

Taunton Deane Borough Council

Executive – 9 February 2010

Building Control Scheme of Charges for 2010/2011

Report of the Joint Building Control Manager

(This matter is the responsibility of Executive Councillor Simon Coles)

1 Summary

The proposals contained in this Report are for a Scheme of Charges for 2010/11 to meet the financial requirements of the Building (Local Authority Charges) Regulations 1998, and for further scheme amendments and adaptations to meet the objectives of the Communities and Local Government Implementation Plan “The Future of Building Control” published in September 2009.

The Building Control Service is provided jointly with Sedgemoor District Council and the same fees are applied by both authorities. The recommendations of this Report will also be made to SDC Executive.

2 Background

The Council sets and publishes periodically (usually annually) a scheme of charges for provision of Building Control Services as required by the Regulations. The services for which fees are charged have to be provided on a “break-even” basis, the income derived being sufficient to meet the cost of the service provided. By making the local authority service self-financing in this way, a “level playing field” is created to allow private sector competition. Such competition is now well established and the local authority service is in a fully competitive situation.

The fee-earning service is the major part of the work of the Building Control Service, but Statutory enforcement and certain other duties and functions of the Council under the Building Act 1984 and elsewhere are also provided and are funded from the General Fund.

3 Trading Conditions

Activity and income in Building Control is closely linked to the health of the construction industry. In the general recession affecting the economy, the construction sector has been hardest hit and will probably be the last to recover.

In January 2009 the Building Control Manager proposed a scheme of charges, coupled with reductions in staffing costs, intended to manage a potential 15% drop in activity and consequently income. At this time it was felt that the industry would begin recovery by the end of 2009.

In the event, the downturn has been deeper than forecast and looks set to continue into and probably throughout 2010, with 2011 being the earliest year for positive recovery.

4 Current Year Position (2009/10)

Income to the end November 2009 is 17.6% below the unrevised budget line. This is slightly more than the 15% forecast when fees were set for the year. Seasonal variation means that this position could worsen before the year end and final outturn may show income at 20% below budget.

This position has been constantly monitored and savings in staff costs have continued to be made. In addition to the 1.6 FTE savings through a frozen post, reduced hours working and joint management with Sedgemoor DC, a further 0.66 FTE is being saved through sharing a BC Surveyor with Sedgemoor DC.

The future position is being addressed by restructuring proposals, accepted in principle by Corporate Management Team, which will see a reduction in supervisory posts and a corresponding increase in Surveyor posts to provide efficiencies while strengthening the service “on the ground”. These savings will occur in 2010 in SDC and 2011 in TDBC as natural staff wastage creates opportunities. In the short term, savings will continue to be made through sharing a Surveyor with SDC.

5 CLG Document “Future of Building Control”

These proposals from the CLG have now moved to “Implementation Plan” stage. Detailed consultations are planned for 2010 on some of the more radical proposals, such as:

- New and extended enforcement powers. Extended time limits for prosecutions to 2 years (from 6 months) – this has already happened. Powers to issue stop notices and levy fines.
- Reducing the scope of works that can be conducted under a Building Notice (without plans) – widely expected.
- Mandatory completion certificates – we already issue these as a matter of policy.
- Risk assessed approach to site inspection – this is widely expected and is intended to establish a much closer correlation between the service provided and the fees charged. The CLG will publish a guidance tool to help the building control service through the risk assessment process.

The recommendations of this report include proposals for establishing a basis for the individual assessment of fees in conjunction with Section 151 Officers and the South West Audit Partnership.

6 Proposed Charges Scheme Revisions

Some increase in fees is inevitable, but in setting fees the Council has to be careful not to open the door to further private sector competition and even further loss of income, while the background to fee increases is a low rate of annual inflation, currently about 1.5%.

Although every effort has been made to contain salary costs, other overhead and support costs are outside the control of the Building Control Manager and have to be factored into any income target. In addition, the predicted “budget gap” has to be closed. A balance must be struck between maximising income to meet self-financing requirements without losing business to competitors. At the same time the charges should reflect “value for money” in the eyes of the consumer.

Schedule 1 fees – new dwellings.

