

Report to: Executive Board - Monday 8th July 2002

Building Regulations Charges and Investment

Report of: Business Manager Built Environment Unit

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**Lead Member
Responsible: Cllr. Mary Clarkson**

**Overview and Scrutiny Committee
Responsibility: Environment**

Key Decision: Yes

**WARDS AFFECTED
All**

SUMMARY AND RECOMMENDATIONS

The purpose of this report is to ensure that surpluses made from building regulation charges are managed within the accepted principles of accounting and offset against the costs of the building regulation service.

As a result of DTLR and Local Government Association advice, the fee structure currently in place for Building Regulations has to be reviewed. This Building Control account needs to be treated as a 'ring fenced' account and fees set each year at such a level that they cover the costs of providing the service.

The Executive Board is :-

- Recommended to approve the scale of charges shown in Appendix (A) to become effective from 1st August 2002 and
- asked to recommend Council to agree the investment proposals and changes to the Building Control budget shown in sections 3 and 4 of the report.

The Executive Board and Council is asked to note

- The consequence of these changes has created a budget pressure (a deficit) of approximately £136,000 in the current year which will need to be addressed through the monitoring process at a later date.

This report supports the Council's strategic aim for Sound Management.

1. Background

Following advice received from the DTLR, the LGA and Counsel, adjustments need to be made to reduce the surpluses generated from the Building Regulation fee account. In addition the service needs to improve its efficiency to be able to meet top national quartile performance figures agreed in the Service Best Value Action Plan. These are BVPI of 80% for site inspection checks to be done within three months and BVPI of 90% for plans to be checked within 15 working days. Current performance for Site Inspection checks within three months is 30% and Plan Checking within 15 days is 55%. (See Appendix C for key comparisons on performance, income, expenditure and staffing levels of similar benchmarking authorities.)

The Council adopted the national Building Control Performance Standards document in 1999. This recommends standards for performance that both the private and public sectors should adhere to. The document sets policy guidance and requires sufficient resources be made available " to enable reasonable skill and care to be exercised in discharging a 'Building Control Bodies' legal duties, and to meet the requirements of the Performance Standards."

2. Building Regulation Charges

This Council's previous scales of charges followed the model scheme of charges developed by the Local Government Association (LGA). The 2002/3 scheme adopted by the majority of local authorities has increased charges for domestic work by around 3%. This guidance issued by the LGA represents, in the main, a fair competitive charge for the service. However, given the substantial surpluses made by this Council's service, the 2002/3 LGA model is not being recommended.

In order to bring the level of surplus to within acceptable limits it is necessary to look both at investment in the service (see section 4) and the level of charges being levied.

Level of Charges

An analysis has been made based upon 2001/2 workload and income projections for 2002/3. See table below:

Building Control income projections 2002-03							
	Assumed income based on 2001-02	Anticipated additional income from large £1m+ schedule 3 schemes	Anticipated total income in 2002-03 based on existing charging structure	income as % of total	% of total workload	Proposed reduction in fees	Anticipated total income in 2002-03 based on revised fee structure
Schedule 1	156,000		156,000	22%	4%	10%	140,400
Schedule 2	99,000		99,000	14%	35%		99,000
Schedule 3	393,000	63,000	456,000	64%	56%	10%	410,400
other	7,000		7,000	1%	5%		7,000
Total	655,000	63,000	718,000	100%	100%		656,800

Most income is generated from Schedule (1) work on Housing/Flats and schedule (3) covering Commercial & Other Work. Also, from time recording information, costs are higher on Schedule (2) Domestic work. It is therefore proposed that for schedules (1) and (3) work charges are reduced by 10% on the level of existing charges to deliver an overall reduction in income of around £62,000 for 2002/3. **Based upon this reduction a new scale of charges is proposed - see Appendix A.** (Existing Charges shown at Appendix B)

Having regard to the current Building Regulation market where the majority of local authorities successfully use the model LGA scheme in open competition with the private sector, it is considered that these changes represent a reasonable approach for the Council.

