



# City of Westminster Cabinet Report

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| <b>Meeting or Decision Maker:</b>  | Cabinet   |
| <b>Date:</b>                       | 12 October 2020   |
| <b>Classification:</b>             | General Release<br><i>(Appendix 2– Exempt from public disclosure)</i>   |
| <b>Title:</b>                      | Fees and Charges Review   |
| <b>Wards Affected:</b>             | All   |
| <b>Cabinet Member/Lead Member:</b> | Councillor Caplan, Cabinet Member for Finance, Property and Regeneration  |
| <b>Key Decision:</b>               | Yes   |
| <b>Financial Summary:</b>          | 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. |
| <b>Report of:</b>                  | 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 13<sup>th</sup> 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 1<sup>st</sup> 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 23<sup>rd</sup> 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.

|                                     | <b>Impact of Changes Full Year £m</b> | <b>Impact of Changes 20/21 £m</b> |
|-------------------------------------|---------------------------------------|-----------------------------------|
| 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                             |
|                                     |                                       |                                   |
| <b>Total</b>                        | <b>3.249</b>                          | <b>0.852</b>                      |

- 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