

## **CORPORATE SERVICES AND ECONOMIC GROWTH OVERVIEW AND SCRUTINY COMMITTEE**

**11 January 2021**

---

### **Analysis of Sales, Fees and Charges**

Report of Chris Hand, Executive Director of Finance

Cabinet Member: Councillor Nick Oliver – Cabinet Secretary and Portfolio Holder for Corporate Services

---

#### **1. Purpose of Report**

This report has been compiled at the request of the Corporate Services & Economic Growth Overview and Scrutiny Committee. On 9 November 2020 details of income streams generated by the Council over the last three financial years was requested.

The report provides information on sales, fees and charges generated and collected by the Council, covering the last three full financial years, 2017-18, 2018-19 and 2019-20 and information regarding sales, fees and charges in the current financial year 2020-21.

#### **2. Recommendations**

It is recommended that members:

- note the report
- note the estimated compensation of £2.045 million that the Council estimates it will receive for 2020-21 from the government's compensation scheme for lost sales, fees and charges

#### **3. Link to the Corporate Plan**

This report supports the “We want to be efficient, open and work for everyone” priority included in the Council's Corporate Plan 2018-21.

#### 4. Key Issues

- 4.1 The balancing of the Council's budget is reliant upon sales, fees and charges being generated.

A summary of income by Service area over the last three years is as follows:

	2017-18	2018-19	2019-20
	£m	£m	£m
Adult Social Care & Commissioning	25.589	28.278	32.531
Children's Services	2.554	1.050	1.205
Corporate Services	5.884	6.612	7.582
Economy, Regeneration & Commercial	8.621	9.748	9.231
Local Services	13.488	15.063	16.214
<b>Total Sales, Fees &amp; Charges</b>	<b>56.136</b>	<b>60.751</b>	<b>66.763</b>

- 4.2 A subjective analysis of the type of income generated over the three years is included at Appendix 1.

#### 5. What impact has Covid-19 had on the generation of income in 2020-21?

- 5.1 As a result of Covid-19 the Council has been unable to generate the level of income expected for this financial year when the budget for 2020-21 was set in February 2020.
- 5.2 As Covid-19 has impacted local authorities' ability to generate revenues in several service areas as a result of lockdown, government restrictions and social distancing measures, related to the pandemic, the government launched a compensation scheme for lost income relating to sales fees and charges during August. This new, one-off income loss scheme will compensate the Council for irrecoverable and unavoidable losses from sales, fees and charges income generated in the delivery of services, in the financial year 2020-21. In the recent Comprehensive Spending Review announcements, the scheme was extended to also cover the first quarter of the 2021-22 financial year.
- 5.3 The scheme involves a 5% deductible rate, whereby the Council must absorb losses up to 5% of the planned 2020-21 sales, fees and charges income, with government compensating the Council for 75p in every pound of relevant loss thereafter. By introducing a 5% deductible government is accounting for an acceptable level of volatility, whilst shielding the Council from the worst losses.
- 5.4 The scheme has a number of principles and not all income sources are eligible. The principles are as follows:
- **Principle one:** The income is transactional income from customer and client receipts (excluding commercial and residential rents and investment income),

which is generated from the delivery of goods and services and which was budgeted for in 2020-21.

Revenues that are collected in exchange for a good or service where demand has been reduced because of Covid-19, including budgeted management fee income.

Income collection must be directly linked to the delivery of goods and/or local services.

Income from traded services which generate the same types of income could be eligible where the losses meet the principles. However, commercial investment revenues and rental income are not eligible losses and are not compensated for under the scheme.

- **Principle two:** As a result of Covid-19, and consequent reductions in economic activity, the income must have been unavoidably lost and not able to be recovered in this financial year.

This principle is intended to apply where reductions in economic activity because of lockdown and social distancing restrictions directly lead to lost revenues.

“Unavoidably lost” means that factors outside of the Council’s control caused the loss to be incurred. Any voluntary decisions, which were made, and which were not aligned to relevant government guidance at the time, are not covered by this scheme (e.g. closure of services by choice rather than because of government guidance).