Preliminary discussions with developers suggest that an additional flow of work from a number of large projects of values ranging between £2 million to £30 million may bring in around £63,000 in new fees for 2002/3. These schemes should continue to deliver additional income over the next two to three years. To cope with this anticipated increase in workload, ongoing, as well as one off investments are proposed (see section 4).

3. Finance and Charging Principles

The Council's power to charge for the provision of its services depends on statutory authorisation. The basis upon which the Council may charge for building control services is set out in the Building (Local Authority Charges) Regulations 1998. The Regulations:-

- authorise the Council to fix charges by means of a scheme;
- authorise the Council to recover such charges as it may determine in connection with its building control functions
- state that the Council must estimate a reasonable amount which represents the cost of providing the service over 3 years before setting its charges;
- the charges should be fixed to enable the Council to recover the cost of providing the service;

The year 2003/2004 will be the fourth year during which the Council's scheme, as amended, will have operated.

Where a statutory power to make charges has been provided the Courts have tended to view these as permitting local authorities to recoup their costs rather than make planned surpluses, which would have an air of trading or revenue collection about it. The general rule is that charges should be set at a level that will recover the cost to the Council of providing the service (this may include raising income to invest in the future operation of the service to make it more efficient e.g. the acquisition of equipment or the employment of extra staff) with an appropriate figure built in to meet unforeseen contingencies.

Any surplus that is made must be reinvested in the service, or if this cannot be justified, the charges reduced if the same or a higher level of future take up is anticipated.

The Regulations require that over a three year accounting period the income derived should not be less than the proper costs of running the service. Whilst the budgeted charges income should primarily be aimed at meeting costs the Council has to consider that there are outside factors which influence the income generated by building control fees. For example it is not possible to determine how many projects will be deposited or commencements made during any given year. It is therefore inevitable that the Council should set its fees so that there is a small surplus to cover the possibility that income is not as high as anticipated. Government advice is that this should be kept to a minimum and the LGA indicates this should be less than 10%. The following budgets show both planned income and investment for 2001/2 and 2002/3 with a surplus of 9.1% built-in to deal with any contingencies in the current year.

The Building Regulation fee account is currently budgeted to make a surplus in the year of £135,980. In complying with the Government advice, we can not account for this as part of the General Fund any longer thus creating a budget problem in the year of that sum. This will be highlighted as part of the formal budget monitoring process for the next Executive Board.

Building Regulations Fee Account (BN64)

	Notes	2001-02 Outturn	2002-03 Approved Budget	2002-03 Required budget
			£	£
Employees		307,487.23	286,100.00	307,500.00
Premises		8,265.51	7,974.00	8,300.00
Transport		15,389.03	10,424.00	15,400.00
Supplies & Services	(1)	40,418.47	24,161.00	40,400.00
Support Services	(1)	122,674.21	114,761.00	122,700.00
Contingency	(2)			60,000.00
Total Expenditure		494,234.45	443,420.00	554,300.00
Income - Building Regulation Charges	(3)	(654,829.16)	(579,400.00)	(656,800.00)
Total Income		(654,829.16)	(579,400.00)	(656,800.00)
Surplus	(4)	(160,594.71)	(135,980.00)	(102,500.00)

Proposed use of trading surplus

One-off reinvestment into Building Control service	(5)	(160,594.71)		
On-going surplus to be used on:	(6)			
Surveyor				35,700.00
2 Assistant Building Control Officers				58,800.00
Regrading of staff :-				
- 3 Team Leaders (PO18 -> PO21)				2,700.00
- Service Manager (PO24 -> PO26)				1,800.00
- 2 Assistant Building Control (PO11 -> PO13)				3,500.00
Use of surplus				102,500.00

Notes/assumptions in above table

- (1) Formerly Building Control received a service from Property Investment. Following a redundancy, that service is no longer available in-house as it has contributed towards savings. Building Control is using external suppliers to carry out this work. The effect will be to increase supplies spend and reduce central support but will have a nil effect on the overall position.
- (2) Surplus margin of 9.1%
- (3) Income projection for 2002-03 from section 2
- (4) The proposed surplus of £102,411 in 2002-03 will be reinvested in the service and is proposed to be used for new staff and regradings, as identified above. This is supported by the Director and Human Resources are being consulted.
- (5) See separate list (section 4).
- (6) Assumed 3% inflation on current pay.

