

Committee(s): Planning and Transportation	Dated: 09/03/2023
Subject: Building Control Charges Report 2023/24	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?	N/A
Has this Funding Source been agreed with the Chamberlain's Department?	N/A
Report of: Executive Director of Environment Department.	For Decision
Report author: Gordon Roy District Surveyor	

Summary

The propose of this report is to advise the Committee of the findings of the Building Control's review into their previous fees and charges increases and to recommend revised fees for 2023/24.

The District Surveyor's Building Control Division amended their charges in April 2022 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 5", for work associated with applications under the Building Regulations 2010, and the "Building Control Miscellaneous Charges No 4" 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 charges schemes and to recommend changes to both charging schemes for 2023/24.

Recommendation

Members are asked to:

- Approve Option 3 and agree a new "City of London Building Regulations Charges Scheme No 6: 2023", and a "Building Control Miscellaneous Charges No 5: 2023" based on a new rate of £152 per hour.

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
 - Other Building Control Activities

The two current charges schemes are, both of which were previously approved by this Committee in April 2022 are:

- The City of London Charges Scheme No 5; 2022, which applies charges for "Chargeable Building Regulation" activities, (See Appendix A) and
 - The Miscellaneous Building Control Charges No 4:2022, (See Appendix B) which applies charges for "Other Building Control Activities".
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 plans, 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 No 1, 2010. These charges are reviewed on an annual basis and a revised Charges scheme, known as City of London Charges Scheme No 5, 2022, was approved and implemented from May 2022.
 5. The City of London Building Regulation Charges Scheme No 5; 2022, Appendix 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 A.

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 4” in Appendix B.

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.

	Chargeable			Non-Chargeable	Total (Expenditure)/Income
	Expenditure	Income	(Deficit)/surplus		
	£'000	£'000	£'000	£'000	£'000
2023-24 (Original Budget)	(1,272)	950	(322)	(944)	(1,266)*
2022-23 (Forecast)	(1,052)	950	(102)	(771)	(873)*
2021-22	(1,024)	1,028	4	(755)	(751)*
2020-21	(1,089)	981	(108)	(912)	(1,020)*
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. As required by the CIPFA guidance, building Control income/expenditure for Chargeable work, should break even over a 5-year period. Table 1 above, sets out the deficit/surplus over the last seven years, and is currently running with a deficit of £342,000 from 2018/19 to 2021/22.

9. The deficit has been reviewed and it occurred largely during 2017/18 and 2018/19 when development activity within the City paused, due to the national vote to leave the EU, and then worsened in 2020/21 when activity dramatically slowed due to COVID-19 epidemic. Both resulted in income reducing and creating the deficit.
10. With a further projected deficit expected for year 2022/23 of £102,000 and further deficits in 2023/24 of £322,000, a review of expenditure and income over the next few years has been undertaken. To ensure the service charges can deliver a service in accordance with the CIFPA guidance the hourly rate for Chargeable works has been recalculated, to £126. (previously £115 per hour). This projected additional fee income together with further ongoing management of staffing costs, should assist in achieving a balanced budget.
11. Application numbers and their associated generated fees are shown in Table 2. Fees generated from applications during 2022 fell from a very high level in 2021, when there was a bounce back from COVID but with, a number of major projects having requested pre-application services for 2023 the outlook remains positive.

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
2021	210	£1,391,757
2022	220	£937,669

12. A review was also undertaken of the applications which were completed during 2022. During this time 211 projects were completed and as time associated with projects is recording against the District Surveyors corporate Timemaster software and the CAPS Uniform software, all projects can be checked to ensure that the correct fees were being charged.
13. 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 has been calculated and forms the basis for all the fees & charges.

Proposals

14. The projected budget deficit of £322,000 as shown in Table 1 has been calculated on the basis of a full workforce establishment, but due to recent staff retirements, actual establishment numbers and expenditure is lower. Anticipated work and staffing levels/costs have been reviewed and using this information, the costs associated with the Divisions hourly rate for chargeable works, has been recalculated and will form the basis for the new charging schemes.
15. It is the proposal of this report to request the Committee agree, that to ensure applications received in 2023/24 are sufficient to balance the budget for chargeable works, and with an understanding that the cumulative deficit will be reduced over a 5-year period to zero, a surcharge is proposed to be added to the base hourly rate. A revised fee schedule will be drafted and will be known as "The City of London Charges Scheme No 6:2023". Draft shown in Appendix D, which includes a 20% surcharge on the base hourly rate as recommended in Option 3. This would generate additional income in the region of £180,000 in 2023/24, to reduce the current deficit.
16. Fees and charges associated with other Building Control activities, such as Demolition Notices and Temporary Structures, have also been similarly reviewed. It is proposed to apply an hourly rate of £126 to these fees and charges. Appendix F
17. In 2022 Royal Assent was given to the new Building Safety Act, which will bring new requirements to the building industry to improve building safety, particularly for residential buildings over 18m in height. The Building Safety Act will also introduce the Building Safety Regulator as the Building Control Authority for new residential buildings over 18m or 7 storeys and above, and as such, all building regulation applications for these buildings, will be submitted to the Regulator rather than local authority or private building control body. Under Section 13 of the Building Safety Act 2022, the Building Safety Regulator can request the help of a local authority building control to assist them with an application and the Local Authority will be able to charge the Building Safety Regulator appropriate charges to ensure cost recovery. Appropriate charges for the Building Safety Regulator will be calculated, when required, at the same rate as Chargeable works.

Options

18. **Option 1.** Agree an hourly rate, based on cost recovery for Chargeable works, including work undertaken on behalf of the Building Safety Regulator, and other Building Control activities. The hourly rate will be £126 per hour.
19. **Option 2.** Agree an hourly rate, for Chargeable works and work including work undertaken on behalf of the Building Safety Regulator based on a cost recovery rate, plus a 10% surcharge to reduce the accumulated Trading Statement deficit, over the next five years. The hourly rate will be £139. Charges for other Building Control activities to be based on cost recovery basis at £126

20. **Option 3.** Agree an hourly rate, based on cost recovery for Chargeable works including work undertaken on behalf of the Building Safety Regulator based on a cost recovery rate, plus a 20% surcharge to reduce the accumulated Trading Statement deficit, over the next five years. The hourly rate will be £152. Charges for other Building Control activities to be based on cost recovery basis at £126

21. It is considered that Option 3 fulfils the Corporations duty to provide a charging scheme based on the principles of cost recovery and the CIFPA guidance to reduce any accumulated deficits and break even over a 5-year period.

Corporate & Strategic Implications

22. 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

23. 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

24. None

Security implications

25. None

Conclusion

26. 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 and to reduce the deficit accumulated over the last 5 years on the Building Control Trading Statement.

Gordon Roy
District Surveyor.

T: 020 7332 1962

E: gordon.roy@cityoflondon.gov.uk

Appendices

- Appendix A- Current “City of London Building Regulations Charges Scheme No 5 , 2022, Annex A & Annex B”.
- Appendix B- Current “Building Control Miscellaneous Charges No 4:2022
- Appendix C- Proposed “City of London Building Regulations Charges Scheme No 6: 2023”.
- Appendix D- Proposed “City of London Building Regulations Charges Scheme No 6, 2023, Annex A, Charges
- Appendix E- Proposed “City of London Building Regulations Charges Scheme No 6, 2023, Annex B,
- Appendix F- Proposed City of London Building Control Miscellaneous Charges Scheme No 5;2023.”