

PLANNING FEE INCOME/BUDGET REPORT

Head of Service:	Justin Turvey, Interim Head of Place Development
Wards affected:	(All Wards);
Urgent Decision?	No
If yes, reason urgent decision required:	
Appendices (attached):	None

Summary

The report sets out the estimated level of income from planning-related fees that the Council can expect to receive and the required level of resource to maintain an effective planning service to help inform 2024/25 budget setting and the Medium-Term Financial Strategy 2024-28.

Recommendation (s)

The Committee is asked to:

- (1) Note the current and predicted adverse variance in planning-related fees and the measures taken to address this, and the limited opportunities for mitigation for income that is market led.**
- (2) Agree that the estimated budgeted income for planning related fees, which takes into account estimates from officers relating to market conditions, planning fees and the future pipeline of likely planning applications, provides a reasonable framework for budget setting.**
- (3) Note the requirement for an additional planning officer post to enable the introduction of new income generating services.**

1 Reason for Recommendation

- 1.1 The recommendations will provide a clear understanding of the issues relating to planning application fees and other planning charges and help provide a framework for officers to develop a balanced budget for 2024/25, which is a statutory requirement.

2 Background

2.1 For 2022-23, the budgeted income from Development Management Services was £625,191. The actual income received based on provisional outturn was c. £380,000, an adverse variance of c.£245,000. For 2023-2024 to date the budgeted income from Development Management Services is £383,054 for April – October (or £656,513 for the year). The actual income received is c £169,000, an adverse variance of c.£214,000 to date.

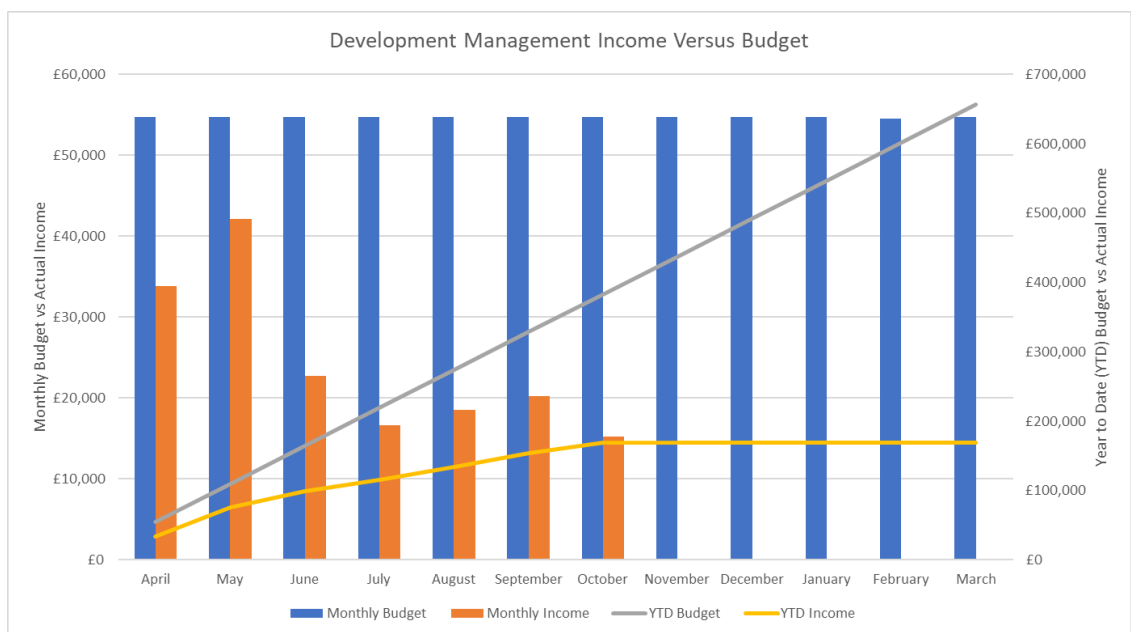


Figure 1. Development Management Income v. Budget - Financial Year to Date.

2.2 There are a number of reasons for the reduced income, which are set out below. It should be noted that the majority of these are issues outside of the control of the Council and are affecting most local authorities:

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- After a short and rapid increase post-Covid, there has been a reduction in the overall number of planning applications submitted to the Council and accordingly reduced fee income. The total number of applications submitted nationally was 11% lower in 2022-23 compared to 2021-22, and this reduction has also been reflected at Epsom & Ewell. The reduction in applications particularly affects Major applications for residential development (10 or more dwellings) which attract a larger planning fee. This has largely been a consequence of wider economic issues.

