



City of Westminster

Committee Agenda

Title: Cabinet

Meeting Date: Monday 12th October, 2020

Time: 6.30 pm

Venue: This will be a virtual meeting

Members: Councillors:

Rachael Robathan
(Chairman)
Heather Acton
Timothy Barnes
Melvyn Caplan
Matthew Green

David Harvey
Tim Mitchell
Andrew Smith
Paul Swaddle, OBE

In accordance with current guidance Council meetings will be held remotely until further notice during the Coronavirus pandemic.

This meeting will be live streamed and recorded. Members of the public and press are welcome to follow the meeting and listen to the discussion via these methods.

To access these please click on the link located on the meeting page.

If you require any further information, please contact the Committee Officer, Reuben Segal, Head of Committee and Governance Services.

Email: rsegal@westminster.gov.uk; Tel: 07890 380137
Corporate Website: www.westminster.gov.uk

Note for Members: Members are reminded that Officer contacts are shown at the end of each report and Members are welcome to raise questions in advance of the meeting. With regard to item 2, guidance on declarations of interests is included in the Code of Governance; if Members and Officers have any particular questions they should contact the Director of Law in advance of the meeting please.

AGENDA

PART 1 (IN PUBLIC)

1. MEMBERSHIP

To note any changes to the membership

2. DECLARATIONS OF INTEREST

To receive declarations by Members and Officers of the existence and nature of any pecuniary interests or any other significant interest in matters on this agenda.

3. MINUTES

To approve the minutes of the meeting held on 13 July 2020.

(Pages 3 - 8)

4. FEES AND CHARGES REVIEW

Report of the Executive Director of Finance and Resources

(Pages 9 - 34)

**Stuart Love
Chief Executive
2 October 2020**



CITY OF WESTMINSTER

MINUTES

Cabinet

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Cabinet** held on **Monday 13th July, 2020**, This is a virtual meeting through Teams.

Members Present: Councillors Rachael Robathan (Chairman), Heather Acton, Timothy Barnes, Melvyn Caplan, Matthew Green, David Harvey, Tim Mitchell, Andrew Smith and Paul Swaddle

1 MEMBERSHIP

1.1 There were no changes to the membership.

2 DECLARATIONS OF INTEREST

2.1 There were no declarations of interest.

3 MINUTES

3.1 RESOLVED:

That the minutes of the meeting held on 11 May 2020 be signed by the Chairman as a correct record of the meeting.

4 2019-20 OUTTURN AND ANNUAL ACCOUNTS

4.1 The Leader of the Council invited Councillor Melvyn Caplan, Cabinet Member for Finance, Property and Regeneration to present the report.

4.2 Councillor Caplan then introduced the report and outlined the Council's 2019/20 outturn position for revenue and capital for the General Fund (GF) and Housing Revenue Account (HRA) before providing a summary of the position in respect of the pension fund and the Council's treasury management for the year.

4.3 Gerald Almeroth, Executive Director for Finance and Resources, further details on these matters as set out in the report. He then addressed Cabinet in respect of the draft 2019/20 statement of accounts where he advised that

these have been submitted to the Audit & Performance Committee which had considered them in detail and raised a number of queries. He explained that the audit of the draft accounts was underway and that he was hopeful for a clean set of accounts to be referred back to committee for approval at the end of July.

- 4.4 In response to questions from Cabinet colleagues regarding slippage in respect of the acquisition of property investments, Councillor Caplan advised that despite carefully monitoring the property market no suitable properties having been identified during the year for purchase that would provide a requisite return. He believed that due to a recent softening in the property market there would be opportunities to acquire such assets and temporary accommodation acquisitions at appropriate price levels.
- 4.5 Councillor Robathan thanked the Executive Leadership Team of the council for their work to ensure that the General Fund revenue budget had been brought in broadly on target at year end despite the challenging impact on service provision arising from Covid-19.

RESOLVED:

That Cabinet:

1. Noted the summary of the draft 2019/20 statement of accounts subject to the public inspection period and the audit currently underway.
2. Noted the Council's outturn position for 2019/20.
3. Approved slippage from the 2019/29 capital programme into future years as per section 8.

