



# **LONDON PERMIT SCHEME**

For Road Works and Street Works



## **Permit Fee Review**



# LoPS Permit Fee Review

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# LoPS Permit Fee Review

## 1. Executive Summary

- 1.1 On 11 January 2010 the London Permit Scheme (LoPS) was introduced in 15 boroughs, the City of London and TfL with a further two boroughs joining the scheme on 1 April 2010.
- 1.2 As part of their application to operate LoPS each authority had to set out and justify their proposed permit fee structure to the DfT. The permit fees form part of the LoPS and Appendix A sets out the current permit fees across all LoPS members.
- 1.3 Section 15.7 of the Code of Practice for Permits states that Authorities will need to review fees from time to time to satisfy themselves and the Secretary of State that overall fee income does not exceed allowable cost and each of the 19 authorities has therefore undertaken a individual review of their original permit fees.
- 1.4 The purpose of this report is to set out the findings of those fee reviews and to explain the methodology that was adopted by each of the permitting authorities in reviewing their permit fees.
- 1.5 The main findings of the review has been that;
  - There has been an average decrease of 0.6% in the cost of granting a permit on higher category roads across all 19 authorities
  - There has been an average decrease of 1.5% in the cost of granting a permit on lower category roads across all 19 authorities
  - The cost of granting a permit has remained unchanged or has decreased for 78% of different permit types, across all 19 authorities and road categories.
  - The cost of granting a permit has increased for 22% of different permit types across all 19 authorities and road categories
- 1.6 For the 78% of cases where the cost of granting permits has remained the same or decreased the reduction in costs is not sufficient to reduce the overall permit fee below the maximum amount allowed under the regulations. Those permit fees will therefore remain set at their current level.
- 1.7 For the remaining 22% of cases where the cost of granting permits has increased the fees will not be increased by the relevant authority. This is either because the fee is already at a maximum or the authority has decided not to increase its fees. 5% of permit fees fall into the latter category.



1.8 Therefore the permit fee levels across all 19 authorities will remain as those currently published in Appendix E of LoPS.

## 2 Background

2.1 The Traffic Management Act 2004 (TMA) introduced the concept of permits for works and other activities on the street as a tool for local highway authorities to reduce the congestion and disruption caused by those activities. The provision for permits is one of a number of duties and powers in the TMA, all aimed at improving the management of the road network. Part 3 of the Act provides the legislative framework for permit schemes to be operated by highway authorities. The powers in Part 3 are mainly given effect through regulations; *The Traffic Management Permit Scheme (England) Regulations 2007 SI 2007/3372* were made on 28 November 2007 and came into force on 1 April 2008. These regulations fill in further details on the framework and set boundaries for certain aspects of schemes. Permit schemes must comply with the primary legislation and the regulations and local authority schemes must be approved by the Secretary of State.

2.2 In relation to fees the regulations give the powers for authorities to set up schemes in which fees may be charged to statutory undertakers in respect of their street works for:

- Permits
- Applications for Provisional Advance Authorisations (PAA)
- Variations to a permit or to the conditions attached

2.3 The regulations also set a maximum fee for

- A permit - £240
- An application (for a PAA) - £105
- A variation to a permit or its conditions - £45

2.4 The statutory guidance supplements this by setting maximum fees for each category of permit types and for a hierarchy of main and minor roads, as below.

Maximum Fee Levels per Provisional Advance Authorisation, Permit and Permit Variation		
Permit Types	Road Category 0-2 or Traffic Sensitive	Road Category 3-4 and non Traffic Sensitive
Provisional Advance Authorisation	£105	£75
Major Activity	£240	£150
Standard Activity	£130	£75
Minor Activity	£65	£45
Immediate Activity	£60	£40
Permit Variation	£45	£35

Road category refers to the reinstatement category of the street under NRSWA



- 2.5 The requirement in relation to fees and costs applies to each individual scheme. Authorities may have different costs and therefore each authority must justify their own fee levels. This does mean that fee levels could be different between different authorities operating a common scheme.
- 2.6 The current fee levels for each of the LoPS authorities were calculated using the DfT Permit Fee guidance cost matrix and these were submitted as part of the permit application process to DfT for evaluation.
- 2.7 The TMA Statutory Guidance for Permits (March 2008) states that the Secretary of State may need to review the fee levels in the first years of a Permit Scheme.
- 2.8 Section 15.7 of the Traffic Management Act 2004 Code of Practice for Permits (March 2008) stated that Permit Authorities will review their fees from time to time.
- 2.9 Section 15.3 of the Traffic Management Act 2004 Code of Practice for Permits (March 2008) sets out the allowable Cost and Fees which include;
  - the proportion of direct costs and overheads attributable to operating the scheme for undertakers
  - the element of those costs that are over and above the cost of the authority's co-ordination duty under NRSWA.