“Will not be recovered in this financial year” means that, the income is irrecoverable and will not be collected before 31 March 2021. Deferred income meeting other principles, but which can be recovered within this year, will not be compensated for. There will be an end of year reconciliation process which will ensure that only irrecoverable losses are compensated for.

- **Principle three:** Compensation is based on net losses. Where the Council has been able to reduce expenditure, or has received other compensation, compensation will only be provided for the residual loss.

Compensation will be provided to mitigate the net budget gap which irrecoverable service income losses have created in the Council’s balanced budget set before the start of the year. The government has said that where possible, councils should have taken action to mitigate the impact of losses, e.g. by reducing expenditure such as stock purchases or running costs.

If other funding has been provided in relation to specific (e.g. other emergency government grant, or furloughing staff) it should also be netted off as this would have contributed to closing the net budget gap in the relevant service area.

Where possible, the temporary reallocation of employees to deliver other services which have been supported by emergency grant funding should be appropriately accounted for as a net saving in the service that the unfunded income loss relates to. This is in order to identify and compensate for the net pressure the loss of income has had on the authority's budget.

- 5.5 Income losses which are not covered by the principles, are outside the scope of the scheme, and are not eligible for recovery. They include:
- investment income,
  - rental income,
  - compensation paid to third parties for loss of revenue,
  - income which was not included in the Council's general fund budget for 2020-21,
  - income that can reasonably be recovered later in the financial year
  - income losses which can be mitigated by reductions in expenditure, or which have already been compensated for by other government funding
- 5.6 The Council is required to submit 3 returns in relation to the financial year, each covering losses for a 4-month period. The first return was submitted in September and the Council has received £1.568 million. The next claim will be submitted during December, covering losses in the period August to November. It is estimated that the Council can expect to recover a total of £2.045 million in respect of lost income for 2020-21 from this compensation scheme.

## Implications

<b>Policy</b>	All sales, fees and charges generated support the policies outlined in the Council's Corporate Plan "A Council that works for everyone".
<b>Finance and value for money</b>	The report is financial in nature and is for information only.
<b>Legal</b>	There are no direct legal implications for the County Council.
<b>Procurement</b>	There are no direct procurement implications for the County Council.
<b>Human Resources</b>	There are no direct staffing implications for the County Council.
<b>Property</b>	There are no direct property implications for the County Council.
<b>Equalities</b>	There are no direct equalities implications for the County Council.
<b>Risk Assessment</b>	Each year during the budget setting, Executive Directors consider the income streams for their services and assess the risks as required.
<b>Crime and Disorder</b>	There are no Crime and Disorder implications for the County Council
<b>Customer Consideration</b>	There are no Customer Considerations for the County Council as a result of this report.
<b>Carbon reduction</b>	There are no carbon reduction implications for the County Council.
<b>Health &amp; Wellbeing</b>	There are no health and wellbeing implications for the County Council.
<b>Wards</b>	All divisions

**Background Papers:** None

### Report sign off:

Authors must ensure that officers and members have agreed the content of the report:

	<b>Name</b>
Deputy Monitoring Officer/Legal	Helen Lancaster
Executive Director of Finance and S151 Officer	Chris Hand
Chief Executive	Daljit Lally
Portfolio Holder	Nick Oliver

### Author and Contact Details

Alison Elsdon

01670 622168

[Alison.Elsdon@northumberland.gov.uk](mailto:Alison.Elsdon@northumberland.gov.uk)