5 FINANCIAL PLANNING 2021/22 TO 2023/24

- 5.1 The Leader invited Councillor Caplan to introduce the report.
- 5.2 Councillor Caplan then presented the report which provided an update on the Council's medium-term financial position in order to inform the business and financial planning round for 2021/22. The report assessed the current financial impact result of Covid-19 and reviewed other key financial assumptions together with national and local policy issues that the Council needs to consider in making its plans for the period. The report set out an approach for the budget process that takes account of these and the requirement to identify savings options that fit within the overall policy and financial framework aligning resources to the Council's key policy objectives set out in the City for All. The report also updated the medium-term financial strategy reported to Full Council in March 2020. Assumptions had been reviewed and revised in the report and the planning horizon had been extended a further year to 2023/24.

- 5.3 Councillor Caplan stated that it was timely to update the medium-term financial strategy over the next three years. He was of the view that identifying savings early was the correct approach as the more savings that can be identified and made over the coming months the greater the in full year effect. He went on to state that the council had successfully adapted many of its working practices to respond to the challenges posed by Covid-19 and that service transformation would play a key part in delivering future savings. He advised that the council had faced and successfully managed similar significant financial challenges in 2008 following the global economic crisis and that he was confident that the council would do so again.
- 5.4 Councillor Robathan supported Councillor Caplan's comments and thanked the Executive Leadership Team for their work on aligning the financial challenges with delivering the council's City for All objectives.

RESOLVED:

That Cabinet noted the revised medium-term financial forecast to 2023/24 and to agreed the budget process approach as set out in the report.

REASON FOR DECISION

The preparation of the budget and three-year medium-term financial plan is the first stage of the annual business planning cycle for the forthcoming financial year 2021/22. There is a statutory requirement to set a balanced budget and submit budget returns to the Ministry of Housing, Communities and Local Government (MHCLG). Approval of the revenue estimates constitutes authority for the incurring of expenditure in accordance with approved policies.

6 EBURY BRIDGE ESTATE RENEWAL – "IN PRINCIPLE" COMPULSORY PURCHASE ORDER RESOLUTION

- 6.1 The Leader invited Councillor Caplan to present the report.
- 6.2 Councillor Caplan then introduced the report. He explained that he was willing to support in principle compulsory purchase of land and property required as part of the Ebury Bridge Estate renewal on the grounds of the significant benefits that the regeneration will bring which include the provision of 750 new homes. However, he stated that this should be progressed as a matter of last resort once the council had taken every measure possible to contact, engage and negotiate with residents and landlords.
- 6.3 Councillor Mitchell stated that he felt reassured that the powers would be exercised with caution as a last resort. This was echoed by Councillor Harvey.
- 6.4 The Leader of the Council thanked officers including Barbara Brownlee and James Green and their teams for their work on the renewal project including the excellent community engagement.

RESOLVED:

That Cabinet:

1. Approved the progress of all work necessary to establish a case for compulsory purchase of the Order Land.
2. Approved, in principle, the use of compulsory purchase powers for the acquisition of the land required for development phases of the Ebury Bridge Estate Renewal redevelopment beyond the first phase. The extent of the land required is shown indicatively in hatched blue and orange on the attached plan at Appendix 1 of the report (referred to as **the Order Land**) and note that the making of any CPO will be subject to Cabinet being satisfied in all respects that the criteria in paragraph 3.7 of the report have been met.
3. Noted that Officers will need to seek a future resolution to grant authority, in accordance with section 122 of the Local Government Act 1972, to declare that any land acquired or held by the Council and required for the delivery of the Ebury Bridge Estate Renewal redevelopment may, where they conclude that it is no longer needed for its present purpose, appropriate the land for such statutory purpose as necessary to deliver the Ebury Bridge Estate Renewal redevelopment, and to authorise the overriding of such easements, rights, or other adverse matters burdening the land, where that is needed to deliver the scheme, in reliance on section 203 of the Housing and Planning Act 2016. Such appropriation may take place as a whole or in phases.