Fees for 1 or 2 dwellings are **unchanged from 2009/10**. (In fact there is a small reduction in the net fee payable because of the change in VAT against a year ago.) Some adjustments are proposed to lift fees for small developments of 2 to 7 dwellings because the rate of discounting was previously rather steep. Above 7 dwellings rates are virtually unchanged or slightly lower.

It is further proposed that larger developments (in excess of ten dwellings), while still encompassed by the Charges Scheme, should at the discretion of the BCM have the option of a risk assessed service framework and tailored fee quotation in accordance with principles to be agreed with Section 151 officers and SWAP.

This will build on the option, already contained in the Regulations, to reduce charges for repetitive work schemes or repeat house types by major house builders, and will improve the ability of the Service to compete for this class of work.

Schedule 2 fees – small domestic garages and extensions.

Charges for minor works are **unchanged from 2009/10** and are reduced substantially for domestic garages. Charges for these schemes already represent a comparatively high percentage of the cost of the works and are not perceived as representing value for money. (In fact a small decrease in net fees will occur because of changes in the VAT element.)

Charges for medium and large extensions and loft conversions will rise 4% on average to reflect the greater cost of controlling these works, due in part to the increasing complexity of the Regulations and the greater reliance of small builders and self-builders on advice and guidance from the Building Control Service. As the bulk of applications within Schedule 2 fall into this category income from this schedule will be maximised.

Schedule 3 fees – all other works

Fees for work in the lowest cost bands (up to £5000) are **unchanged from 2009/10**. Again this is to improve value for money perceptions. Underlying VAT changes mean that these fees are slightly decreased. Middle range works (costing £25000 - £50000) see increases of between 2.8% and 6.8%, thereafter the rate of increase falls away to inflation only. By concentrating increases on the middle cost range, income from this schedule should improve by 4% on average.

It is further proposed that works estimated to cost in excess of £100,000, while still encompassed by the Charges Scheme, should at the discretion of the BCM have the option of a risk assessed service framework and tailored fee quotation in accordance with principles to be agreed with Section 151 Officers and SWAP. The ability of the Service to compete effectively for major development projects will be enhanced.

7 Proposed Scheme of Charges

The proposed charges scheme for 2010/11 is set out at Appendix 1, together with comparative shifts in fees from 2009/10. The percentage changes shown are the shifts in net fees – i.e. before the addition of VAT.

8 Finance Comments

“Many of the financial considerations are highlighted in the main body of this report, the most important being the current economic climate, as highlighted in the Risk Management section, commercial competition and cost savings through the partnership with Sedgemoor DC.

The fee levels within the Partnership have to remain competitive to prevent loss of business to the private sector.

The Building Control reserves currently stand at £13,000.”

9 Legal Comments

The Legal and Democratic Services Manager confirms that there are no legal implications in this report.

10 Links to Corporate Priorities

Principally EFFICIENCY priorities, together with Working in Partnership.

11 Environmental and Community Safety Implications

There are no issues under this heading.

12 Equalities Issues

There are no equalities issues arising from this Report.

13 Risk Management

| Risk | Consequence | Prob. | Impact | Treatment |
|---|--|--------------|---------------|---|
| Trading and income remain flat in 2010/11 | Unable to meet normal cost inflation | 4 | 4 | Revise fee schedules as proposed herewith |
| Income fails to match costs | Deficit trading position | 3 | 4 | Review and fee increases mid-year; cost cuts where possible |
| Fees make service uncompetitive | Loss of business, further loss of income | 2 | 4 | Monitor position and take preventive action. Potential redundancies. Increased cost of statutory service provision. |

14 Partnership Implications

The Building Control Service is provided jointly with Sedgemoor District Council under shared management and administration, with uniform fees, forms and procedures. The recommendations of this Report will also be made to SDC Executive Committee meeting on 24th February 2010.

15 Recommendations

- (a) That the Executive be recommended to approve the Scheme of Charges shown at Appendix 1 for introduction from 1st April 2010.
- (b) That the Executive be recommended to authorise the Building Control Manager, in conjunction with Section 151 Officer and SWAP, to design and implement a framework for the risk-assessment and fee-setting of larger schemes of work as outlined in this Report.

