



# City of Westminster Cabinet Report

<b>Meeting or Decision Maker:</b>	Cabinet
<b>Date:</b>	13 <sup>th</sup> December 2021
<b>Classification:</b>	General Release
<b>Title:</b>	Fees and Charges Review
<b>Wards Affected:</b>	All
<b>Key Decision:</b>	Yes
<b>Financial Summary:</b>	Budgeted income from fees and charges for 2021/22 is £125m. The income from fees and charges helps to manage demand and cover costs for providing services. Changes proposed to fees and charges are anticipated to deliver £3.592m additional income in a full year and circa £0.898m in 2021/22 based on a January implementation.
<b>Report of:</b>	Gerald Almeroth, Executive Director of Finance and Resources

## 1. Executive Summary

- 1.1. This 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 2021/22 is £125m. However actual income received continues to be affected by the pandemic. Income streams remain uncertain as the City emerges from lockdown restrictions. Day time population numbers of both commuters and tourists are expected to be reduced for some time which will impact demand for those services that generate income.

- 1.3. The fees and charges review undertaken this year is in line with the previous year, proposing as a starting principle that all charges adopt an inflationary increase. This approach negates the need to increase fees and charges more steeply in future years to achieve full cost recovery.
- 1.4. The September 2021 Consumer Price Index (CPI) annual increase of 3.1% is being used as the measure of inflation, since it is approximately one year since the last increase in fees and charges were applied. This inflationary increase of 3.1% has been applied to all fees and charges where a standard inflationary rise is supported and appropriate.
- 1.5. In some exceptional cases it may be recommended that a different approach is taken and fees and charges either reduce, remain the same or increase at a rate above inflation. In a number of cases the actual fee or charge is also rounded so as to simplify the fee structure and charging mechanism. Further detail of these exceptions is included within this report, at paragraph 4.9 - 4.24.

## **2. Recommendations**

- 2.1. That Cabinet is recommended to:
  - a) Approve the 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 2021/22. Details of these fees are included in **Appendix 2** of this report.
  - d) Approve 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 1 January 2022 at the earliest.

## **4. Background, including Policy Context**

- 4.1. The budget for fees and charges in 2021/22 is £125m. Fees and charges are reviewed annually with a strong supporting link to the medium-term financial planning process. The Council's Fees and Charges Policy 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. A policy or other justification will need to be provided for any deviation from this approach
  - Fees and charges will be approved or noted by Cabinet each year with implementation of those charges shortly thereafter (the reviews undertaken over the last two years have been delayed due to the pandemic and have been agreed by Cabinet in October and December).
- 4.2. 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.
- 4.3. Income received from fees and charges during 2021/22 continues to be significantly affected by ongoing economic recovery following the pandemic. A number of income streams continue to be experiencing 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 hence planning or seeking less advice.
- 4.4. Last year a 2% inflationary rise was applied to the majority of our fees and charges, however there were several above inflation increases applied to parking income which significantly impacted the scale of the inflationary increase. Above inflation increases included a 6.7% increase in some paid for parking zones and an increase in kerbside permissions of 3.6%
- 4.5. This year, an inflationary assumption of 3.1% has been used and applied to all fees and charges where a standard inflationary rise is supported and unless the service is actively reviewing their pricing structures. Inflation has risen steeply over the last year and is expected to rise further. The application of the annual inflationary increase (CPI) as at September 2021 is considered appropriate given the time that had passed since the previous increase to fees and charges.
- 4.6. The full year impact of a 3.1% inflationary increase together with some other proposed changes is an increase in income from fees and charges of £3.592m (compared to an increase of £3.2m last year).
- 4.7. A full list of the proposed fees and charges, based on a 3.1% inflationary increase, 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 3.1% increase are considered below.

### Parking

- 4.9. A 3.5% increase in pay-to-park tariffs in all parking zones is proposed. Most tariffs will increase by 3.5% but the diesel surcharge zones will increase slightly more to bring the tariffs in line with the protocol that they are 1.5 X standard zonal hourly rate.
- 4.10. It is also proposed that trade Permit charges will increase by 3.5%, but that resident permits will not be subject to any increase. This will protect residents from an inflationary increase this year, after previous year increases. The impact of not imposing the 3.1% increase would be approximately £147k of lost income based on budgeted income for a full financial year.
- 4.11. Charges related to on street parking enforcement, permits and kerbside permissions are governed by the Road Traffic Regulation Act 1984. Under the governance of the act, the authority sets charges to sustain infrastructure around the flow of traffic and to keep roads clear, amongst other activities on the highway, and to cover the costs of providing the service. These are not set in relation to metrics around inflation or other revenue-related considerations.