Reasons for Decision

1. The Ebury Bridge Estate is one of the five priority estates identified in the Council's Housing Renewal Strategy (2010) as needing significant improvement and investment. In line with the Council's City for All objectives, the overarching objective of regenerating Ebury Bridge Estate is to create a comprehensive renewal that brings about physical, economic and sustainable change that creates additional homes and improves the lives of residents, businesses and visitors alike.
2. Whilst progress with property owners has been made in discussing acquisitions that will be necessary to deliver the proposals beyond the first phase of the Ebury Bridge Estate redevelopment, land assembly remains a critical issue for the delivery of this part of the scheme. Clearly the estate renewal cannot be delivered across properties that are not wholly in the ownership or under the control of the Council and without this, certainty cannot be gained to the likely programme for delivery of the complete estate renewal.
3. To enable the comprehensive redevelopment of the Ebury Bridge estate renewal all relevant land interests will need to be brought in, in a timely way. Whilst it is anticipated that further progress can be made on the negotiated approach for some property interests it is good practice and appropriate to consider the use of compulsory purchase powers.

4. The government recognises in its "Guidance on Compulsory Purchase Process and The Crichel Down Rules" dated July 2019, (the **CPO Guidance**), that if acquiring authorities wait for negotiations to break down, this can have detrimental impacts on the timing of delivery of projects. Therefore, depending on when the land is required, the guidance considers it sensible for an acquiring authority to:
 - plan a compulsory purchase as a contingency measure; and
 - initiate formal procedures.
 -
5. Importantly, the CPO Guidance expressly recognises that such steps "*...help to make the seriousness of the authority's intentions clear from the outset, which in turn might encourage those whose land is affected to enter more readily into meaningful negotiations*".
6. The CPO Guidance requires acquiring authorities to attempt to acquire land by agreement before embarking on the CPO process, although it is recognised that for schemes involving the acquisition of the number of interests, it is sensible to run the CPO process in parallel with ongoing negotiations.
7. The use of compulsory purchase powers to assemble the Ebury Bridge Estate Renewal scheme site for phases beyond the first phase will be used should all reasonable attempts to acquire the necessary land and interests fail. As the CPO Guidance makes clear, use of compulsory purchase powers is intended as a 'last resort'. Officers acknowledge that if any CPO was to be made the Cabinet would require further updating and justification.
8. In this event. a detailed report setting out the justification for the making of a CPO together with the proposed Statement of Reasons would be submitted to Members.
9. The main benefit of the use of compulsory purchase is the certainty of being able to obtain vacant possession to a planned programme. This is vital in order give the Council confidence that the whole Ebury Bridge estate renewal will be delivered. The use of compulsory purchase also provides a level of certainty on project programming which in turn would allow the Council to enter into commercially sound construction contracts. This is because, once the CPO is confirmed and the legal challenge period has passed, the CPO can be implemented and a date for vacant possession fixed in accordance with the project programme which can immediately follow or coincide with the programme for the first phase of redevelopment.

The Meeting ended at 7.14 pm

CHAIRMAN: _____

DATE _____

This page is intentionally left blank



City of Westminster Cabinet Report

Meeting or Decision Maker:	Cabinet
Date:	12 October 2020
Classification:	General Release <i>(Appendix 2– Exempt from public disclosure)</i>
Title:	Fees and Charges Review
Wards Affected:	All
Cabinet Member/Lead Member:	Councillor Caplan, Cabinet Member for Finance, Property and Regeneration
Key Decision:	Yes
Financial Summary:	Budgeted income from fees and charges for 2020/21 is £148.6m. The income from fees and charges help to manage demand and cover costs for providing services. Changes proposed to fees and charges are anticipated to deliver £3.2m additional income in a full year and £0.85m in 20/21 given the part year impact of the increases and the impact of the pandemic on service demand.
Report of:	Gerald Almeroth, Executive Director of Finance and Resources

1. Executive Summary

- 1.1. The report sets out the context for this year's annual review of fees and charges. A significant focus of the approach to fees and charges is full cost recovery, to ensure that charges remain in line with increases being experienced in the cost of delivering services.
- 1.2. Budgeted income from fees and charges for 2020/21 is £148.6m. However actual income received is likely to be significantly affected by the pandemic. While the opportunity exists for a proportion of lost income to be compensated

by Government in respect of 2020/21, this is unlikely to extend to 2021/22 and beyond.

