

Committee(s): Planning and Transportation	Dated: 16/05/2024
Subject: Building Control Charges Report 2023/24	Public
Which outcomes in the City Corporation’s Corporate Plan does this proposal aim to impact directly?	Providing excellent services.
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: Interim Executive Director Environment	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 2024/25.

The District Surveyor’s Building Control Division amended their charges in April 2023 as agreed by this Committee, with charges being set for the service through a “cost recovery” charges scheme. These charges are known as the “City of London Building Regulations Charging Scheme No 6”, for work associated with applications under the Building Regulations 2010, and the “Building Control Miscellaneous Charges No 5” 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 the Building Regulation Charging Scheme for 2024/25.

Recommendation

Members are asked to:

- Approve Option 3 and agree a new “City of London Building Regulations Charges Scheme No 7: 2024”.

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, both of which were previously approved by this Committee in April 2023 are:

- The City of London Charges Scheme No 6; 2023, which applies charges for "Chargeable Building Regulation" activities, (See Appendix A) and
 - The Miscellaneous Building Control Charges No 5:2023, (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 No1, 2010. These charges are reviewed on an annual basis and a revised Charges scheme, known as City of London Charges Scheme No 6, 2023, was approved and implemented.
 5. The City of London Building Regulation Charges Scheme No 6; 2023, Appendix A, comprises of a range of fixed charges for small scale works with a construction cost up to £1million. For larger projects with a construction cost of 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 5” 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 (Exp)/Income
	Exp	Income	(Deficit)/surplus		
	£'000	£'000	£'000	£'000	£'000
2024-25 (Original Budget)	(1,385)	1,050	(335)	(1,011)	(1,346)
2023-24 (Forecast)	(1,045)	1,100	55	(772)	(717)
2022-23	(1,031)	1,055	24	(817)	(793)
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 eight years, and is currently running with a deficit of £358,000 from 2015/16 to 2022/23.

9. The deficit 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. In early 2023, with a further projected deficit projected for year 2022/23 of £102,000 and £322,000 for 2023/24, a review of expenditure and income was undertaken. To ensure the service charges could deliver a service in accordance with the CIPFA guidance the hourly rate for Chargeable works was recalculated, to £152 and included a supplement to reduce the deficit to zero over a five-year period.
11. Application numbers and their associated generated fees are shown in Table 2. Application numbers in 2023 have decreased mainly due to a change in legislation where from 1st October 2023, applications that involve a high-risk building (residential buildings over 18m high) such as the Barbican must go to the Building Safety Regulator as they are now the Building Control Authority for these buildings. The high cost of construction has also resulted in a reduction in applications, but this was compensated with a number of significant applications having been received such as 50 Fenchurch Street, 1 Broadgate, 100 New Bridge Street and 5 Chancery Lane.
12. With the submission of some large applications during 2023 and the increase in the fee hourly rate last April, fees associated with submitted applications has risen and can be seen in Table 2. The effect of increasing the hourly rate to reduce the deficit has had a positive effect on the “fees generated” and the deficit should further reduce, as planned over the forthcoming years.

Table 2 Building Control Applications 2012-2023		
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
2023	196	£1,513,915

13. As outlined above, it is a requirement for Building Control under CIPFA guidance for the income/expenditure for chargeable work, to break even over a 5-year period. With a projected surplus of £55k expected for 2023/24, the overall operating deficit/surplus over the 5-year period between 2019/20 to 2023/24, will show a running surplus of £1k.

14. A review was also undertaken of the applications which were completed during 2023. During this time 108 projects were completed and as time associated with projects is recorded in 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.
15. 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