### Commercial Waste

- 4.12. Recycling charges are proposed to be held at current levels whilst 'residual' waste charges will increase by 2-3% for different types of waste. Recycling prices will be frozen for another year to encourage commercial customers to recycle more and increase the council's recycling rates.

### Highways

- 4.13. Road Management and Code of Construction Practice charges are proposed to be increased by 3.1%. In addition, a new charging structure relating to the reclassification of 232 streets is to be introduced, allowing for amendments to the current charging structure to be applied to these streets across the service (permits, cranes, Temporary Traffic Orders etc). The new charging structure is estimated to result in an additional £400k per financial year.
- 4.14. In addition, new charges in respect of crane licences are set to be introduced, forecast to generate £65k per financial year.

### Automatic Public Conveniences

- 4.15. A nil increase is proposed. 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. The impact of not imposing a 3.1% increase would be approximately £0.5k of lost income, based on current budgets, for a full financial year.

### Legal Charges

- 4.16. A nil increase is proposed. Legal Services carried out a full review of all fees in 2018 and set fees at full cost recovery. The review resulted in some above inflation increases for fixed fee matters. In Autumn 2018 Legal Service rolled out a new case management system. This is delivering time efficiencies resulting in a reduced internal cost of completing fixed fee matters. Legal Services will continue to deliver further time savings in 21/22 and 22/23. Further fee increases for fixed fee matters would not be consistent with Legal Services cost recovery. The impact of not imposing a 3.1% increase would be approximately £22.5k of lost income, based on current budgets, for a full financial year.

### Local Land Charges

- 4.17. It is proposed that local land charges are increased above the 3.1% threshold by 7% on the previous year. The service feels that the increases will bring the charges in line with other similar London authorities. The increase will enable the service to put in place the resources that are needed to ensure that search requests are answered as quickly and practicably as possible.

### Adult Education

- 4.18. The 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 2021 for implementation from 1st August 2021 to 31 July 2022. The decision taken was to keep prices unchanged from the previous academic year (2020/21). The service operates on a break even basis in that all costs are met from WAES income.

### City Promotions, Events & Filming

- 4.19. A nil increase is proposed. Pre-pandemic, the use of Council owned parks and open spaces for commercial event activity was on the decline. Given the event and promotional sector has been significantly impacted by the pandemic, any increase to fees is not considered appropriate or proportionate in the current market. The impact of not imposing a 3.1% increase would be approximately £20k of lost income, based on current budgets, for a full financial year.

### Libraries

- 4.20. A nil increase is proposed. Traditional library fees such as print/copy fees, overdue charges, DVD hire etc are unchanged, apart from CD hire which is increased by 20p (25%) to bring the charge into line with proposed increase for RBKC libraries. In addition, a small number of new fees are proposed for events and desk hire. Fees related to venue hire are proposed not to change as low demand continues following the pandemic. The impact of not imposing a 3.1% increase would be approximately £25.5k of lost income, based on current budgets, for a full financial year. However, the libraries service has had significant challenges meeting current budgeted income for fees and charges.

Opportunities to review different delivery models to maximise income will need to be considered in the near future.

#### Registrars

- 4.21. The Registration Service fees are set two years in advance, with financial years 2022/23 and 2023/24 set in 2020/21. The fees will next be reviewed during 2022 with a proposal coming to Cabinet as part of next year's fees and charges review for fee levels for 2024/25 and 2025/26. Registrars' fees, already set for 2022/23, will increase in a range from 0% - 25%.

#### Sayers Croft

- 4.22. 3.1% increase proposed for Westminster Schools and an increase of 10.7% proposed for non Westminster Schools across the 22/23 academic year, this is an average increase of 6.9% overall. This relates to the restructuring of tariffs and aiming towards full cost recovery.

#### Discretionary planning fees

- 4.23. Increase of 3.1% proposed, in line with inflation. New fees are to be introduced to address future costs from emerging areas of work, such as Planning Gateway One (building safety/HSE consultation).

