

Report of: Built Environment Business Manager

To: Executive Board

Date: 16th April 2007

Item No:

Title of Report : Building Regulation Charges

Summary and Recommendations

Purpose of report: To ensure that the level of charges of building regulation work is in accordance with the law, accepted principles of accounting and set against the cost of providing the building regulation service.

Key decision: Yes

Portfolio Holder: Councillor Jean Fooks

Scrutiny Responsibility: Environment

Ward(s) affected: All

Report Approved by

Portfolio Holder: Jean Fooks

Legal: Jeremy Franklin

Finance: Paul Sheppard

Strategic Director: Sharon Cosgrove

Policy Framework:

Council's Strategic priority to "Improve the Local Environment, Economy and Quality of Life".

Community Theme of a better living environment.

Council's priority to "Be an effective and responsive organisation, providing value for money services."

Recommendation(s):

Approve the revised charges set in Appendix A, effective from the 1st May 2007 and in line with the approved budget.



Background

1. Building Control is primarily concerned with the health and safety of people in and around buildings, energy conservation and access for users. The two distinct areas of the service involve the compliance with building regulation requirements and public safety. Local Authority Building Control Services are in direct competition with private sector providers for the fee earning aspect of the service. The private sector makes profit from the provision of equivalent services but Local Authority Building Control Services are required in law to set fees at levels that meet the costs of providing the service. Any incidental surplus revenue should be applied to the future costs of providing the service.
2. Local Authorities have a statutory duty to enforce building regulations within their area. Failure to deploy suitable resources could lead to criticism from the department for Communities & Local Government and/or legal challenge.
3. The Building (Local Authority) Charges Regulations 1998 provide the Oxford City Council with the power to charge for building control services. In doing so the Council must aim, over a 3-year rolling period, to recover the costs of providing the service. 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. The whole trend of case law has been to confine the power to charge, particularly for regulatory functions, only the recovery of the costs of providing the service. This may include raising income to invest in the future operation of the service with an appropriate, modest figure built in to meet unforeseen contingencies. Apart from these planned investments and contingencies, any surplus that is made must be reinvested in the service or, if this cannot be justified, subsequent charges adjusted to reduce the surplus.
4. Outside economic factors greatly influence the income generated. For example, when the economy is buoyant, numerous building projects will shore up the Service's workload and income. In less positive years, the building trade is hit and Building Control income is reduced. 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.
5. The Building Control Service has the ability to set its own fee levels and it competes directly with private sector companies to provide the same services.

Building regulation Income and proposed new charges for 2007/8

6. The private sector has successfully secured a number of high profile developments, which has resulted in a loss of income to Oxford City Council. The building control service continues to tender for work at every opportunity and seeks opportunities to develop potential income or reduce expenditure.
7. The level of charges must be balanced against service provision and the influence of private sector providers. A flexible structure has been created that does not penalise either domestic or commercial applicants.
8. Significant investment over the last two years has reduced the Building Control reinvestment reserve to £16,114 at 1st April 2006. The service in 2006/7 is now projected to make a deficit as expenditure has increased and income has reduced. This has resulted in the reserve being exhausted at 31st March 2007.
9. Careful consideration has been given to the levels of work undertaken for each work profile and it is proposed to increase charges across all schedules by 5% - See Appendix A. The proposed level of increase has had due regard for business viability and continued market share.

	Approved Income Budget 2006/7	Estimated Total Income 2007/8
Schedule 1	140,178	147,187
Schedule 2	228,711	240,147
Schedule 3	368,889	387,333
Total	737,778	774,667

Table 1: Financial Position

Schedule 1 concerns work associated with new dwellings and flats

Schedule 2 concerns small domestic buildings and domestic extensions

Schedule 3 work not falling in Schedule 1 or 2

10. Private sector providers offer a package of services including planning supervision, fire and structural engineering services. In order to compete, Oxford City Building Control has introduced measures in the provision of a *Service Agreement* for building regulation approvals for

major schemes and partnership arrangements to offer a range of services to potential developers. Partnership working is a key theme of Central Government and could come both from within the Authority, private companies or within the Local Authority Building Control Partnering Scheme. Oxford City Building Control has currently formalised partner-working arrangements with 4 companies.

Future Working

11. Our aim remains unchanged, being the “service of first choice” within Oxford and to play a key role in delivering the Council’s core values. The Building Control Service has been the first service in the Council to operate to ‘Lean Thinking’ Principles helped by Vanguard the Council’s consultants. This has resulted in major improvements in the processing of Building Regulation applications, delivering a 50% improvement. This is an evolving process with continual improvements being driven by the principle of best meeting customer demand.
12. Partnership working is seen as an additional way of competing with private sector providers. This allows Oxford City Building Control to generate more income, whilst protecting our local market.

Summary

13. Oxford City Building Control Service continues to explore and develop new ‘lean’ ways of working to benefit users, whilst continuing to deliver value for money. The profession of building control faces major legislative and performance challenges in the future. A considerable amount of time, effort and expenditure has led to many achievements and improvements. Market retention is vital and we are working very closely with key clients to deliver a cost effective service that meets expectations, whilst ensuring appropriate standards are maintained and charges are applied within the statutory regime.
14. The proposed charge increases are necessary to cover the cost of providing the building regulation service. They will also provide investment opportunities to maintain momentum and flexibility in delivery of a customer-focused service.
15. By continuing to develop new ways of providing our service, closer working with internal and external agencies, Oxford City Building Control aims to deliver both Central Government and Council objectives for modern publicly accountable services.

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Background papers: Building Control Fees and Charges: guidance on the use of surpluses.