

Committee(s): Planning and Transportation	Dated: 13/04/2021
Subject: Building Control Charges Report	Public
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	1 & 2.
Does this proposal require extra revenue and/or capital spending?	N
If so, how much?	N/A
What is the source of Funding?	
Has this Funding Source been agreed with the Chamberlain's Department?	N/A
Report of: Director of the Built Environment.	For Decision
Report author: Gordon Roy District Surveyor & Environmental Resilience Director.	

Summary

The propose of this report is to advise the Committee of the findings of the Building Control's review into their fees and charges from service users during 2020.

The District Surveyor's Building Control Division increased their charges in April 2020 as agreed by this Committee, with charges being set for the service, through a "cost recovery" Charges Schemes. These charges, are known as the "City of London Building Regulations Charging Scheme No 3", for work associated with applications under the Building Regulations 2010, and the "Building Control Miscellaneous Charges No 3" for work associated with Notices under the London Building Act (Amendment) Act 1939, and the Building Act 1984. This report informs the Committee of the results of the revised charges schemes, and to recommend changes to the City of London Building Regulations Charging Scheme No 3, to change the total charge fee which is currently split into two fees known as the Plan Charge and the Inspection Charge at a 25/75 split to a 40/60 split, which is aimed at improving income and income flow, on these activities, as part of the Divisions requirements to maintain full cost recovery.

Recommendation(s)

Members are asked to:

- Approve the new “City of London Building Control Charges Scheme No 4: 2021.

Main Report

Background

1. The District Surveyors Building Control division raises income through two approved charges schemes. CIPFA guidance on the allocation and apportionment of reporting requires the division’s budget to be split into three defined categories of: -
 - Chargeable Building Regulations
 - Non-Chargeable Building Regulations, and
 - Other Building Control Activities.

The two current charges schemes are.

- The City of London Charges Scheme No 3; 2020, which applies charges for “Chargeable Building Regulation” activities, (See Appendix A and B) and
- The Miscellaneous Building Control Charges No 3:2020, (See Appendix D) which applies charges for “Other Building Control Activities”.

Both of these schemes were approved by this Committee in March 2020.

2. CIPFA guidance lists a wide range of activities associated with Building Regulations which are chargeable and non-chargeable for the purposes of these schemes. Chargeable activities include checking of plan charges, site inspections, building notice charges, reversion charges and chargeable advice. Non-chargeable activities include the control of unauthorised works, general advice to the public and other departments, the first hour of any Building Regulation advice and carrying out Building Regulation functions in relation to work providing facilities for disabled people.
3. Originally Building Regulation fees, for the approval or rejection of building plans and for the inspection of building works were prescribed by central government and as a result standardised fees were applied to every local authority in England and Wales.
4. In 2010, the government introduced The Building (Local Authority Charges) Regulations 2010, being the legal framework for setting a Building Regulation charging scheme and a new scheme was implemented on the 1st October 2010, known as the City of London Charges Scheme No1, 2010. These charges were reviewed in 2018 and in 2020 and a revised Charges scheme, known as City of London Charges Scheme No 3, 2020, was approved and implemented.

5. The City of London Building Regulation Charges Scheme No3, 2020, Annex A, comprises of a range of fixed charges for small scale works with a construction cost up to £1million, and for larger projects over £1million, fees are individually assessed based on the average hourly rate of building control services. Current charges are set out in Appendix B.

6. Other Building Control activities include dealing with temporary structures applications, dealing with dangerous structures, and responding to Demolition Notices. Existing charges are set out in "Building Control Miscellaneous Charges No 3" in Appendix D.

Current Position

7. It was anticipated in 2010 that chargeable works should break even ideally over a 3-year period, however a 5-year period maybe more appropriate where unusually high deficits/surpluses have accrued. The income and expenditure derived from Building Regulation applications has been shown below in Table 1. Over the course of the period covered by Table 1 the District Surveyor has strived for efficiencies in all areas of his divisions work particularly around staffing costs.