This includes the costs of dealing with:

- activities which required a permit but for which no permit was sought
- proposed activities which would be subject to a permit but which do not lead to an application, for example, activity planning involving the authority which is later abandoned.

Overheads can include:

- non-salary staff-related costs such as pensions and benefits
- appropriate allocation of accommodation costs
- appropriate allocation of central services costs
- appropriate share of IT costs (software and hardware)
- general administration and management
- monitoring the permit system and the production of KPIs
- invoicing.



### **3 Permit Fee Review Approach**

- 3.1 There is no national guidance with regard to undertaking a review of permit fees and after careful consideration and discussion the LoPS members considered that the best methodology was to use the relevant parts of the existing DfT Permit Fee matrix which they had completed and submitted to DfT as part of their application to operate LoPS. This will be referred to as the LoPS matrix within this document.
- 3.2 This approach ensured that the proposed fee review included only the allowable costs and also took the overheads as advised under the Code of Practice for Permits. It also allowed for the fees to be limited to the additional costs of operating a permit scheme thus removing any existing costs under NRSWA in line with the DfT guidance.
- 3.3 In addition the existing methodology set out within the LoPS matrix had been accepted by both the DfT and the utility sector as an acceptable and reasonable means of calculating the original appropriate permit fees and so provided continuation of existing practice.
- 3.4 The DfT Permit Fee matrix has a total of 24 tasks associated with the granting of a permit and each task required an estimate of the average time taken to complete each task.
- 3.5 To achieve the review, the LoPS members amended their individual LoPS matrix to enable them to review the individual timings associated with each task. The original charges were based upon the relevant permit authority's best estimate of how long any individual task would take, these timings could therefore be validated following the first year of operating the scheme. This document will be referred to as the Permit Fee Review Template within this document.
- 3.6 In addition to individual authorities undertaking the permit fee review, each authority has provided a comparison of the income received from granting utility permit and permit variation applications to the overall cost to that authority to operate the scheme. The detail of this comparison is set out in the Resource section of the individual authority published Permit Fee Review Template.

### **4. Permit Fee Review Template**

The results of each review is set out in the individual authority's Permit Fee Review Template which has been published in conjunction with this report and contains the following sections;

- Resources
- Permits Granted
- Personnel Tab
- Cat 0, 1, 2 & TSS Cost Matrix
- Cat 3, 4 & non TSS Cost Matrix



(see further detail on each section below)

#### **4.1 Resources Tab**

- 4.1.1 Each authority determined the number of Full Time Equivalent (FTEs) dealing with utility permit and permit variation applications in relation to the list of permit tasks set out in their Permit Fee Review template. It is difficult to identify individual post-holders within an authority who exclusively deal with utility activities as the nature of these roles require a post-holder to assess, manage and respond to permit applications from all works promoters. Therefore all LoPS members have used the principle of FTEs when assessing the levels of resource required to deal with utility applications. .
- 4.1.2 LoPS members also determined the hourly rates of these FTE's (see further detail in the Personnel section below) The number of FTEs who would have been reasonably required to undertake the authority's co-ordination duty under NRSWA was taken from the previous work they had undertaken to complete the LoPS matrix and was deducted from the number of FTEs dealing with utility permits
- 4.1.3 The associated cost to operate the permit scheme could therefore be calculated by multiplying the additional number of FTEs required for utility permits by the cost of each FTE.
- 4.1.4 However there are also overhead supplementary costs incurred by organisations in operating permit schemes which are in addition to the cost of FTEs. These factors were applied as a percentage uplift to the cost of granting a permit in the LoPS matrix and were reviewed by each authority in light of their experience of running the scheme in its first year.
- 4.1.5 The supplementary cost uplift takes the following factors into account:
- Production of KPIs
  - Invoicing Costs
  - Software and Hardware costs
  - Management of Unauthorised and Abandoned Activities
  - Management and Monitoring of the scheme
- 4.1.6 In the first year of operation there was a considerable amount of extra effort required from all LoPS members to manage these factors. Whilst the assumption was made that the software systems would provide assistance in providing KPIs, facilitating invoicing arrangements and also managing and monitoring the actual scheme, this was not readily forthcoming. All LoPS members felt that they had incurred additional costs in dealing with these factors and considered whether these costs should be recoverable under the scheme.