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APPENDIX 1

(Note: The fees shown as “existing charges” are those approved by Executive for implementation from 1st April 2009. Fees currently being charged are slightly higher because of the change in the rate of VAT.)

| Schedule 1 – New Dwellings | | | |
|-----------------------------------|--|---|-----------------------------------|
| No. | Existing Charge (Inc. VAT at 15%) | Proposed Charge (Inc. VAT at 17.5%) | Variation (Net fee before VAT) |
| 1 | £700 | £700 | (-2.13%) |
| 2 | £1050 | £1100 | 2.5% |
| 3 | £1250 | £1350 | 5.7% |
| 4 | £1450 | £1550 | 4.62% |
| 5 | £1650 | £1750 | 3.8% |
| 6 | £1850 | £1950 | 3.16% |
| 7 | £2050 | £2150 | 2.65% |
| 8 | £2250 | £2300 | 0.05% |
| 9 | £2400 | £2450 | (-0.09%) |
| 10 | £2550 | £2600 | (-0.21%) |
| 11 - 29 | Add to the above £150 per unit | Add to the above £150 per unit | - |
| 30 + | £5550 Plus £100 per unit above 30. | £5600 Plus £100 per unit above 30 | - |

| Schedule 2 – Domestic Works | | | |
|------------------------------------|--------------------------------------|--|-------------------------|
| Type of Work | Existing Charge (Inc. VAT at 15%) | Proposed Charge (Inc. VAT at 17.5%) | Variation (Exc. VAT) |
| Partial glazing | £75 | £75 | (-2.13%) |
| Total glazing | £150 | £150 | (-2.13%) |
| Electrical installation | £150 | £150 | (-2.13%) |
| Small garage or carport | £180 | £180 | (-2.13%) |
| Large garage or carport | £320 | £300 | (-8.24%) |
| Small extension | £340 | £350 | 0.75% |
| Medium extension | £500 | £540 | 5.7% |
| Loft conversion | £500 | £540 | 5.7% |
| Large extension | £620 | £660 | 4.19% |

(Cont.)

Appendix 1 (Cont.)

| Schedule 3 – Other Works | | | |
|---------------------------------|---|--|-------------------------|
| Estimated Cost £ | Existing Charge £ (VAT at 15%) | Proposed Charge £ (VAT at 17.5%) | Variation (Exc. VAT) |
| Up to 2,000 | 150 | 150 | (-2.13%) |
| 2,001 – 5,000 | 225 | 225 | (-2.13%) |
| 5,001 – 10,000 | 280 | 300 | 4.86% |
| 10,001 – 15,000 | 355 | 375 | 3.39% |
| 15,001 – 20,000 | 430 | 450 | 2.42% |
| 20,001 – 25,000 | 500 | 525 | 2.77% |
| 25,001 – 30,000 | 550 | 600 | 6.77% |
| 30,001 – 35,000 | 600 | 650 | 6.03% |
| 35,001 – 40,000 | 650 | 700 | 5.40% |
| 40,001 – 45,000 | 700 | 750 | 4.86% |
| 45,001 – 50,000 | 750 | 800 | 4.40% |
| 50,001 – 55,000 | 800 | 850 | 3.99% |
| 55,001 – 60,000 | 850 | 900 | 3.63% |
| 60,001 – 65,000 | 900 | 950 | 3.31% |
| 65,001 – 70,000 | 950 | 1000 | 3.02% |
| 70,001 – 75,000 | 1000 | 1050 | 2.77% |
| 75,001 – 80,000 | 1050 | 1100 | 2.53% |
| 80,001 – 85,000 | 1100 | 1150 | 2.32% |
| 85,001 – 90,000 | 1150 | 1200 | 2.13% |
| 90,001 – 95,000 | 1200 | 1250 | 1.95% |
| 95,001 – 100,000 | 1250 | 1300 | 1.79% |
| 100,001 – 1 Million | Rate of increase £50 per £10,000 | Rate of increase £50 per £10,000 | - |
| 1 Million – 3 Million | Rate of increase £25 pr £10,000 | Rate of increase £25 per £10,000 | - |
| Over £3 Million | Rate of increase £12.50 per £10,000 | Rate of increase £12.50 per £10,000 | - |