

PLANNING FEE INCOME REPORT

Head of Service:	Justin Turvey, Interim Head of Place Development
Wards affected:	(All Wards);
Urgent Decision?	No
If yes, reason urgent decision required:	N/A
Appendices (attached):	

Summary

The report identifies the adverse variance in planning-related fees for the financial year 2022/23 and outlines measures to address reduced forecast planning income and mitigation options.

Recommendation (s)

The Committee is asked to:

- (1) Agree that the reasons for the reduction in planning related fees is for reasons outside of the Council's control.**
- (2) Note the reduction in planning-related fees and the measures taken to address this, noting the limited opportunities for mitigation measures for income that is market led.**
- (3) Agree that future budget setting will take into account the outcome of government's technical fee consultation and officer knowledge of development in the pipeline.**

1 Reason for Recommendation

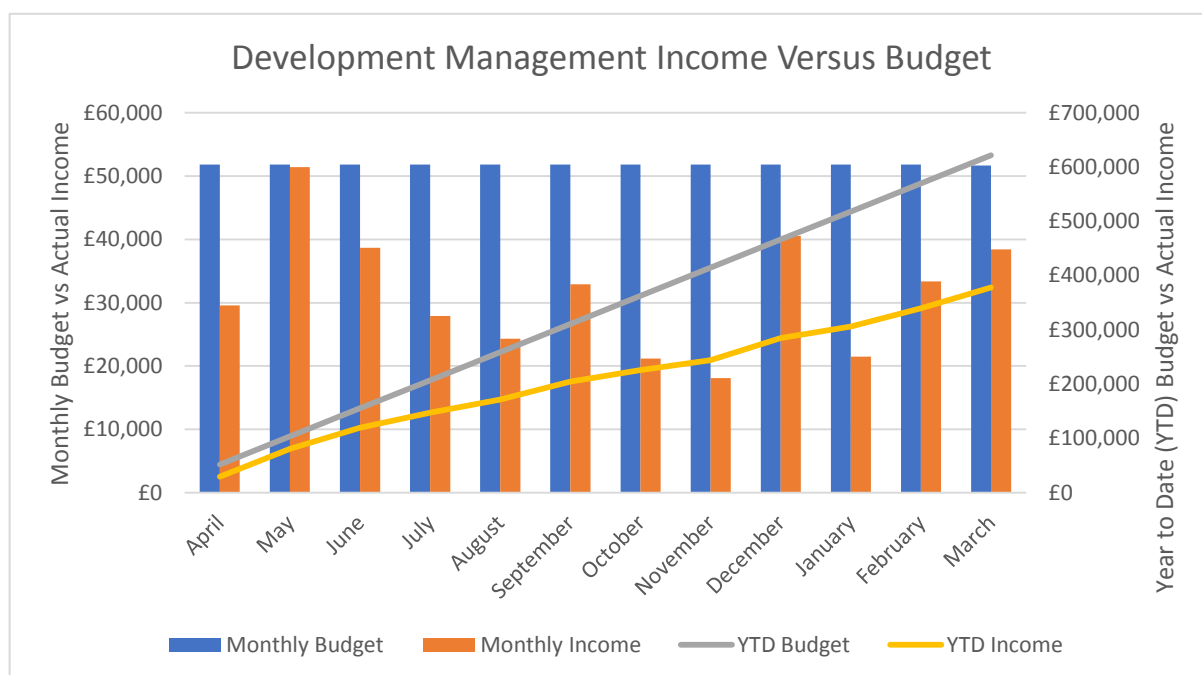
- 1.1 The recommendation will enable the Council to meet its statutory duty to set a balanced budget for 2023/24.

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2 Background

- 2.1 The February meeting of the Audit and Scrutiny Committee were presented with the forecast revenue outturn position for the financial year 2022/23. The report identified reduced income from areas such as car parks and planning, and Audit and Scrutiny Committee requested that a report was prepared for Licensing & Planning Policy Committee to address reduced forecast planning income and identify mitigation options.
- 2.2 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.