4.1.7 However the authorities felt that the majority of the issues had or were being resolved and were therefore satisfied that there is no requirement, at this stage, to recover those additional set-up costs.

4.1.8 Each authority then calculated their income from the applicable permits granted (also see section on Permit Granted below) to provide a comparison between total cost of operating the scheme and total income in relation to utility activities. The additional operational factors uplift was applied to the overall cost of the FTEs to provide the Total Cost of operating LoPS to that authority.

## **4.2 Permits Granted**

4.2.1 Each authority determined the numbers of utility permits and permit variations they had granted to assist in determining their overall income.

4.2.2 This calculation was not a straight-forward calculation of all granted permit and variations as not all granted permits resulted in a fee being charged e.g. permits issued for works for road purposes or works which resulted in the permit fee being waived under section 13.7 of LoPS. Therefore it should be noted that a number of authorities experienced issues with determining the total income to their authority and where appropriate further details of these issues are set out within each individual authority's Permit Fee Review Template.

## **4.3 Personnel**

4.3.1 The original hourly rates used within the LoPS matrix were calculated using the nationally agreed uplift rates established by the Inspections Working Party in 2008 and these were:

- National Insurance Rate (7.8%)
- Pension contribution (20%)
- Working hours – annual (1386)
- Employee Overhead Rate (2.47)

4.3.2 As these were the most current agreed rates, it was concluded that it was appropriate to continue to utilise these rates in the permit fee review.

4.3.3 There are 3 different generic roles described within the personnel tab, Street Works Officers, Street Works Co-ordinators and Traffic Managers. These roles may encompass a number of different positions within a street works team and are generic roles and may not necessarily reflect individual positions or responsibilities within an organisation. For example the Street Works Officer or Co-ordinator role could include a combination of several different personnel, part of an Administrator's role, a Permit Officer's role and an Inspector's role



(apart from the normal inspections regime) to account for the different tasks that each may need to carry out in order to issue a permit.

- 4.3.4 When establishing the appropriate salary for the generic roles consideration was given to the guidance provided in section 9 of the Permit Fees Guidance London Permit Scheme document. However the function and responsibility of the traffic manager differs across organisations, it maybe at a strategic level with no direct operational responsibility. In this case the traffic manager operational responsibility should have been delegated and it is this operational position that should be taken into account for the purposes of the matrix. In this case the annual salary for the operational role, not that of the Traffic Manager, has been used within the calculation.
- 4.3.5 The salary rates were also considered and it was concluded that most local authority salaries had remained more or less fixed since the introduction of the scheme and that there would be no increases in salary applied to the review.
- 4.3.6 The cost of inflation was also considered as part of the review. There is no agreed methodology for applying the cost of inflation to the review of permit fees so it was concluded that the members would not seek to apply the cost of inflation as part of this review. Section 15.7 of the Code of Practice for Permits does state that a methodology would be developed to allow for future fees to be indexed.

#### **4.4 Cat 0, 1, 2 & TSS Cost Matrix and Cat 3, 4 non TSS Cost Matrix**

Both of these tabs have been updated to allow each authority to amend their estimated timings for each of the 24 tasks associated with the LoPS Matrix as set out above.

The tables below show the percentage change in the cost of granting a permit for each of the 19 authorities.



## Category 0, 1, 2 and Traffic Sensitive Streets

**Table 1 Percentage changes to Permit Authority cost of granting a permit for Category 0, 1, 2 and Traffic Sensitive Streets**

Borough Name	Cat 0-2 and TSS				
	Major PAA % change	Major Permit % change	Standard Permit % change	Minor Permit % change	Immediate Permit % change
Barnet	-9.45%	-11.23%	-10.90%	-9.21%	-8.96%
Brent	-0.86%	0.90%	0.71%	0.00%	1.64%
Bromley	0.00%	0.00%	0.00%	0.00%	-1.61%
Camden	0.00%	-1.63%	-1.41%	0.00%	0.00%
CoL	1.42%	0.76%	0.42%	0.00%	-0.76%
Croydon	0.87%	4.15%	3.17%	3.08%	3.17%
Ealing	0.87%	1.20%	1.43%	1.49%	3.23%
Enfield	0.89%	1.24%	0.76%	1.45%	0.00%
Hackney	-0.77%	-0.35%	-0.66%	0.00%	0.00%
Hammersmith and Fulham	0.00%	1.36%	0.00%	0.00%	0.00%
Haringey	-0.82%	-2.29%	-1.36%	-1.27%	-1.43%
Hounslow	0.86%	0.41%	0.00%	0.00%	0.00%
Islington	2.06%	1.29%	0.00%	0.00%	0.00%
Lewisham	-0.81%	0.44%	2.27%	1.54%	0.00%
RBKC	-1.63%	-1.53%	-1.37%	-2.56%	-2.94%
Redbridge	0.88%	0.00%	0.00%	0.00%	1.49%
TfL	-3.40%	-4.39%	-3.91%	-2.50%	-1.35%
Wandsworth	3.39%	4.15%	3.52%	4.55%	4.92%
Westminster	-3.28%	-4.28%	-4.38%	-4.55%	-3.85%