TABLE 1					
Budgetary Performance 2015-16 to 2021-22					
	Chargeable			Non-Chargeable	Total (Expenditure)/Income
	Expenditure	Income	(Deficit)/surplus		
	£'000	£'000	£'000		
2021-22 (Original Budget)	(1,120)	950	(170)	(868)	(1,038) *
2020-21 (Forecast Outturn)	(1,074)	850	(224)	(882)	(1,106) *
2020-21 (Original Budget)	(1,134)	1,050	(84)	(841)	(925) *
2019-20	(1,032)	1,058	26	(821)	(795)
2018-19	(1,221)	957	(264)	(669)	(933)
2017-18	(1,204)	874	(330)	(603)	(933)
2016-17	(1,192)	1,296	104	(515)	(411)
2015-16	(1,169)	1,355	186	(514)	(328)

* Split 56% Chargeable and 44% Non-Chargeable

8. Unfortunately, 2020 has seen the world affected by the Covid-19 pandemic, and construction work within the City, has substantially reduced, with application numbers from March 2020 until December 2020, approximately 50% of their normal levels. This reduction in construction activity, has decreased income in both the Building Regulation fee charges and the non-Building Regulation fee charges, therefore having a negative effect on the budget performance.
9. At the end of 2020 a review into the applications received during the year and their associated fees generated was undertaken and the results are shown in Table 2. Within the calendar year, 191 applications were received, and their associated fees amounted to £810,680.

Year	Number of Application	Fees Generated
2015	280	£1,210,007
2016	228	£847,099
2017	236	£778,279
2018	246	£778,279
2019	266	£1,091,256
2020	191	£810,680

10. A review was also undertaken of the applications which were completed during 2020. During this time 274 projects were completed and as all time, associated with projects is recording against the District Surveyors corporate Time master software and the CAPS Uniform software, all projects can be checked to ensure that the correct fees were being charged.
11. Each completed project was checked and cross referenced to similar projects dating back to 2015 and placed into bands that matched the Estimated Cost of Works within the fee scales. Average time taken to administer those projects within each band was then calculated using the 2020 agreed hourly rate, to establish a benchmark of appropriate cost for each band. A similar procedure was also carried out for just year 2020 to ensure that officer time on projects was equivalent to previous years. The results are shown in Table 3.

Table 3. Average time and costs per application 2015-2020

Estimated Cost of Woks	Average hrs taken 2015-2020	Average cost to service 2015-20	Average hrs taken 2020	Average cost to service 2020	Current Fit Out Fee	Current Refurb Fee
£0-£10,000	3.86 hrs	£432	4 hrs	£448	£448	£728
£10k-£20k	5.63 hrs	£631	6.33 hrs	£708	£672	£728
£20k-£30k	9.76 hrs	£1093	8.24 hrs	£922	£896	£952
£40k-£70k	9.58 hrs	£1073	10.6 hrs	£1187	£1232	£1288
£70k-£100K	11.58 hrs	£1297	10.5 hrs	£1176	£1232	£1512
£100-£150k	12.29 hrs	£1376	10.33 hrs	£1157	£1400	£1736
£150k-£200	13.47 hrs	£1509	15.23 hrs	£1705	£1624	£1960
£200k-£300k	18.27 hrs	£2046	15.6 hrs	£1749	£1848	£2408
£300k-£500k	18.9 hrs	£2116.80	13.74 hrs	£1540	£2464	£3248
£500k-£700K	25.75 hrs	£2884	20.16 hrs	£2258	£3192	£4144
£700k-£999k	19.15 hrs	£2144.80	15.64 hrs	£1751	£4032	£5376

Note: Costs calculated at £112 per hour as per the agreed hourly rate.

12. As can be seen in Table 2, there are only two fees which during 2020 did not on average provide a “cost recovery” fee, but these fees are only for the lowest possible fee within this band. Therefore, it is the proposal of the District Surveyor not to increase the fees at this time.

13. Further analysis of the applications and fees submitted were undertaken in particular to applications submitted under the LABC Partnership application scheme. Under the Partnership Scheme, applications can be submitted where:

- The property is outside the City of London, and the District Surveyors Building Control are requested to check the plans, and the Authority where the site is located, is required to do the site inspections.
- The property is located within the City of London, and the applicant requests an alternative Authority to check the plans and the District Surveyors Building Control are required to carry out the site inspections. Applications where a neighbouring Borough has also requested assistance with plan checking and site inspections, on a major application have been included in this type of application.