#### Licencing

- 4.24. All proposed licence fees will be considered by the Licencing Committee on 1<sup>st</sup> December. A mixture of nil increases and increases in line with 3.1% are proposed.

### **5. Financial Implications**

- 5.1. Full cost recovery for chargeable services is a key element of the Council's Fees and Charges Policy. 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 pandemic's impact on the local economy.
- 5.2. The application of a 3.1% inflationary rise across most fees and charges and the introduction of new fees, would result in total additional income of £3.592m in a full year. For 2021/22 the level of benefit is less given that the proposed changes would not be applied until 1<sup>st</sup> January 2022. It is estimated that the part year impact would be an increase in income of £0.898m. The table below shows a summary of impact across the main service areas.

	<b>Impact of Full year £m</b>	<b>Impact of part year £m</b>
Paid for Parking	1.390	0.348
Kerbside Permissions	0.605	0.151
Parking Permits (Trade)	0.039	0.010
Commercial Waste	0.425	0.106
Bulky Household Waste	0.004	0.001
Cemeteries	0.008	0.002
Licencing & PPL	0.058	0.015
Road Management –(plus CCOP)	0.294	0.074
Road Management -New Fees for 21/22	0.400	0.100
New Highways Licences	0.065	0.016
Land Charges	0.100	0.025
Planning Fees -2% plus some new fees in 21/22	0.104	0.026
Sayers Croft	0.100	0.025
<b>Total</b>	<b>3.592</b>	<b>0.898</b>

5.3. The impact of the changes to fees and charges proposes an increase of £0.392m from 2021/22. The table below shows the comparative increases across the services between the years. Whilst the changes implemented last year increased income from fees and charges by £3.2m overall, this year the changes result in additional income of £3.592m. This is largely due to the higher inflation rate being applied offset by a lower increase in paid for parking in 21/22 compared to the 6.7% increase applied in 20/21.

	<b>20/21</b>		<b>21/22</b>		<b>Change</b>
	<b>% Change</b>	<b>Impact £m</b>	<b>% Change</b>	<b>Impact £m</b>	<b>Impact £m</b>
Paid for Parking	6.70%	1.154	3.50%	1.390	0.236
Kerbside Permissions	3.60%	0.849	3.10%	0.605	-0.244
Parking Permits (Trade)	2%	0.120	3.50%	0.039	-0.081
Commercial Waste	2%	0.363	3.10%	0.425	0.062
Bulky Household Waste	2%	0.001	3.10%	0.004	0.003
Cemeteries	2%	0.002	3.10%	0.008	0.006
Licencing & PPL	2%	0.018	0-3.10 %	0.058	0.040
Road Management –(plus CCOP)	2%	0.452	3.10%	0.294	-0.158
Road Management -New Fees for 21/22	N/A	N/A	N/A	0.400	0.400
New Highways Licences	N/A	N/A	N/A	0.065	0.065
Land Charges	2%	0.039	7.00%	0.100	0.061
Planning Fees -2% plus some new fees in 21/22	2%	0.056	3.10%	0.104	0.048
Leisure	2%	0.089	3.10%	n/a	-0.089
Sayers Croft	0%	0.000	6.90%	0.100	0.100
City Promotions & Events	2%	0.017	0.00%	0.000	-0.017

Legal	2%	0.018	0.00%	0.000	-0.018
Libraries –Venue & Events Hire	2%	0.022	0.00%	0.000	-0.022
<b>Total Movement</b>		<b>3.200</b>		<b>3.592</b>	<b>0.392</b>

## 6. Legal Implications

- 6.1 Legal Implications are contained within the Fees and Charges Policy at paragraphs 1.3 and 1.4. This Policy can be found in **Appendix 1**.
- 6.2 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.
- 6.3 In the absence of specific powers or prohibitions on charging for services, the Council has the 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”).
- 6.4 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.
- 6.5 Charges may be set differentially, so that different people are charged different amounts. Authorities are not required to charge for discretionary services. They may provide them for free if they so decide
- 6.6 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. The Council must 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. Any surpluses or under recovery of income should be addressed through a regular review of the Fees and Charges Policy.
- 6.7 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 ‘General Power for Best Value Authorities to Charge for Discretionary Services (2003)’ was 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.

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



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## **APPENDICES**

**Appendix 1** - Fees and Charges Policy

**Appendix 2** - Proposed Fees and Charges by Service Area