4.4.1 From the data above it can be seen that the review of the fees has resulted in the following across all 19 authorities:

- The cost of granting a permit has remained unchanged for 26 different permit fee types
- The cost of granting a permit has decreased for 34 different permit fee types by an average of 3.3%
- The cost of granting a permit has increased for 35 different permit fee types by an average of 1.9%

4.4.2 Therefore the cost has remained constant or it has decreased for 63% of individual permit types across the 19 authorities.

4.4.3 Overall the average cost of granting a permit has decreased by 0.6% for this road category.



### Category 3, 4 and non Traffic Sensitive Streets

**Table 2 - Percentage changes to Permit Authority cost of granting a permit for Category 3, 4 and non Traffic Sensitive Streets**

Borough Name	Cat 3 - and non TSS				
	Major PAA % change	Major Permit % change	Standard Permit % change	Minor Permit % change	Immediate Permit % change
Barnet	-7.14%	-8.56%	-6.73%	-6.56%	-5.88%
Brent	-1.18%	0.71%	1.23%	0.00%	0.00%
Bromley	0.00%	0.00%	1.39%	2.17%	0.00%
Camden	-1.19%	-1.21%	-1.94%	-1.89%	0.00%
CoL	0.00%	0.00%	0.00%	0.00%	-2.13%
Croydon	1.20%	4.23%	1.22%	2.27%	2.27%
Ealing	-1.25%	0.65%	-1.25%	0.00%	0.00%
Enfield	1.28%	1.91%	0.00%	0.00%	0.00%
Hackney	-1.05%	-1.15%	0.00%	-1.92%	0.00%
Hammersmith and Fulham	0.00%	0.00%	-1.14%	-1.96%	-2.00%
Haringey	-2.33%	-1.74%	-1.14%	-1.85%	-2.13%
Hounslow	-2.30%	-2.60%	-3.70%	-4.00%	-2.13%
Islington	-1.04%	-2.17%	0.00%	-1.25%	-1.41%
Lewisham	-1.20%	0.00%	1.22%	0.00%	0.00%
RBKC	-1.11%	-1.76%	-2.25%	-1.85%	-2.17%
Redbridge	-2.35%	-1.83%	0.00%	-2.08%	-2.17%
TfL	-3.77%	-3.85%	-3.85%	-1.89%	-3.85%
Wandsworth	-1.18%	-0.60%	-1.19%	0.00%	0.00%
Westminster	-3.41%	-3.72%	-4.20%	-4.55%	-3.45%

4.5.1 From the data above it can be seen that the review of the fees has resulted in the following across all 19 authorities;

- The cost of granting a permit has remained unchanged for 26 different permit fee types
- The cost of granting a permit has decreased for 56 different permit fee types by an average of 2.6%
- The cost of granting a permit has increased for 13 different permit fee types by an average of 1.7%

4.5.2 Therefore the cost has remained constant or it has decreased for 86% of permit type across the 19 authorities.

4.5.3 Overall the average cost of granting a permit has decreased by 1.5% for this road category.



## 5. Conclusion

S15.7 of the Code of Practice for Permits provides guidance on how authorities should deal with surplus and deficits existing at the end of any year. It states;

'Authorities will need to review fees from time to time to satisfy themselves and the Secretary of State that overall fee income does not exceed allowable costs. Although authorities will make their best estimates of costs and income in setting fee levels there will be occasions when a surplus or deficit exists at the end of the year. In reviewing fee levels those surpluses or deficits should be carried over and counted in later years so that a balance of costs and income is achieved over a number of years. The outcome of annual fee reviews should be published and open to public scrutiny.

A methodology will be developed so that in future fees can be indexed in between fuller reviews of permit fees.'

It is therefore clear that the DfT recognises that permit fee income is unlikely to exactly match permit fee expenditure. The results above demonstrate that this has certainly been the case in all of the 19 permitting authorities with some showing a slight surplus whilst others have shown a slight deficit in overall income versus expenditure. It is likely that these differences will balance out over future years with authorities matching their resources to their costs, something which is very difficult to do in the shorter term.

