

City of London Corporation Committee Report

Committee(s): Licensing Committee	Dated: 06/02/2025
Subject: Sex Establishments – annual review and setting of fees for 2025-26	Public report: For Decision
This proposal: <ul style="list-style-type: none">• provides statutory duties	Licensing authority duty under the Local Government (Miscellaneous Provisions) Act 1982 to set fees for licence applications
Does this proposal require extra revenue and/or capital spending?	No
If so, how much?	n/a
What is the source of Funding?	n/a
Has this Funding Source been agreed with the Chamberlain’s Department?	n/a
Report of:	Katie Stewart, Executive Director of Environment
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Summary

The City of London Corporation must set annual fees for those premises requiring a licence under the Local Government (Miscellaneous Provisions) Act 1982 as a sex establishment. The report outlines case law which indicates that the process for setting the fees must be robust and that income received through the licensing process cannot exceed the cost of administering that process.

The matters considered by the licensing service in setting the proposed fees are discussed and include all aspects within the licensing process.

There are currently no premises within the City Corporation’s jurisdiction that have a sex establishment licence.

Recommendation(s)

Members are asked to:

- Agree the proposed fees for 2025/26 as set out in Appendix 1.
- Delegate authority to the Executive Director Environment to approve future annual fees on a full cost recovery basis, including adjustments for prior years’ under/over recovery where relevant, and subject to any statutory limits that may apply.

Main Report

Background

1. The Local Government (Miscellaneous Provisions) Act 1982 Schedule 3, as amended by s.27 of The Policing and Crime Act 2009 sets out the statutory provisions for setting Sex Establishment fees.
2. A Sex Establishment is defined as a Sex Shop, Sex Cinema or Sexual Entertainment Venue (SEV) (primarily lap dancing clubs). A premises is not a Sexual Entertainment Venue if any relevant entertainment is only provided on eleven or less occasions during a twelve-month period and, each of the occasions are at least one month apart.
3. The City of London Licensing Authority must determine the appropriate fees for the granting, renewal, transfer, and variation of a licence. Any fee set must be 'reasonable'.
4. Licences are valid for 12 months from the date of grant unless surrendered or revoked. A process similar to the granting of a new licence is to be followed for each renewal including consultation.
5. A High Court case held on 16 May 2012 (*R (Hemming and Others) v Westminster City Council*) concluded that the amount of the fee is required to be determined every year and further that a local authority was precluded from making a profit from the licensing regime. A full account of the fee income and expenditure would therefore need to be considered to ensure a surplus is not being made.
6. Successive appeals/decisions in the Court of Appeal, The Supreme Court and the European Court of Justice decided that the fee can include administrative costs involved, the costs of vetting the applicants (in the case of applications for a licence) and the costs of investigating/enforcing the licensing scheme including costs involved in enforcement against those premises that are not licensed.

Current Position - Calculation of Fees for 2025/26

7. To avoid possible complications arising from non-compliance with the Hemming decision, the licensing service has carried out an in-depth examination of the processes that would be undertaken in order to administer a licence application/renewal and the costs of investigating compliance with any licence conditions.
8. In determining the proposed fee structure for a Sex Establishment, the following factors have been taken into account (an example of the factors taken into account if we received a new application for a Sexual Entertainment Venue can be seen as Appendix 2):

- Officer time spent on processing applications including site inspections and the issue of any licence
 - Officer time spent on the development and maintenance of processes and guidance notes
 - Training of staff as necessary
 - A proportion of the service costs such as accommodation, equipment and central recharges
 - Officer time spent on inspections of licensed premises to ensure compliance with terms and conditions of any licence
9. The proposed fees for 2025/26 have increased from those set in 2024/25. This is because staffing rates have increased.

Options

10. If fees are set lower than those recommended the result will be a deficit for 2025/26 if an application is received, as costs of administering the licence will not be fully met from income received. Fees set higher than those recommended will result in a surplus i.e. an income which exceeds the cost of providing the service.
11. Any such under or over recovery of costs from 2025/26 will be calculated after the end of that financial year and be carried forward to be taken into consideration in setting fees for 2027/28. Ignoring a surplus or deficit could result in the City Corporation being subject to legal challenge. There was no under or over recovery to consider in calculating the proposed fees for 2025/26, as no applications were received in 2023/24.

Proposals

12. It is recommended that the proposed fees for 2025/26 as set out in Appendix 1 are adopted, to take effect from 1 April 2025.
13. It is further recommended that authority be delegated to the Executive Director Environment to approve future annual fees in accordance with the existing methodology of full cost recovery including adjustments for under/over recovery from prior years where relevant, subject to any statutory limits on fees that may apply.

Corporate & Strategic Implications

14. **Dynamic Economic Growth:** The proposed fees are calculated by assessing officer time spent on each step of the process, enabling the City Corporation to recover its costs in administering the scheme and ensuring compliance within the licensing regime.

15. **Providing Excellent Services:** Protecting and promoting public safety and consumer protection at licensed premises.
16. **Strategic implications** –The proposals within this report support the outcomes of the Corporate Plan 2024-29 to provide excellent services and drive economic growth. The proposals meet the requirement to set fees for the licensing of activities within the Local Government (Miscellaneous Provisions) Act 1982 as they apply to the City of London Corporation.
17. **Financial Implications:** Setting the recommended sex establishment fees will not have a detrimental effect on the licensing budget as there are currently no sex establishments and thus no income. Setting fees above or below those recommended will have the implications as set out in paragraphs 10 and 11 above.
18. **Resource implications** : none identified
19. **Legal implications** : The City Solicitor has reviewed the statutory obligations and related fees and charges and has recommended the above proposal
20. **Risk implications:** none identified
21. **Equalities implications** – none identified
22. **Climate implications:** none identified
23. **Security implications:** none identified

Conclusion

24. The annual review of sex establishment charges takes into consideration all the necessary administrative, compliance and enforcement costs required for the City Corporation to deliver its statutory licensing function as defined in the Local Government (Miscellaneous Provisions) Act 1982..

Appendices

- Appendix 1 – Proposed Fees for 2025/26
- Appendix 2 – Factors taken into account when calculating fees

Background Papers

None

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