## Appendix 1

	2017-18 Outturn	2018-19 Outturn	2019-20 Outturn
	£m	£m	£m
Accommodation Charges	0.025	0.005	0.007
Admin Charge	0.178	0.206	0.211
Adult Non-vocational Fees	0.004	0.004	-
Adult Vocational Fees	0.133	0.147	0.131
Blue Badge Fees	0.056	0.062	0.067
Building Regulation Fees	0.850	0.793	0.780
Bulky Waste Collection	0.167	0.193	0.214
Burial Fees	1.721	1.777	1.922
Bus Passes - client	0.001	-	-
Catering Services	0.277	0.296	0.316
Client Contributions	24.380	26.736	31.584
Community Classes Fees	0.009	-	-
Consultancy Fees	0.028	0.198	0.363
Cost of Collection - NNDR	0.479	0.477	0.477
CRB Fees	0.009	0.014	0.018
Education Activities	0.003	0.012	0.017
Employer Contributions - External	0.006	0.003	0.001
Examination Fees and Expenses	-	-	0.001
Feed in Tariff Income	0.788	0.954	0.756
Fees and Charges - General	1.700	2.029	2.029
Fire Certificates	0.005	0.003	-
Fishing Permits	0.002	0.003	0.001
Fundraising Income	1.550	0.028	0.004
Garden Waste	0.853	1.005	1.121
Hazardous Waste	-	-	0.001
Highways Income for roadworks	2.273	3.198	2.496
Hire Charges	0.033	0.047	0.097
Housing Rents	0.051	0.054	0.058
Income From Academies	0.537	0.638	0.795
Income from Parish Councils	1.469	1.591	1.842
Insurance Receipts	0.030	0.036	0.001
Issue of Licences, Permits & Certificates	0.822	0.831	0.769
Land Charges	0.273	0.301	0.253
Land Drainage Consents	0.002	0.003	0.002
Lettings	0.277	0.215	0.229
Libraries Charges	0.011	0.016	0.021
Library Fees	0.001	0.001	-
MOT Income	0.080	0.112	0.111
Musical Instrument Hire	0.016	0.012	0.011
Nursery / Creche Fees	0.221	0.197	0.193
Orchestra Fees	0.011	0.013	0.013
Other Sundry Income	4.883	5.221	6.064

	2017-18 Outturn	2018-19 Outturn	2019-20 Outturn
	£m	£m	£m
Parking Charges	0.704	0.856	1.275
Penalty Charge Notices	0.614	0.766	0.749
Pest Control Fees	0.120	0.121	0.133
Photocopies	0.016	0.015	0.017
Planning Fees	2.058	2.134	2.110
Planning Fees Pre- Application	0.125	0.155	0.143
Planning Performance Agreements	-	-	0.007
Play Scheme Income	0.098	0.082	0.066
Pollution Fees	0.054	0.047	0.054
Private Water Supplies	0.031	0.031	0.071
Recovery of Legal Costs	1.029	0.875	1.247
Recovery of Salary Costs from Agencies	0.002	0.003	0.003
Recycling	0.118	0.133	0.112
Registrars Fees	0.921	0.946	0.944
Renewable Heat Incentive Income	0.040	0.061	0.068
Rents and Leases - Income	0.668	0.787	0.896
Resident Permit Scheme	0.040	0.039	0.057
Road Closure Fees	0.542	0.658	0.586
Roads & Streetwork Income	0.248	0.230	0.288
Roundabout Sponsorship Income	0.029	0.029	0.022
RTB Clawback	0.240	0.120	-
Sale of Confectionary	-	0.006	0.007
Sale of Drinks	0.029	0.024	0.026
Sale of Materials	0.151	0.147	0.169
Sale of Meals	0.007	0.006	0.005
Sale of Publications	0.017	0.022	0.015
Sale of Replacement Bins	0.125	0.155	0.158
Sales	0.230	0.185	0.215
Sales Commission	0.020	0.036	-
Section 106 Monitoring Levy	0.002	-	-
Section 184 Fees	0.012	-	0.004
Section 278 Fees	0.515	0.358	0.317
Section 38 (Highways) Supervision Fee	0.859	1.362	0.638
Service Charges	0.101	0.322	0.374
Service Level Agreement	0.525	0.729	0.754
Street Works Fixed Penalty Notices	0.065	0.147	0.102
Streetworks Permit Income	-	-	0.069
Ticket Sales	0.001	-	-
Trade Waste	1.429	1.612	1.910
Training & Course fees	0.088	0.091	0.134
Transport Contract Income	0.037	0.022	0.037
Vending Machine Sales	0.003	0.003	0.002
Vets and Kennel Fees	0.001	0.002	0.002

	<b>2017-18 Outturn</b>	<b>2018-19 Outturn</b>	<b>2019-20 Outturn</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Work Projects	0.008	0.003	0.001
<b>Sales, Fees and Charges</b>	<b>56.136</b>	<b>60.751</b>	<b>66.763</b>