- 1.3. The review this year proposed as a starting principle that all charges adopt an inflationary increase of 2%. In doing so, this negates the need to increase fees and charges more steeply in future years to achieve full cost recovery.
- 1.4. In some exceptional cases it is recommended that a different approach is taken and fees and charges either reduce, remain the same or increase above 2%. In a number of cases the actual fee or charge is also rounded so as to simplify the fee structure. Further detail of these key exceptions is included within this report.

2. Recommendations

- 2.1. That Appendix 2 be exempt from public disclosure by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972, as amended – information relating to the financial and business affairs of the authority
- 2.2. That Cabinet is recommended to:
 - a) Approve changes to fees and charges as outlined in Appendix 2 of this report
 - b) Approve that authority be delegated to the Executive Director for Finance and Resources, in consultation with the relevant cabinet member, to approve any changes required in light of consultation feedback.
 - c) Note the fees for which no increase is proposed for 2020/21. Details of these fees are included in Appendix 2 of this report.
 - d) Note the fees and charges policy at Appendix 1

3. Reasons for Decision

- 3.1. To agree the Council's fees and charges position and changes from 13th October 2020 at the earliest.

4. Background, including Policy Context

- 4.1. The budget for fees and charges in 2020/21 is £148.6m. Fees and charges are reviewed annually with a strong supporting link to the medium-term financial planning process. The Council's policy on fees and charges is attached at Appendix 1. The main points are as follows:
 - Fees and charges will be reviewed annually as part of the budget setting process
 - Income from charges for a service should not exceed the costs over a realistic period of time

- Fees and charges will be calculated on a full cost recovery basis. Any concessions will be specified and separately agreed.
 - A general principle for charging areas is full cost recovery. Justification will need to be provided for any deviation from this approach
 - Fees and charges will be approved or noted by Cabinet in June/July of each year with implementation of those charges thereafter.
- 4.2. Fees and charges were last reviewed during 2019/20 for the 2020/21 budget. Following a detailed review and challenge process, focusing primarily on services failing to cost recover, the proposed changes to the fees and charges were then included within the budget agreed by Cabinet and then Full Council in March 2020.
- 4.3. A number of fees and charges are set and amended by statute or through contractual arrangements and so do not require cabinet decision. Examples include registration parking penalty charge notices and planning application fees. However, for the remaining fees and charges the Council has discretion as to the changes that are made annually.
- 4.4. Under normal circumstances a report is taken to Cabinet in July which summarises income from fees and charges, requests approval of proposed changes and additions for the current year but also looks at the trajectory for fees and charges into the future. The Council's policy on fees and charges is also reviewed at that point.
- 4.5. However, income received from fees and charges during 2020/21 will be significantly affected by the Covid-19 outbreak. Current forecasts suggest that total income will be £40-50m lower than the amount budgeted. A number of income streams are therefore under threat due to reduced demand, whether due to a reduced number of businesses seeking licences, producing less commercial waste, having access to less cash to undertake developments and planning or seeking less advice. The Council has also deferred some increases previously planned in Q1 of 2020/21 and given concessions to businesses under threat in order to protect the longer-term commercial position.
- 4.6. Government has recently announced specific compensation for income losses which will help to reduce the overall impact on the Council during 2020/21 of reduced income from fees and charges. While the opportunity exists for a proportion of lost income to be compensated by Government in respect of 2020/21, it is advised that consideration is given to the impact of decisions made for 2020/21 on 2021/22 and beyond.
- 4.7. This report sets out the proposed approach for changes to fees and charges for 2020/21. A key element of the Council's Fees and Charges policy is that charges should be calculated on a full cost recovery basis. To ensure that charges remain in line with increases being experienced in the cost of delivering services, the default position for this year's review is that all charges adopt an inflationary increase of 2%. In doing so, this also negates the need to increase fees and charges more steeply in future years to achieve full cost

recovery (assuming income levels return to pre-Covid-19 levels). A full list of proposed fees and charges is set out in Appendix 2.

- 4.8. It is important to note that in any one year not all fees and charges are increased by inflation. Some are increased at intervals, say every two years in line with cumulative inflation given the size of the fees in question. In these instances, a different approach is proposed. All key exceptions from the 2% increase are considered below.