4. Service Investment

The service is facing increasing competition. Initial Notices received from Approved Inspectors has risen 150% from 20 in 1999 to 50 in 2001. Building Regulation applications have also increased over last year by 9%.

The DTLR's general view is that Building Control Authorities should carry forward any surplus each financial year in an appropriate building regulations account and offset this against projected future costs when carrying out reviews of charges. The Department also comments in its advice that Building Control Authorities may take the view that there is justification in reinvesting some surplus into improving the quality/ performance of the building control service particularly if that is likely to lead ultimately to cost savings and lower charges. The measures outlined in this report are intended to achieve compliance with the Department's advice but a review of projected income levels will be needed later this year to ensure the effectiveness of the measure introduced and compliance with the Department's views.

The table below lists the investment needs of the service to enable it to meet the challenges ahead and bring the building regulation fee earning account into balance. Amendments will be made to the Built Environment Business Plan to reflect any changes agreed.

Investment Plan - ongoing items	Benefit/Need	£
Employ additional staff: <ul style="list-style-type: none"> • One Building Control Surveyor • Two assistant Building Control Surveyors 	Needed to cope with increased workload and deliver quality value for money service expected by customers	35,700 58,800
Staff investment - to meet new demands/responsibilities, increase performance and staff morale	<ul style="list-style-type: none"> • Regradings (referred to under section 3 of the report) required to fund increased supervisory responsibilities undertaken by staff. They also reflect current market rates and will assist with retention and recruitment. 	8,000
<i>sub total</i>		£102,500
Investment Plan - one off items	Benefit/Need	£
Appointment of temporary staff	Needed to assist with expected short/medium term increase in workload.	65,000
Establish emergency 'out of hours' service together with appropriate provision for transport	Needed to respond to dangerous structures call-outs and major emergencies	40,000
Electronic plan submission software and new hardware platforms	Needed to stay competitive. Also, is in line with e-government initiative for LA's	25,000
Microfilming/scanning of files including printer/viewer.	Needed to save space and retain files for customers	12,000
Professional development training	To retain quality staff, keep up-to-date and be able to offer expert advice	10,000
Marketing - literature, seminars, promotion board, advertising	Retain market share and win income generating work	2,000
Digital camera, typewriter, heavy duty sack type truck, torches, ladders and other miscellaneous	Improve service performance	2,000
Accommodation move to Ramsay House	Facilitate a closer pro active working relationship with the Planning and Environmental Health sections. Reduce Council accommodation costs.	5,000
<i>sub total</i>		161,000
Total =		£263,500

THIS REPORT HAS BEEN SEEN AND APPROVED BY:

Councillor Clarkson

Isobel Garner, Strategic Director

David Taylor, Legal Services Business Manager

John Moyles, Chief Accountant

Claire Reid, Group Accountant

Background papers:

- Local Government Association Circular dated 15th January 2002
- Revisions to the LGA Model Scheme and Advisory Charges for 2002/2003
- The LGA Model Scheme and Advisory Charges for 2002/2003
- DETR letter dated 15th May 2001 and DTLR letter dated 9th May 2002

