

<b>Committee(s):</b>	<b>Date:</b>
<b>Planning and Transportation</b>	26 March 2018
<b>Subject:</b> Building Control Charges Report	<b>Public</b>
<b>Report of:</b> Director of the Built Environment	<b>For Decision</b>
<b>Report author:</b> Gordon Roy	

### Summary

The propose of this report is to seek approval to increase the existing fees and charges, for service users of the District Surveyors Service to ensure full cost recovery of the service is maintained.

The District Surveyor's Building Control Division, currently charges users of the service, through "cost recovery" Charges Schemes. These are known as the "City of London Building Regulations Charging Scheme", for work associated with applications under the Building Regulations, and the "Building Control Miscellaneous Charges" of work associated with Notices under the London Building Act (Amendment) Act 1939, and the Building Act 1984. This report is to recommend changes to the Charges Schemes, which is aimed at increasing income on these activities, as part of the departments 2% efficiency savings/additional income generation and to maintain full cost recovery following increases in inflation, etc.

In conjunction with these two charges scheme's it is proposed to amend the hourly rate for the Building Control Surveyors from £104 per hour to £107 per hour plus VAT.

These changes in fees and charges are expected to raise £18,000 additional income per annum, mainly on the non-chargeable activities, therefore reducing the costs to the "City".

### Recommendations

I RECOMMEND that: -

Your committee approves the new "City of London Building Control Charges Scheme No 2; 2018", the new "Miscellaneous Building Control Charges No 2", and the revised hourly rate of £107 per hour, to come into effect 1<sup>st</sup> April 2018.

## Main Report

### **Background.**

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 No1; 2010, which applies charges for "Chargeable Building Regulation" activities, and
- The Miscellaneous Building Control Charges which applies charges for "Other Building Control Activities".

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.

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.

The Building (Local Authority Charges) Regulations 1998 came into effect on the 1<sup>st</sup> April 1999 and for the first time, required each local authority to prepare a scheme fixing charges for the performance of their building control functions aimed at recovering the full cost of the service. The Building Regulations Charging Scheme 1999 for the City of London was made on the 1<sup>st</sup> April 1999, and subsequent amendments to the scheme have been made since.

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 1<sup>st</sup> October 2010, known as the City of London Charges Scheme No1, 2010. See Appendix A.

The Building (Local Authority Charges) Regulations 2010 extended the devolution of building regulation charge setting to local authorities and applies to the chargeable element of the building control service.

The City of London Building Regulation Charges Scheme No1, 2010, Annex A, comprises of a range of fixed charges for small scale works with a construction cost up to £5million, and for larger projects over £5million, fees are individually assessed based on the average hourly rate of building control services. Current charges are set out in Appendix B

Other Building Control activities include dealing with temporary structures applications, dealing with dangerous structures, responding to Demolition Notices, and the keeping of public registers including Initial Notices, and Competent persons schemes. Existing charges associated temporary Structures are set out in Appendix F, with other activity charges are set out in “Building Control Miscellaneous Charges” in Appendix G.

## Current Position

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 derived from Building Regulation applications has from 2014/15 to 2016/17 contrary to CIPFA guidance provided a surplus operating profit in relation to chargeable works. Over the course of the period covered by Table 1 the District Surveyor has strived for efficiencies in all areas of his divisions work with staff levels reducing from 31 to 25, and keeping other costs to a minimum. Costs however have started to rise, and as a result, to maintain the objective of full cost recovery, the existing standard (fixed) charges, time spent on projects and the hourly rate have been reviewed.

Table 1

TABLE 1						
Budgetary Performance 2014-15 to 2018-19						
	Chargeable			Non- Chargeable	Total (Expenditure)/ Income	
	Expenditure	Income	(Deficit)/surplus			
	£'000	£'000	£'000			
2018-19 (Original Budget)	(1,334)	1,200	(134)	(634)	(768)	
2017-18 (Forecast Outturn)	(1,234)	1,130	(104)	(566)	(670)	
2016-17	(1,192)	1,296	104	(515)	(411)	
2015-16	(1,169)	1,355	186	(514)	(328)	
2014-15	(1,283)	1,364	81	(472)	(391)	
<b>Total</b>			133			

In accordance with the scheme, Local Authorities must calculate their charges by relating the average hourly rate of building control services in relation to the costs of building work and of project descriptions. The emphasis is to accurately recharge staff time employed against individual jobs with an agreed set of hourly rates to ensure only full cost recovery of chargeable works.

The method of recording time against projects currently operating within the District Surveyors are corporate Time master software and the CAPS Uniform software

shared with planning. These charges are monitored continually to ensure that the correct fees are being charged.