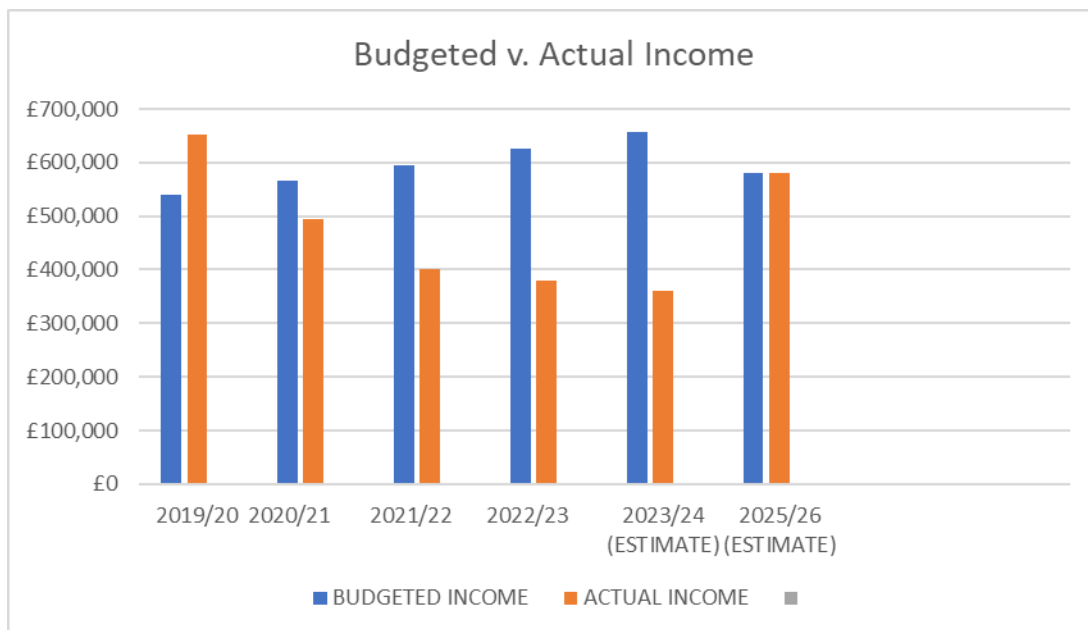


Fig 2. Development Management Budgeted v Actual Income over time

- Nationally, uncertainty regarding government policy has likely had an impact on the number of applications submitted, as have delays to the Council's Local Plan at a more local level, as a move towards adoption of a Local Plan tends to encourage larger sites to come forward to pre-application and application stage.
- Fees for planning applications are set nationally. The last revision was January 2018, and they have not been updated since, nor do the fees allow for indexation. Accordingly, planning application fees have not increased for nearly 6 years. Although pre-application fees are set locally, they represent a small amount of the overall total planning income and cannot be raised significantly as it would discourage pre-application discussions which are discretionary.

2.3 Accurately predicting the likely level of planning fee related income is difficult, particularly given the wider uncertainties within the development industry currently, including the impact of interest rates. However, it is possible to predict how some of the likely changes within the sector and changes locally are likely to affect planning fees during 2023-2024 and beyond, which can guide budget setting going forward:

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- A government consultation proposing an increase in planning fees titled: 'Increasing planning fees and performance: technical consultation' closed in April 2023. The consultation included proposals to increase planning fees by 35% for major planning applications (which includes schemes of 10 or more homes) and 25% for all other applications. The fee for a householder planning application, for example, would increase from £206 to £258, and for a new dwelling from £462 to £624. Over the last financial year this would have resulted in an additional fee income of at least £95k, and looking forward with the potential for more Major planning applications being submitted this figure would be over £100k. Draft regulations to raise the fees were laid in Parliament before the summer recess. According to the Planning press, the government's intention is to raise fees by the end of the calendar year.
- Given the costs involved in the preparation and submission of planning applications, larger developers tend to seek certainty before submission. Progression of the Local Plan gives developers more certainty regarding the acceptability of sites, and therefore tends to encourage the submission of larger planning applications which attract a higher fee. Progression of the Plan also tends to encourage speculative planning applications on 'omission sites' (i.e. sites proposed for allocation by developers which are then subsequently rejected by the Council) using the absence of an up to date Plan to justify their applications.

Resourcing

- 2.4 In 2022 the Council undertook a review of its Development Management Planning Service in conjunction with the Planning Advisory Service and with the support of consultants. This was in light of poor planning performance over the previous 2 years and the subsequent threat of designation by Central Government, which had resulted in additional funding being made available to manage the backlog of planning applications in 2021 and early 2023.
- 2.5 As part of the consultant review, the workload levels and cost of the service were benchmarked with other local authorities; this demonstrated that the Council did not have the level of staff resource to deal with the level of applications and requests received.
- 2.6 Also, a number of processes were redesigned to realise efficiencies and an action plan was developed to deliver these. However, it is clear from the planning service review and benchmarking that there is the need for an additional planning officer to maintain performance and improve the Council's service offer. In the remainder of the current year (2023/24) the additional resource will enable the service to move forward to implement the action plan to realise efficiencies. This additional resource would also enable the service to expand its offer to deliver fee earning non-statutory services which have not been able to be progressed for 2023/2024.