APPENDIX A Proposed new Building Regulation Charges - commencing 1st August 2002

SCHEDULE 1 - New Dwellings

Number of Dwellings	PLAN CHARGE			INSPECTION CHARGE		
	Charge £	VAT £	Total £	Charge £	VAT £	Total £
1	126.00	22.05	148.05	238.50	41.74	280.24
2	184.50	32.29	216.79	360.90	63.16	424.06
3	243.00	42.53	285.53	486.90	85.21	572.11
4	301.50	52.76	354.26	599.40	104.90	704.30
5	364.50	63.79	428.29	689.40	120.65	810.05
6	427.50	74.81	502.31	819.90	143.48	963.38
7	445.50	77.96	523.46	876.60	153.41	1,030.01
8	463.50	81.11	544.61	1,023.30	179.08	1,202.38
9	481.50	84.26	565.76	1,170.90	204.91	1,375.81
10	486.00	85.05	571.05	1,332.00	233.10	1,565.10
11	490.50	85.84	576.34	1,460.70	255.62	1,716.32
12	495.00	86.63	581.63	1,588.50	277.99	1,866.49
13	499.50	87.41	586.91	1,717.20	300.51	2,017.71
14	504.00	88.20	592.20	1,845.90	323.03	2,168.93
15	508.50	88.99	597.49	1,974.60	345.56	2,320.16
16	513.00	89.78	602.78	2,103.30	368.08	2,471.38
17	517.50	90.56	608.06	2,232.00	390.60	2,622.60
18	522.00	91.35	613.35	2,360.70	413.12	2,773.82
19	526.50	92.14	618.64	2,489.40	435.65	2,925.05
20	531.00	92.93	623.93	2,618.10	458.17	3,076.27
Over 21 & up to 30 Extra charge for each dwelling over 21	540.00	94.50	634.50	2709.90	474.23	3184.13
	10.00 + VAT			102.00 + VAT		
31 & over Extra charge for each dwelling over 31	630.00	110.25	740.25	3627.90	634.88	4262.78
	5.00 +VAT			75.00 +VAT		

SCHEDULE 2 - certain small buildings and domestic extensions

Type of Work	PLAN CHARGE			INSPECTION CHARGE		
	Charge £	VAT £	Total £	Charge £	VAT £	Total £
Erection or extension of a detached or attached garage or carport having a floor area not exceeding 40m ²	35.00	6.13	41.13	70.00	12.25	82.25
Extension to dwelling where the total floor area does not exceed 10m ²	55.00	9.63	64.63	155.00	27.13	182.13
Extension to dwelling where the total floor area is between 10m ² and 40m ²	80.00	14.00	94.00	235.00	41.13	276.13
Extension to dwelling where the total floor area is between 40m ² and 60m ²	105.00	18.38	123.00	315.00	55.13	370.13

SCHEDULE 3 - work not falling within schedules 1 and 2

Total Cost £	PLAN CHARGE			INSPECTION CHARGE		
	Charge £	VAT £	Total £	Charge £	VAT £	Total £
0 - 1000	54.00	9.45	63.45	NIL	NIL	NIL
1001 - 2000	90.00	15.75	105.75	NIL	NIL	NIL
2001 - 5000	148.50	25.99	174.49	NIL	NIL	NIL
5001 - 6000	39.15	6.85	46.00	117.45	20.55	138.00
6001 - 7000	41.17	7.20	48.37	123.52	21.62	145.14
7001 - 8000	43.20	7.56	50.76	129.60	22.68	152.28
8001 - 9000	45.22	7.91	53.13	135.67	23.75	159.41
9001 - 10,000	47.25	8.27	55.52	141.75	24.82	166.55
10,001 - 11,000	49.27	8.62	57.89	147.82	25.86	173.68
11,001 - 12,000	51.30	8.98	60.28	153.90	26.93	180.83
12,001 - 13,000	53.32	9.33	62.65	159.97	27.99	187.96
13,001 - 14,000	55.35	9.69	65.04	166.05	29.06	195.11
14,001 - 15,000	57.37	10.04	67.41	172.12	30.12	202.22
15,001 - 16,000	59.40	10.40	69.80	178.20	31.19	209.39
16,001 - 17,000	61.42	10.75	72.15	184.27	32.25	216.52
17,001 - 18,000	63.45	11.10	74.55	190.35	33.31	223.66
18,001 - 19,000	65.47	11.45	76.93	196.42	34.37	230.79
19,001 - 20,000	67.50	11.81	79.31	202.50	35.44	237.94
20,001 - 100,000	67.50	11.81	79.31	202.50	35.44	237.94
	£1.80 + VAT for each £1,000 or part thereof over £20,000			£5.40 + VAT for each £1,000 or part thereof over £20,000		
100,001 - £1 Million	211.50	37.01	248.51	634.50	111.04	745.54
	£0.79 + VAT for each £1,000 or part thereof over £100,000			£2.36 +VAT for each £1,000 or each part thereof over £100,000 up to £1 million		
<i>For schemes above 1 Million please contact our offices for advice.</i>						

BUILDING REGULATION CHARGES

With effect from 1st April 2001

SCHEDULE 1 - NEW DWELLINGS.