There are a number of factors which influence the income generated in relation to utility permit applications, not least the volume of works undertaken by those utilities. As a result of change in activity volumes some authorities may show a surplus in one year and a deficit the following year.

## APPENDIX A

### Permit fees as set out within LoPS

		Category 0,1,2 & TS						Category 3 & 4 non TS					
		Major PAA	Major	Standard	Minor	Immediate	Permit Variation	Major PAA	Major	Standard	Minor	Immediate	Permit Variation
Maximum DfT Charges		£105.00	£240.00	£130.00	£65.00	£60.00	£45.00	£75.00	£150.00	£75.00	£45.00	£40.00	£35.00
1	<i>Barnet</i>	£105.00	£240.00	£130.00	£65.00	£60.00	£45.00	£75.00	£150.00	£75.00	£45.00	£40.00	£35.00
2	<i>Brent</i>	£105.00	£223.00	£130.00	£65.00	£60.00	£45.00	£75.00	£140.00	£75.00	£45.00	£40.00	£35.00
3	<i>Bromley</i>	£89.00	£176.00	£120.00	£65.00	£60.00	£45.00	£64.00	£105.00	£72.00	£45.00	£40.00	£35.00
4	<i>Camden</i>	£105.00	£240.00	£130.00	£65.00	£60.00	£45.00	£75.00	£150.00	£75.00	£45.00	£40.00	£35.00
5	<i>City of London</i>	£105.00	£240.00	£130.00	£65.00	£60.00	£45.00	£75.00	£101.00	£70.00	£45.00	£40.00	£35.00
6	<i>Croydon</i>	£105.00	£217.00	£126.00	£65.00	£60.00	£45.00	£75.00	£142.00	£75.00	£44.00	£40.00	£35.00
7	<i>Ealing</i>	£105.00	£240.00	£130.00	£65.00	£60.00	£45.00	£75.00	£150.00	£75.00	£45.00	£40.00	£35.00
8	<i>Enfield</i>	£105.00	£240.00	£130.00	£65.00	£60.00	£45.00	£75.00	£150.00	£75.00	£45.00	£40.00	£35.00
9	<i>Hackney</i>	£105.00	£240.00	£130.00	£65.00	£60.00	£45.00	£75.00	£150.00	£75.00	£45.00	£40.00	£35.00
10	<i>Hammersmith &amp; Fulham</i>	£105.00	£221.00	£130.00	£65.00	£60.00	£45.00	£73.00	£150.00	£75.00	£45.00	£40.00	£35.00
11	<i>Haringey</i>	£105.00	£240.00	£130.00	£65.00	£60.00	£45.00	£75.00	£150.00	£75.00	£45.00	£40.00	£35.00
12	<i>Hounslow</i>	£105.00	£240.00	£130.00	£65.00	£60.00	£45.00	£75.00	£150.00	£75.00	£45.00	£40.00	£35.00
13	<i>Islington</i>	£91.00	£214.00	£130.00	£65.00	£60.00	£45.00	£75.00	£150.00	£75.00	£45.00	£40.00	£35.00
14	<i>Lewisham</i>	£105.00	£229.00	£130.00	£65.00	£47.00	£45.00	£75.00	£150.00	£75.00	£42.00	£30.00	£35.00
15	<i>Redbridge</i>	£105.00	£224.00	£130.00	£65.00	£60.00	£45.00	£75.00	£150.00	£75.00	£45.00	£40.00	£35.00
16	<i>Wandsworth</i>	£105.00	£240.00	£130.00	£65.00	£60.00	£45.00	£75.00	£150.00	£75.00	£45.00	£40.00	£35.00
17	<i>Westminster</i>	£105.00	£240.00	£130.00	£65.00	£60.00	£45.00	£75.00	£150.00	£75.00	£45.00	£40.00	£35.00
18	<i>RBKC</i>	£105.00	£240.00	£130.00	£65.00	£60.00	£45.00	£75.00	£150.00	£75.00	£45.00	£40.00	£35.00
19	<i>Transport for London</i>	£105.00	£240.00	£130.00	£65.00	£60.00	£45.00	£75.00	£150.00	£75.00	£45.00	£40.00	£35.00

**Note:** For the avoidance of doubt it must be noted that where a permit variation moves an activity into a higher fee category, as shown in Table 1 above, then the activity promoter will be required to pay the difference between the original permit fee and the fee for the higher category. This is in addition to the fee for the variation to the permit.