- 2.3 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:

- 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 13% lower in Q3 2022-23 compared to Q3 2021-22, and this reduction has been reflected in the reduced number of applications received by Epsom & Ewell, which was 15% lower over that period.
- 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.

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- Nationally, uncertainty regarding government policy has been likely to have 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 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.

2.4 The following mitigation actions will largely address the shortfall:

- 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. Subject to the outcome of the consultation and parliamentary approval, the intention is to introduce this fee increase during 2023 according to DLUHC.
- The government consultation recognises that planning fees have not kept up with inflation, having last been set in 2018 and 2012 before that. As well as increasing fees, the government consultation also proposes that fees are adjusted annually in line with the CPI index rate.
- The consultation would also introduce other measures that would increase planning fee income to a lesser extent, such as doubling the relevant application fee for retrospective applications (i.e. applications where work on the development has already commenced) and removing the 'free go' for resubmitted planning applications. Removal of the free go for an application where the first application has been refused or withdrawn is likely to encourage more applicants to use the Council's pre-application service.

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- As part of the work to improve the performance of the Development Management Service, a number of measures have been undertaken to improve efficiency (such as recruitment of an officer to validate planning applications which enables planning officers to focus on applications), investment in IT and improved ways of working. As part of the improvements, consideration is being given to ways to increase income generation, such as the provision of a paid for duty service and the addition of a 'fast-track' application service. However, measures such as this would require the provision of additional resource to ensure that the good work to improve performance was not undone by additional demands on resource. It would require a business case to be submitted for the additional resource and is not currently considered to be feasible.
- 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.
- Pre-application and Planning Performance Agreement fees are set locally, and have been increased by inflation in recent years. The fees and charges for 2023/24 were completely overhauled to simplify them and ensure they were fit for purpose. A review of the Council's pre-application advice undertaken by the Planning Advisory Service (PAS) this year did advise that the fees were above average and therefore any further increase above inflation may discourage the submission of pre-application schemes. Pre-application submissions are generally welcomed as they enable officers to advise on the likely acceptability of schemes, allow presentations to local residents and Members and given the benefits, the price of pre-application advice and Planning Performance Agreements should be kept at the current level to ensure that applicants are not deterred from submitting schemes for pre-application advice to the Council.

3 Risk Assessment

Legal or other duties

3.1 Equality Impact Assessment

3.11 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 for the purposes of this report

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3.3 Safeguarding

3.3.1 None for the purposes of this report

3.4 Dependencies

3.4.1 None for the purposes of this report

3.5 Other

3.5.1 None for the purposes of this report

4 Financial Implications

4.1 4.1 At its meeting in July 2022, Strategy & Resources Committee sought additional budget savings or income generation opportunities from committees to help address the budget deficit for 2023/24, which is forecast to reach £2.6m by 2025/26. Savings identified within this committee were an additional £25k of income within Development Management service. As identified above, the reduced planning fee income is largely outside of the control of the Council and has been caused by wider economic uncertainty.

4.2 **Section 151 Officer's comments:** The current government consultation is expected to result in higher statutory planning fees, which should partially mitigate the service's income shortfall. The outcome of this consultation, alongside officer knowledge of the development pipeline, will need to be taken into account for 2024/25 budget setting.

4.3 Where additional staff resource has previously been recruited on the basis of generating income that is no longer achievable, the resource should be reviewed to ensure it is still appropriate.

5 Legal Implications

5.1 5.1 There are no specific issues arising from this report, but the Council's resources will need to be applied to ensure that it fulfils its statutory obligations.

5.2 **Legal Officer's comments:** None arising directly from this report.

6 Policies, Plans & Partnerships

6.1 **Council's Key Priorities:** The following Key Priorities are engaged: Not relevant to this report.

6.2 **Service Plans:** The matter is included within the current Service Delivery Plan.

6.3 **Climate & Environmental Impact of recommendations:** None for the purposes of this report.

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6.4 **Sustainability Policy & Community Safety Implications:** None for the purposes of this report.

6.5 **Partnerships:** None for the purposes of this report.

7 **Background papers**

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

Previous reports:

- Audit and Scrutiny Committee report February 2023

Other papers:

- None