Domestic houses, flats and maisonettes (not more than three storeys high, with each dwelling under 300m² total floor area). Use Schedule 3 for larger dwellings

Please circle amounts

PLAN CHARGE				INSPECTION CHARGE		
Number of Dwellings	Charge £	VAT £	Total £	Charge £	VAT £	Total £
1	140.00	24.50	164.50	265.00	46.38	311.38
2	205.00	35.88	240.88	401.00	70.18	471.18
3	270.00	47.25	317.25	541.00	94.68	635.68
4	335.00	58.63	393.63	666.00	116.55	782.55
5	405.00	70.88	475.88	766.00	134.05	900.05
6	475.00	83.13	558.13	911.00	159.43	1070.43
7	495.00	86.63	581.63	974.00	170.45	1144.45
8	515.00	90.13	605.13	1137.00	198.98	1335.98
9	535.00	93.63	628.63	1301.00	227.68	1528.68
10	540.00	94.50	634.50	1480.00	259.00	1739.00
11	545.00	95.38	640.38	1623.00	284.03	1907.03
12	550.00	96.25	646.25	1765.00	308.88	2073.88
13	555.00	97.13	652.13	1908.00	333.90	2241.90
14	560.00	98.00	658.00	2051.00	358.93	2409.93
15	565.00	98.88	663.88	2194.00	383.95	2577.95
16	570.00	99.75	669.75	2337.00	408.98	2745.98
17	575.00	100.63	675.63	2480.00	434.00	2914.00
18	580.00	101.50	681.50	2623.00	459.03	3082.03
19	585.00	102.38	687.38	2766.00	484.05	3250.05
20	590.00	103.25	693.25	2909.00	509.08	3418.08
Over 21 & up to 30	600.00	105.00	705.00	3011.00	526.93	3537.93
Extra charge for each dwelling over 21	10.00 + VAT			102.00 + VAT		
31 & over	700.00	122.50	822.50	4031.00	705.43	4736.43
Extra charge for each dwelling over 31	5.00 + VAT			75.00 + VAT		
Total number of dwellings.....				Total Charge Payable £.....		

SCHEDULE 2 - CERTAIN SMALL BUILDINGS AND DOMESTIC EXTENSIONS*Please circle amounts*

Type of Work	PLAN CHARGE			INSPECTION CHARGE		
	Charge £	VAT £	Total £	Charge £	VAT £	Total £
Erection or extension of a detached or attached garage or carport having a floor area not exceeding 40m ² , and not an exempt building	35.00	6.13	41.13	70.00	12.25	82.25
Extension to dwelling where the total floor area does not exceed 10m ²	55.00	9.63	64.63	155.00	27.13	182.13
Extension to dwelling where the total floor area is between 10m ² and 40m ²	80.00	14.00	94.00	235.00	41.13	276.13
Extension to dwelling where the total floor area is between 40m ² and 60m ²	105.00	18.38	123.38	315.00	55.13	370.13

22

SCHEDULE 3 - WORK NOT FALLING WITHIN SCHEDULE 1 & 2

The figures in the first column are the "total estimated cost of the work" these may be checked against the BCIS quarterly review of building prices. Note: Fees for domestic loft conversions and extensions over 60m² are calculated using this table but are subject to a minimum fee of £94.00 or £123.38 as appropriate as shown in Schedule 2. **Please check with us if you are unsure**