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- 2.7 The cost of this additional role is c. £60,000 per annum including costs. The Planning Service will be utilising a combination of grant funding and savings to cover the cost of this post for the first two years with subsequent years expected to be funded from inflationary increases in statutory Planning fees which are expected to be permitted by government. The role would enable the paid for 'fast track' householder application service to be implemented, which would provide applicants a faster decision on householder applications than the statutory eight weeks, which could be expected to generate c£25,000 of additional income per annum once fully resourced.
- 2.8 At the June 2023 Licensing & Planning Policy Committee ('Planning Fee Income Report') Members agreed that future budget setting will take into account the outcome of government's technical fee consultation and officer knowledge of development in the pipeline. Noting that average fee income in 2022/23 and 2023/24 is expected to be approximately £370,000, but that fees are due to significantly increase from 2024/25 and that the number of applications is also likely to increase as the Plan progresses and economic circumstances change, a figure of approximately £556,000 per annum is suggested as a realistic target for application and advisory income during 2024-25 and 2025/26, or approximately £581,000 with the additional planning officer resource enabling a fast track householder service:

Year	Budgeted income	Actual income	Variance
2022 – 2023	c £625,000	c £380,000	c £245,000
2023 – 2024	c £656,000	c £360,000 (estimate)	c £296,000 (estimate)
2024 – 2025	c £581,000 (with fast track service)	-	-

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- 2.9 Whilst noted that historically, estimates for planning fees and charges have tended to follow other Council charges e.g. increasing by 6% over the current financial year, and that the Council's budget targets include significant financial savings of £2.5m per annum by 2027/28, the reduced estimate for planning fee income above is considered to be a more realistic target based on officers' understanding of the likely changes to the planning system and planning applications that are likely to come forward over the next 12-18 months. It is acknowledged that the estimate is just that, and it cannot fully predict or mitigate against wider changes in government policy for example, or any delays to preparing a Local Plan, but it does provide a reasonable assessment of current circumstances.

3 Risk Assessment

Legal or other duties

3.1 Equality Impact Assessment

- 3.1.1 Increased fees and charges could have a negative effect on take up for some service areas. The current economic crisis has resulted in some instances in reduced revenue from fees and charges.

3.2 Crime & Disorder

- 3.2.1 None

3.3 Safeguarding

- 3.3.1 None

3.4 Dependencies

- 3.4.1 None

3.5 Other

- 3.5.1 None

4 Financial Implications

- 4.1 As identified in the July 2023 Strategy & Resources Committee, the Council is seeking specific income generation and savings options to meet the projected budget deficit, including savings within the Development Management service. Notwithstanding that, the reduced income from planning related fees that the Council has received and are due to receive are largely outside of the control of the Council and has been caused by economic uncertainty.

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- 4.2 Although the national increase in planning application fees is due to be introduced in the current financial year, the fee increases do not enable local fee setting and so the Council are unable to raise planning application fees further to cover the full cost of providing the service.
- 4.3 Financial implications are set-out in the body of the report and the forecast reduction in application fees will see the Council's budget deficit increase by £100,000 per annum for 2024/25 and 2025/26.
- 4.4 **Section 151 Officer's comments:** The report sets-out that planning application and advisory income is expected to partially recover in 2024/25, due to both higher fees and an increase in the number and type of applications. However, until a new Local Plan is adopted, annual income will likely remain below the level that was achieved pre-pandemic.
- 4.5 The updated forecast will be factored into the Council's budget plans for 2024/25 and 2025/26. Progress against the budget will be monitored and reported through the Council's standard budget monitoring procedures. Should planning income continue to fall below estimates the Council will need to seek compensating savings from within the Committee or elsewhere across the organisation.

5 Legal Implications

- 5.1 There are no direct legal implications arising from this report however the Council has a statutory obligation to maintain a balanced budget and ensure the proper administration of its financial affairs meaning the financial implications above will be a relevant consideration in approving the recommendations set out in this report.
- 5.2 **Legal Officer's comments:** As above.

6 Policies, Plans & Partnerships

- 6.1 **Council's Key Priorities:** The following Key Priorities are engaged: Effective Council.
- 6.2 **Service Plans:** The matter is not included within the current Service Delivery Plan.
- 6.3 **Climate & Environmental Impact of recommendations:** None arising from the contents of this report.
- 6.4 **Sustainability Policy & Community Safety Implications:** None arising from the contents of this report.
- 6.5 **Partnerships:** None arising from the contents of this report.

7 Background papers

- 7.1 The documents referred to in compiling this report are as follows:

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Previous reports:

- Revenue Budget 2023/24 Report, Licensing & Planning Policy Committee January 2023
- Planning Fee Income Report, Licensing & Planning Policy Committee June 2023
- Financial Planning for 2024/25 Budget and New Four-Year Medium Term Financial Strategy, Strategy & Resources Committee 13 July 2023

Other papers:

None