## **Proposals**

Having reviewed the existing Building Regulations Charges scheme No 1: 2010, the scheme, due to changes in the Building Regulations since 2010, needs to be revised to ensure references made in the Charges Scheme to the Building Regulations remain accurate. A revised scheme, to be known as The City of London Building Regulations Charges Scheme No 2: 2018, to commence on the 1<sup>st</sup> April 2018 is shown in Appendix C which updates the necessary clauses.

The proposed amended scheme has an amended fee schedule as set out in Appendix D to ensure full budgetary compliance by means of both standard and individually determined charges by increasing the standard charges by approximately 10%. The opportunity has also been taken to simplify the number of standard charges and allow more applications to be calculated individually.

Using the financial statements from previous years, the costs associated with the divisions hourly rate has been recalculated and amended accordingly from £104 to £107 per hour.

Fees and charges associated with other Building Control activities have also been similarly reviewed and benchmarked against similar charges with those of surrounding authorities, and to ensure full cost recovery a number of standard charges are required to be amended. A revised charging scheme is attached in Appendix G.

The 2018/19 budget is shown in Table 2 below, incorporating chargeable and non-chargeable and other activities with the proposed amendments to the fees and charges incorporated into the budget.

<b>Table 2</b>			
<b>CIPFA Recommended Income &amp; Expenditure 2018/19</b>			
	<b>Chargeable (66.5%) £'000</b>	<b>Non- Chargeable (33.5%) £'000</b>	<b>Total £'000</b>
<b>Local Risk Expenditure</b>			
Employees	(1,047)	(527)	(1,574)
Premises	0	0	0
Transport	(1)	0	(1)
Supplies and Services	(33)	(17)	(50)
<b>Total Expenditure</b>	<b>(1,081)</b>	<b>(544)</b>	<b>(1,625)</b>
<b>Local Risk Income</b>			
Fees & Charges	1,200	110	1,310
<b>Net Local Risk</b>	<b>119</b>	<b>(434)</b>	<b>(315)</b>
<b>Central Risk</b>			
Admin Buildings	(47)	(24)	(71)
Support Service - Central Support	(42)	(21)	(63)
- City Procurement	(1)	(1)	(2)
- IS Staff Recharge	(81)	(41)	(122)
- Liability Insurance	(5)	(3)	(8)
- Directorate Recharge	(21)	(82)	(103)
Depreciation and Impairment Losses	(44)	(22)	(66)
Capital Financing Costs (notional interest)	(12)	(6)	(18)
<b>Net Central Risk</b>	<b>(253)</b>	<b>(200)</b>	<b>(453)</b>
<b>Net (Expenditure)/Income</b>	<b>(134)</b>	<b>(634)</b>	<b>(768)</b>

A projected deficit is expected in both 2017/18 and 2018/19. The District Surveyors Building Control Division will be submitting a report shortly to the committee on its long term proposals, but has started to address the matter by looking at alternative income sources outside of the City. An agreement has been made with the London Legacy Development Corporation to provide Building Regulation advice with a view to providing Building Regulation approvals in partnership with London Borough of Newham, which will generate additional income up to a maximum of £300,000 over the next few years. Other similar opportunities are currently being investigated.

### Transitional Arrangements

It is proposed that the City of London Building Regulation Charges Scheme No 2, 2018 and the City of London Building Control Miscellaneous Building Control Charges No 2 are implemented from 1<sup>st</sup> April 2018.

The revised hourly rate of £107 per hour to be adopted from 1<sup>st</sup> April 2018 which is projected to generate an additional £18,000 per annum mainly on non-chargeable activity.

The proposed schemes of charges have been devised to ensure full budgetary control by means of standard and individually determined charges. The opportunity has been taken to simplify charges where possible

## **Legal Implications.**

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.

## **Strategic Implications**

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.

## **Conclusion**

The report identifies the measures being taken by the District Surveyors Division to set a revised hourly rate and charging schemes which accurately reflect actual time employed against individual projects to ensure full cost recovery.

## **Appendices**

Appendix A- Current “City of London Building Regulations Charges Scheme No 1, 2010”.

Appendix B- Current “City of London Building Regulations Charges Scheme No 1, 2010”, Annex A. Charges

Appendix C- Proposed “City of London Building Regulations Charges Scheme No 2, 2018”.

Appendix D- Proposed “City of London Building Regulations Charges Scheme No 2:2018, Annex A, Charges

Appendix E- Proposed “City of London Building Regulations Charges Scheme No 2:2018, Annex B

Appendix E - Current “Miscellaneous Building Control Charges No 1.”

Appendix F- Current “Section 30 London Building Act (Amended) Act 1939” charges.

Appendix G- Proposed “Miscellaneous Building Control Charges No 2, 2018”