A third type of application known as a Cross Boundary application where a the property is located outside the City of London, but the applicant requests the District Surveyors to check the plans and carry out site inspections, is not included in this review, as the fees and time taken have been considered under the traditional application method.

14. Applications were reviewed back to 2012, and the total numbers of applications are shown in Table 4

Table 4. Partnership applications since 2012.		
Type of Partnership Application	Number of applications	Fee Income Generated from these applications
Property outside the City of London	150	£307,266 (Plan Charge)
Property inside the City of London or working in Partnership with another Borough	48	£524,476

15. Of the applications where the District Surveyors Building Control are working with another Borough to provide a joint service two particular projects accounted for £479k. These projects were Principle Place with L.B. Hackney and South Bank Place, with L.B. Lambeth. This leaves a fee income of £52k from the remaining applications of this category, which is relatively small.
16. For the 150 Partnership applications where the District Surveyors are requested to check the plans for properties outside the City of London, only 49 of these applications can be cross checked against our costs to administer them. Of the 49 applications, it was found that the fees generated by these applications equated to £52,972, but the cost of administering them was found to be £82,617.

Table 5. Partnership applications where costs can be calculated.			
Number of applications 2012-20	Total amount of fee received. (Plan check fee as 25% of total fee)	Total cost of providing the service	Potential fee if plan check fee is 40% of total fee.
49	£52,971	£82,617.33	£84,753

17. In accordance with the City of London Charges Scheme's No 1 to No 3, applicants are required to pay 25% of the total fee for checking of the plans, which is the fee requested for a Partnership application. This fee has been found to be insufficient to provide a cost recovery service and would require a fee equivalent to 40% of the total fee to make it cost neutral.

18. Therefore, it is more appropriate to amend the current The City of London Charges Scheme No 3:2020 Section 19, to require the fee split from 25/75 to 40/60. For applications submitted where the District Surveyors Building Control are providing both the plan checking and site inspection service where the applications are for work within the City, this change will result in additional monies being paid when the applications are submitted rather than when works are being undertaken, but the total fee will not be affected.

Proposals

19. It is the proposal of this report to request the Committee to agree that there should be no change to the current fee scales as shown in Appendix A

20. It is the proposal of this report to request the Committee to agree that The City of London Charges Scheme No 4:2021 be agreed with section 19 amended to request 40% of the charge to be the plan charge and 60% of the charge to be the inspection charge.

Corporate & Strategic Implications

21. There are no equal opportunity implications arising from this report save that Regulation 4 of the Building Regulations (Local Authority Charges) Regulations 2010 outlines the principles of the charging scheme in relation to building work solely required for disabled persons. No building regulation charge can be authorised in relation to providing means of access solely to an existing dwelling occupied as a permanent residence by a disabled person or for the provision of facilities and accommodation (including the provision or extension of a room in limited circumstances) designed to secure the greater health, safety, welfare or convenience of such a disabled person. Similarly, no building regulation charge can be authorised in relation to an existing building to which members of the public are admitted in similar circumstances as stated above

Legal implications

22. The Building (Local Authority Charges) Regulations 2010 impose a legal obligation on the City of London to have a Building Regulation charging scheme in place, to ensure that the overriding objective of the charges being set at a level that equates to cover the costs of providing the service, and to annually review and publish figures to ensure that this objective is been maintained. These changes will maintain this objective being obtained.

Climate implications

23. None

Security implications

24. None

Conclusion

25. The report identifies the measures being taken by the District Surveyors Building Control Division to set a revised charging scheme which accurately reflect actual time employed against individual projects.

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Appendices

- Appendix A- Current "City of London Building Regulations Charges Scheme No 3, 2020".
- Appendix B- Current "City of London Building Regulations Charges Scheme No 3, Annex A."
- Appendix C- Current "City of London Building Regulations Charges Scheme No 3, Annex B."
- Appendix D- Current "Building Control Miscellaneous Charges No3:2020.
- Appendix E- Proposed "City of London Building Regulations Charges Scheme No 4, 2021".
- Appendix F- Proposed "City of London Building Regulations Charges Scheme No 4:2021, Annex A, Charges
- Appendix G- Proposed "City of London Building Regulations Charges Scheme No 3:2021, Annex B