Total Cost £	PLAN CHARGE			INSPECTION CHARGE		
	Charge £	VAT £	Total £	Charge £	VAT £	Total £
0 - 1000	60.00	10.50	70.50	NO CHARGE		
1001 - 2000	100.00	17.50	117.50	NO CHARGE		
2001 - 5000	165.00	28.88	193.88	NO CHARGE		
5001 - 6000	43.50	7.61	51.11	130.50	22.84	153.34
6001 - 7000	45.75	8.01	53.76	137.25	24.02	161.27
7001 - 8000	48.00	8.40	56.40	144.00	25.20	169.20
8001 - 9000	50.25	8.79	59.04	150.75	26.38	177.13
9001 - 10,000	52.50	9.19	61.69	157.50	27.56	185.06
10,001 - 11,000	54.75	9.58	64.33	164.25	28.74	192.99
11,001 - 12,000	57.00	9.98	66.98	171.00	29.93	200.93
12,001 - 13,000	59.25	10.37	69.62	177.75	31.11	208.86
13,001 - 14,000	61.50	10.76	72.26	184.50	32.29	216.79
14,001 - 15,000	63.75	11.16	74.91	191.25	33.47	224.72
15,001 - 16,000	66.00	11.55	77.55	198.00	34.65	232.65
16,001 - 17,000	68.25	11.94	80.19	204.75	35.83	240.58
17,001 - 18,000	70.50	12.34	82.84	211.50	37.01	248.51
18,001 - 19,000	72.75	12.73	85.48	218.25	38.19	256.44
19,001 - 20,000	75.00	13.13	88.13	225.00	39.38	264.38
20,001 - 100,000	75.00	13.13	88.13	225.00	39.38	264.38
	Plus £2.00 + VAT for each £1000 or part thereof over £20,000 up to £100,000			Plus £6.00 + VAT for each £1000 or part thereof over £20,000 up to £100,000		
100,001 - £1 Million	235.00	41.13	276.13	705.00	123.38	828.38
	Plus £0.88 + VAT for each £1000 or part thereof over £100,000 up to £1 million			Plus £2.62 + VAT for each £1000 or part thereof over £100,000 up to £1 million		
Over £1 million - £10 million	1,022.50	178.94	1201.44	3,067.50	536.81	3,604.31
	Plus £0.69 + VAT for each £1,000 or part thereof over £1 million up to £10 million			Plus £2.06 + VAT for each £1,000 or part thereof over £1 million up to £10 million		
Over £10 million	7,210.00	1,261.75	8,471.75	21,630.00	3,785.25	25,415.25
	Plus £0.50 + VAT for each £1,000 or part thereof over £10 million			Plus £1.50 + VAT for each £1,000 or part thereof over £10 million		

APPLICATION NO.
OFFICE USE ONLY
PLAN FEE CHECK/INITIALS
SCH 1 <input type="checkbox"/>
SCH 2 <input type="checkbox"/>
SCH 3 <input type="checkbox"/>
INSPECTION CHARGE
SCH 1 £.....
+ VAT £.....
TOTAL £.....
SIGNATURE
DATE.....
SCH 2 £.....
+ VAT £.....
TOTAL £.....
SIGNATURE
DATE.....
SCH 3 £.....
+ VAT £.....
TOTAL £.....
SIGNATURE
DATE.....

Total estimated costs of the works	£.....
Total plan charge + VAT	£..... + VAT £.....
Total payable	£.....

APPENDIX C

Comparison with Best Value benchmarking group (figures from Workforce Survey April 2000 - 2001)

	Oxford	York	Gloucester	Cambridge	Norwich	Bath
appln	1310	1337	628	978	688	1218
income	£579 k	£491k	£498k	£632k	£291K	£446k
expend	£390 k	£338k	£418k	£463k	£301k	£365k
surplus	£189 k	£153k	£80k	£169k	£-10k	£81
plans 15 days (%)	60	32	80	68	100	94
site Visit (3 months)	60	40	77	50	86	no figures
Initial notices	52	57	30	24	28	51
staff (tech)	10.5	8	10	9	9	12
staff (admin)	2.7	1	2	1	1.5	5