Parking

- 4.9. A 3.6% uplift is proposed for kerbside permissions charges (suspensions, dispensations, special permissions and skip licences). 3.6% is the equivalent of the cumulative CPI increase since the last kerbside permissions charging increases in 2018
- 4.10. A 2% increase in pay-to-park tariffs in all parking zones with the exception of zones B, F and G where an increase of 3.6% is proposed. Further changes may be appropriate to parking charges pending the outcomes of a parking policy review being undertaken during the Autumn.

Commercial Waste

- 4.11. Recycling charges will be held at current levels whilst 'residual' waste charges will increase by 2-3% for different types of waste. The overall impact is a 2% increase in income from fees and charges.

Highways

- 4.12. It is proposed that a range of new charges are established for highways street works and network co-ordination to recover costs incurred by WCC in supporting certain activities. These include the following; fees for rechargeable job orders, charging for unlicensed development sites, licence for attachments to lamp columns and other highway structures, traffic management fees for filming and events, Christmas / festive lights charging. In total it is estimated that these new charges will bring in additional income of £275k per annum to cover costs already being incurred.

Automatic Public Conveniences

- 4.13. These facilities are primarily provided for disabled people who have free access. A 50p charge is levied for non-disabled users. It is not proposed to increase this charge as it would not be cost effective to change the charging mechanisms.

Legal Charges

- 4.14. Legal Services charge various third party clients for work relating to residential property, commercial property and planning agreements. A mixture of approaches is proposed across their areas of fee earning work.

Adult Education

- 4.15. Setting of fees and charges for Adult Education services is delegated to the Westminster Adult Education Service (WAES) Resources Committee. The Fees Policy is reviewed by the WAES Resources Committee annually and was last reviewed in February 2020 for implementation from 1st August 2020 to July 2021. The decision taken was to keep prices unchanged from the previous academic year (2019/20).

City Promotions, Events & Filming

- 4.16. The charging process focuses on recovering the cost of processing and assessing event and filming applications and charging for any additional officer time spent planning for the activities. Fees are tiered based on the nature of the event (e.g. community or commercial event). Fees were increased in October 2019 and an average 3.3% increase is proposed in October 2020. This is slightly above inflation in order to match the cost of delivering the service and a rounded fee structure is maintained. There are variations in the percentage increases applied to individual fees in order to support the work of charities and to better reflect the time spent on applications.
- 4.17. The Council charges event organisers a hire fee for use of council owned parks and open spaces for filming. The fee structure is market driven with a view of the pricing of alternatives. No fee increase is proposed in 2020 following an above inflation rise in October 2019.

Libraries

- 4.18. Traditional library fees such as print/copy fees, overdue charges, DVD hire etc are remaining the same. Fees related to venue hire and events are increasing above inflation.

Sayers Croft

- 4.19. Fees and charges for Sayers Croft are currently being reviewed for implementation of changes from September 2021.

Discretionary planning fees

- 4.20. Proposals look to ensure discretionary services can reach or maintain a position of cost recovery. An inflationary rise of 2% is proposed for Planning Performance Agreements (PPAs) whilst fees for pre application will increase for developments but not for residential/householder advice.

Current pre-application advice fees were increased by 15% in January 2020. Whilst this initial increase has reduced the service deficit, a further increase in fees is necessary to enable pre-application advice to achieve cost recovery. As well as increases to existing charges the model introduces additional tiers

of charges which enables the fees levied to more closely reflect the scale and complexity of the developments proposed.

Benchmarking highlights that Westminster fees following the proposed changes are still significantly lower than the fees charged by other comparable Central London authorities.

Licencing

- 4.21. All proposed licence fees were considered by Licencing Committee on 23rd September. A 2% increase was agreed across all fees except for statutory fees and street trading.

5. Financial Implications

- 5.1. Full cost recovery for chargeable services is a key element of the Council's policy on fees and charges. This ensures that any increases in the cost of delivering chargeable services are reflected in the setting of fees and charges to avoid additional cost pressures on the council. Such pressures would be in addition to the pressures already being faced by the council in relation to reduced demand for its chargeable services as a consequence of the Coronavirus pandemic. Whilst Government are supporting Councils through the co-payment scheme to compensate for income losses, this is unlikely to be available beyond 2020/21.
- 5.2. By increasing fees and charges by an inflationary factor of 2% in 2020/21 this may reduce the level of income losses in 2020/21, but more importantly it will help to ensure that the cost recovery position does not deteriorate further and reduces the pressure for much higher increases in future years.
- 5.3. The application of a 2% inflationary rise across all fees and charges and the application of the exceptions above, results in total additional income of £3.2m in a full year. For 2020/21 the level of benefit is less given that the proposed changes are not applied until mid October at the earliest but also because of reduced demand for services due to the impact of the pandemic. It is estimated that this part year impact is an increase in income of £0.85m. The table below shows a summary of impact across the main service areas.