16. Using information regarding proposed expenditure for Building Control, and the costs associated with the Division (additional staff recruitment) the hourly rate for chargeable works, has been recalculated and will form the basis for the new charging scheme.
17. It is the proposal of this report to request the Committee agree, that to ensure applications received in 2024/25 are sufficient to balance the budget for chargeable works, and with an understanding that the cumulative deficit will be reduced over the next 4-year period to zero, a surcharge is proposed to be added to the base hourly rate. A revised fee schedule has been drafted and will be known as "The City of London Charges Scheme No 7:2024". 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 £100,000 in 2024/25, to reduce the current deficit.
18. Fees and charges associated with other Building Control activities, such as Demolition Notices and Temporary Structures, have also been similarly reviewed. It is not proposed to apply any additional charges to these as they are currently adequate to maintain full cost recovery.
19. The review of the other Building Control activities did find that there was not an approved charge associated with surveyor's time when dealing with a dangerous structure callout. Under the London Building Acts (Amended) Act 1939, the District Surveyor is required to attend any dangerous structure, to ensure public safety. The majority of dangerous structures attended, are dealt with by the building owners, and therefore the time spent on these incidents is small and the work required limited. However, there are incidences when the building owner is unable to deal with the incident and the District Surveyor is then required to make the building safe using the Corporations contractor. In these situations, the Act allows for all associated costs, to be reclaimed from the building owner. In these limited instances, to ensure full cost recovery, it is proposed to add a new charge. The

appropriate charge has been calculated, using costs associated with the appropriate surveyors and has been determined at £170 per hr.

20. In 2022 Royal Assent was given to the new Building Safety Act, which has brought new requirements to the building industry to improve building safety, particularly for residential buildings over 18m in height. From the 1st October 2023, The Building Safety Act introduced 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, are now submitted to the Regulator rather than local authority or private building control bodies. 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 is able to charge the Building Safety Regulator appropriate charges to ensure cost recovery.
21. When assisting the Building Safety Regulator under a Section 13 request, the local authority must assist the Regulator by using an appropriately competent surveyor. Under the new Building Inspector Competence Framework, and the Building (Restricted Activities & Functions) (England) Regulations 2023, this will require a Class 3 Registered Building Inspector, therefore the most experienced surveyors within our team. To ensure full cost recovery, the appropriate charges for the Building Safety Regulator has been calculated, using costs associated with the appropriate surveyors and has been determined at £170 per hr.
22. In January 2023, this Committee agreed that the District Surveyor could act as the single point of contact between the Building Safety Regulator (BSR) and all London local authority building control teams, when the BSR requires assistance under Section 13. This is known as the London HUB and has been in operation since 1st October 2023. On the 5th April 2024, 108 requests had been received but this is expected to rise over the next few years. The operation of the London HUB will result in income being generated on a full cost recovery basis, which will slowly rise in line with requests.

Options

23. **Option 1.** Agree an hourly rate, based on full 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 £136 per hour. Work to assist the Building Safety Regulator will be charged at £142 per hour. Work to deal with a dangerous structure when the Corporation has to carry out works with their contractor, will be charged at £142 per hour. **NOT RECOMMENDED**
24. **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 £150. Charges for other Building Control activities to be based on cost recovery basis at £136. Work to assist the Building Safety Regulator will be charged at £156 per hour. Work to deal with a

dangerous structure when the Corporation has to carry out works with their contractor, will be charged at £156 per hour. **NOT RECOMMENDED**

25. **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 £163. Charges for other Building Control activities to be based on cost recovery basis at £136. Work to assist the Building Safety Regulator will be charged at £170 per hour. Work to deal with a dangerous structure when the Corporation has to carry out works with their contractor, will be charged at £170 per hour. **RECOMMENDED**

Financial Implications

26. It is considered that Option 3 fulfils the Corporations duty to provide a charging scheme based on the principles of full cost recovery and the CIFPA guidance to reduce any accumulated deficits and break even over a 5-year period. Although the chargeable account has a forecast overall operating surplus over the 5-year period between 2019/20 to 2023/24 of £1k, the budgeted costs for 2024/25 currently projects a deficit of £335k. This increase in fees will help reduce that deficit along with the continued review of salary costs and other increases in income activity.

Corporate & Strategic Implications

27. 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

28. 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

29. None

Security implications

30. None

Conclusion

31. 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 5, 2023, Annex A, Charges
- Appendix E- Proposed “City of London Building Regulations Charges Scheme No 5, 2022, Annex B,
- Appendix F- Proposed City of London Building Control Miscellaneous Charges Scheme No 4;2022.”

