (full year). The increase in income above the 4% target for 2023/24 is £25,000.

2. Car Parking Charges

The budgeted income set for 2022/23 was based on assumptions regarding car parking income returning to an average of 82% percent of pre-Covid levels, however car parking is likely to be circa £1.3m short of expectations. The sustainable level of car parking activity post-Covid remains uncertain. However, the recent level of long-stay car parking has been consistent, and officers believe usage data indicates a number of fee increases are appropriate.

The changes recommended are:

- The full-day charge at all long-stay car parks to be increased by £0.50 (the 48-hour charge increasing by £1.00). Additional income would be £100,000 per year.
- Moving Coval Lane to Zone A and increasing the full-day charge by £2.50 from £7.00 to £9.50 to align it with the other Zone A car parks (Fairfield Road, Townfield St and Glebe Road). Additional £18,000 per year.
- Increasing evening charges across all car parks by £0.20. Additional, £21,000 per year.
- Season ticket charges increased by £50. Additional, £42,000 per year.

Total increase from proposals would be £38,000 in 2022/23 and £180,000 in 2023/24 full year.

The financial planning for 2023/24 assumed no increase in car parking charges for 2023/24.

3. Bereavement Services – Cremation Fees and Charges

Since 2015/16, the pricing strategy for cremations has been to position Chelmsford's charges at around the average of those charged at crematoria in a regional comparison group. In 2022/23, the charges were increased by a lower amount reflecting the unusual circumstances prevalent at that time.

However, reviewing the charges has identified that returning to the long-term mechanism for determining increases is appropriate given the financial challenges the Council faces.

For 2022/23, the average charge for a cremation across the group is £962.82. This compares to a cremation charge at Chelmsford of £924.00; Chelmsford's charge being around 4% below the average. This difference has arisen as the approach to 'match the average price' was not fully applied for 2022/23.

The £962.82 regional group average will increase in 2023/24 as fees will most likely increase to cover higher costs such as energy. It is not reasonable to assume regional average could increase by the rate of inflation currently expected to be around 10%. A charge of £1,050.00 is proposed for Chelmsford which would be comparable to an inflated regional average rate.

This would be a £126.00 increase on the current charge and would be expected to generate an additional income of around £277,200, of which £81,000 is already included in the baseline of the financial forecast, so an additional £196,000 net.

The impact on 2022/23 is expected to be £59,000.

4. Bereavement Services – Burial and Interment Fees and Charges

The current position is that the average cost of "Exclusive Right of Burial" grave purchase for local residents across wider Essex is £2,136.00 compared with Chelmsford's £1,445.00. Chelmsford's fees are 32% below this average. The average does include fees from providers closer to East London which are significantly higher due to demand-led factors and shortages of burial capacity; the opposite is true of providers in North Essex where demand factors are impacting less.

All providers of burial space include doubling or increased fees for non-residents.

The current position shows that the average cost of interment of a person exceeding 18 years of age for local residents across wider Essex is £981.89 compared with Chelmsford's £821.00. Chelmsford's fees are 19.5% below this average. The comparative data shows that whilst most providers including Chelmsford double or charge increased fees for non-residents, this principle is not universally applied by others.

It is proposed that the charge for "Exclusive Right of Burial" grave purchases for Chelmsford residents is set at £1,590.00, an additional £145.00. This would position Chelmsford above the level of adjoining similar providers for mid Essex. This would be expected to generate an additional income of around £7,600, of which £3,040 is already included in the baseline of the financial forecast, so an additional £4,560 net.

For the resident charge for interment of a person exceeding 18 years of age, an increase by £160 to £981, is proposed to position Chelmsford in line with the sector average for wider Essex. This would be expected to generate an additional income of around £14,200, of which £2,131 is already included in the baseline of the financial forecast, so an additional £12,069 net.

5. Special and bulky waste collection charges

Chelmsford City Council has a statutory duty to arrange for the collection of household waste in its area. Generally, with limited exceptions, these collections must be free of charge. The law categorises types of waste for which a reasonable charge can be made, special or bulky waste collections from households being one of those types of waste.

The Council currently provides a specialist paid-for service for the collection and disposal of household items that are not permitted to be placed in the kerbside general waste collections. This is mainly electrical goods and furniture, such as cookers, washing machines, settees, tables etc. Arrangements can be made also for the collection and disposal of larger items, such as sheds, fencing materials, trampolines and alike, and these are priced individually.

Current income is budgeted at £121,000. The charges are proposed to be increased as follows:

	Item 1	Item 2	Item 3	Item 4	Item 5	Item 6	Total for 3 items	Total for 6 items
Existing	£16.00	£8.50	£8.50	£8.50	£8.50	£8.50	£33.00	£58.50
Proposed	£20.00	£10.00	£10.00	£10.00	£10.00	£10.00	£40.00	£70.00

The charges are expected to generate an extra £22,000 in a full year.

6. Leisure Service charges

A huge range of leisure services are offered by the Council. The level of demand and the social/community objectives set for these services can vary. Leisure officers will use available usage data, their understanding of the service and market conditions to formulate individual pricing as is the normal practice. Members are being asked to consider a higher increase than the budget guidelines established (4%) which would have generated an extra £216,000 over 2022/23 levels. Officers' review of charges proposes an increase which would generate £371,000 in a full year. The percentage increases for each fee and charges will all be different.

7. Implementation Timescales

Given the significant and unexpected inflationary pressures the Council is facing, the increases in charges should be implemented early. Officers should be delegated to implement the changes as soon as possible, with a target date of 1st January. However, for operational reasons, charges for leisure membership are likely to be increased from 1st April and car parking in mid-January.