	Impact of Changes Full Year £m	Impact of Changes 20/21 £m
Parking	2.125	0.400
Highways & Road Management	0.452	0.301
Waste, Parks & Cemeteries	0.371	0.080
Libraries & Registrars	0.022	0.005
Physical Activity, Sports & Leisure	0.089	0.011
City Promotions, Events & Filming	0.017	0.003
Public Protection & Licencing	0.060	0.022
Planning	0.056	0.014
Land charges & Legal	0.057	0.015
Total	3.249	0.852

- 5.4. There will be a review in due course to assess the impact of reduced demand following the pandemic compared with the increases proposed within this report. This will inform whether any further adjustment is needed to the Council's medium-term financial plans.

6. Legal Implications

- 6.1. There are legal implications contained within the body of the report – at Appendix 1 Fees and Charges Policy. Some services the council provides are mandatory and governed by specific legislation whilst other services provided are discretionary. Discretionary Services are those which the council is permitted to provide but not required to provide.
- 6.2. The Council has a general power to charge a person for discretionary services under Section 93 of the Local Government Act 2003 (“LGA 2003”) and under the power of general competence found in Section 1 of the Localism Act 2011 (“LA 2011”).
- 6.3. The overall position on charging is that the Council must not charge for a service if legislation prohibits it from doing so. If legislation requires the Council to provide a service and to charge for it then we are required to do so. In the absence of specific powers or prohibitions on charging for services, the Council may use the powers in either s93 of the Local Government Act 2003 or s1 of the Localism Act 2011 to make charges for discretionary services. The Council cannot use these powers to make a profit, however the Council can include the full cost of all aspects of the service provision when calculating the costs.

**If you have any queries about this Report or wish to inspect any
of the Background Papers, please contact:**

Lyndsey Gamble, Strategic Finance Manager, Strategic Projects and
Commercial

APPENDICES

Appendix 1 -Fees and Charges Policy

Appendix 2 -Proposed Fees and Charges by Service Area

Appendix 1 – Fees and Charges Policy

- 1.1. It is proposed that the overall principle aim will be to ensure that the council's fees and charges are set within a framework of value for public money, whereby financial, performance, access and equality are considered fully and appropriately, and decisions taken represent a transparent and balanced approach.
- 1.2. Fees and charges will be reviewed annually as part of the budget setting process and in line with the agreed corporate timeline for each relevant year to be submitted as part of the budget proposals, or other such timeline as Council may agree
- 1.3. The legal basis for charging is based on the specific provisions contained in the Local Government Act 2003. In addition to existing statutory provisions which expressly authorise charging section 93 of the 2003 Act allows a local authority to charge for any services which it has discretion to provide. Charges cannot be made for any services for which there is a duty to provide or where legislation expressly prohibits the charging for discretionary services.
- 1.4. In exercising its charging powers a local authority is under a duty to ensure that taking one financial year with another the income from any charges for a service does not exceed the cost of providing the relevant service. This means that over a realistic period of time any surpluses or under recovery of income should be addressed through a review of the charging policy. However the reinvestment of any income generated in excess of the cost of providing the service would not represent a surplus. The underlying principle behind the legislation is that one service should not be cross subsidising another as each service must be viewed as distinct for charging purposes. Statutory Guidance has been issued by the Secretary of State which needs to be taken into account in considering the exercise of the charging powers and which addresses the above principles in greater detail.
- 1.5. The key features included in the framework are outlined below:
 - Fees and Charges will be structured to support the Authority's priorities.
 - The income generated from Fees and Charges will be used to support the work of the Authority.
 - Fees and Charges will normally be calculated on a marginal or full cost recovery basis, depending on the state of the market and any other relevant factors. Any concessions will be specified and separately agreed.
 - Market research, comparative data, management knowledge and any other relevant information will be used where appropriate to ensure that charges are properly prepared.
 - Fees and Charges will not be used in such a way that would restrict access to information or services.
 - The impact on income from fees and charges will be taken into consideration when a decision is taken to change any services provided by the Authority.
 - The cost of collection will be considered to ensure that fees and charges are economical to collect.

- Highlighting the impacts of not increasing charges should be an essential part of the budget setting process.
- 1.6 The general principle for all charging areas should be full cost recovery and the service will have to justify any deviation from this approach and highlight implicit subsidies arising from any decision not to pursue full cost recovery. In the longer term the Council should aspire to identify and highlight, within internal financial processes and to Government, implicit subsidies provided in service areas such as adult social care where regulations prevent recovery of the full costs of providing a service.
- 1.7 The income generated from fees and charges will be monitored on a monthly basis as part of the overall budget monitoring process.
- 1.8 It is proposed that, to ensure all areas regularly review and update charges, fees and charges are reviewed at the beginning of each financial year, based on prior year information and current year budgets. All fees and charges will then be approved by Cabinet in June of each financial year with fees and charges changes implemented thereafter. This will be undertaken by service areas with support from finance and in conjunction with the relevant Cabinet Member.
- 1.9 This will allow a schedule of fees and charges to be agreed and published each year following as part of the budget preparation, which will be updated during the year to reflect any decisions made at other agreed times. As part of this policy therefore, the opportunity will be taken on an annual basis to review the rationale behind and potential for charging for services.
- 1.10 Where full cost recovery is not the basis for the level of the fee, the default position should be an inflationary increase. Decisions not to increase a charge by inflation and / or not to recover full costs will need to be justified. It should be noted that the process of fee setting may not suggest a change in fees, but should demonstrate that fees have been reviewed and an informed decision made not to change the fee.

2. What level of fee to set:

- 2.1. It is important to fully consider statute/legislation that governs each service before setting a charging structure.
- 2.2 When charging for discretionary services, authorities can recover up to the cost of provision for each 'kind of service'.
- 2.3. Different users may be charged differentially or not at all, e.g. free or reduced fees to children.
- 2.4. Considerations that need to be taken into account are:
 - the impact of increased charges on residents and service users;
 - what level of charge the market will bear; and
 - whether full cost recovery will create perverse incentives, i.e. encourage fly-tipping.
- 2.5. These considerations may mean that fees are set below full cost recovery.

2.6. It is noted that different considerations apply in the case of parking charges, which are set on the basis of transport policy considerations alone.

3. How to decide what the scope of the service is for full cost recovery:

3.1. When charging for discretionary services, authorities can recover up to the cost of provision for each 'kind of service'. A 'kind of service' referring to a group of services that can realistically be classed together rather than each discrete service being classified on its own.

3.2. The level at which services are grouped at should be decided upon through professional judgement. For example within licensing where there is program specific legislation this will be used as the boundary of cost recovery. Therefore gambling act the fee will be based only on the total cost to deliver Gambling act as opposed to the cost to deliver several different licensing regimes.

4. How to calculate fees for full cost recovery:

4.1. Authorities enjoy a degree of discretion in defining what the cost of provision is.

4.2. Prior year surpluses or deficits should be taken into consideration when calculating the new charge as services should not over-recover 'taking one year with another'. Any over- or under-recovery that resulted in a surplus or deficit of income in one period should be addressed by an authority when setting its charges for future periods so that, over time, revenue equates to cost.

4.3 Standard methodology for calculating the cost of a service includes:

- employee costs;
- premises and transport;
- supplies and services;
- third party payments (Services supplied and charged by external parties such as other local authorities or private contractors);
- transfer payments (payments transferring through the council such as Housing benefits monies and adults social services clients);
- support services and overheads (including any allocation of management or commissioning costs) and
- depreciation.

4.4 Some costs such as overheads may need to be apportioned. Where these are included in the calculation, an appropriate allowance should be made for management and overheads where this is not produced automatically by accounting systems.

4.5. To ensure charges stand up to audit it is imperative that all apportionment and allocation of costs to various charges are carried out on the councils financial system and have backing documents to support your method of allocation/apportionment.

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank