

Taunton Deane Borough Council

EXECUTIVE 8 MARCH 2006

FEES FOR BUILDING REGULATIONS APPLICATIONS

(This matter is the responsibility of Executive Councillor Bishop)

EXECUTIVE SUMMARY

Under the Building (Local Authority Charges) Regulations 1998 the Council is authorised to fix a scheme of charges in connection with the performance of its functions under the Building Regulations. Income from the charges should be sufficient to meet the costs of the service provided, and must always meet the cost over any three-year rolling accounting period (the break-even target).

Budget forecasts for 2006/07 indicate a potential shortfall in income against expenditure of 6%. The Executive is therefore asked to approve an overall increase in the level of fees charged for Building Regulations applications sufficient to address the forecast imbalance.

1 Purpose of Report

- 1.1 To seek approval for an increase in the fees charged to persons submitting plans or giving notice under the provisions of the Building Regulations.

2 Background information

- 2.1 One of the functions of the Council is to enforce Building Regulations in its area (Building Act 1984 Section 91). To prevent breaches of the Regulations occurring, persons carrying out work are required to deposit plans for approval or give notice of the work to the Council. The Council examines and approves the plans and /or inspects the work on site to verify compliance with the Regulations.
- 2.2 The Council is authorised to impose a scheme of charges in connection with the processes of plans examination and site inspection (The Building (Local Authority Charges) Regulations 1998). This service is therefore known as the BUILDING REGULATIONS FEE EARNING SERVICE (BRFES).
- 2.3 The BRFES is a commercial service provided in competition with private sector Approved Inspectors. It is in the interests of the local authority to maintain a viable fee-earning service in order to retain its professional staff base and therefore its ability to discharge the statutory enforcement functions and other duties performed by the service.
- 2.4 A separate account is maintained for the BRFES (as opposed to other statutory but non-fee earning services provided by the Building Control Service). The BRFES account is required to be operated so as to break-even,

and should always achieve at least a break-even position when considered over any three year accounting period.

- 2.5 To assist local authorities to set a reasonable scheme of charges, the Local Government Association issue a Model Scheme of fees for guidance. Taunton Deane has adopted the Model Fee scheme proposals since their inception and without major variation.

3 Historic and forecast trading conditions

- 3.1 The LGA Model Scheme has provided an adequate income stream to enable TDBC to meet the self-financing requirements of the BRFEs. The coincidental steady recovery in the construction sector since the depression of 1990 has ensured that the account has returned a modest surplus year on year.
- 3.2 The current recovery peaked in 2004, and a slow decline in construction activity is now evident. The Executive will be aware that there is no such decline in operational costs. The service is directly affected by fuel cost and overhead cost increases. The medium term forecast is therefore for static or declining income levels with steadily increasing service costs.
- 3.3 The service returned a surplus of £8,800 on income of £390,486 in 2004/05, and is forecast to return a surplus of £8,000 on income of £398,000 in 2005/06. These are returns of 2.3% and 2.0% respectively. For all intents and purposes this is a break-even trading position.
- 3.4 Salary costs, overhead costs and direct costs will all rise in 2006/07. The construction sector, particularly the housing market, is expected to remain slow moving. Income levels will be static and may even fall slightly
- 3.5 The budgetary forecast for 2006/07 shows a potential loss of £24,000 if no action is taken to improve income levels. Although a loss of up to £17,000 might be tolerated under the three-year accounting period rule, it then becomes doubly difficult to make good losses in subsequent years – the cumulative loss from the previous two years has to be made good as well as potential losses in the third year. Fee increases of 15% or more across the board would become the order of the day.
- 3.6 Without pre-emptive action it is very easy for the account to slide into a substantial deficit if the construction sector continues to be slack.
- 3.7 To avoid this situation it is preferable to manage fee increases to ensure that the BRFEs achieves its break-even target. TDBC charges will rise above the LGA Model Scheme base line proposals. However, many authorities have historically charged higher levels of fees, and the LGA themselves suggest that variation of plus or minus 10% is an acceptable reflection of the different operational circumstances of local authorities.
- 3.8 In establishing the following fee proposals, the Building Control Manager has consulted with his counterparts in the other four Somerset authorities. As a consequence, fees proposed to be charged in TDBC will closely mirror those of Sedgemoor DC, South Somerset DC and West Somerset DC. Fees charged by Mendip DC are already above the proposed increased levels.

4 The proposed scheme of charges

- 4.1 Under the Model Scheme, fees are broken down into three principal categories – (1) new dwellings, (2) domestic extensions, and (3) domestic alterations and commercial and industrial work of all descriptions. There are further subdivisions within the basic categories.
- 4.2 This structure is required by the legislation and will be retained.
- 4.3 Existing and proposed fees under each category are shown below:

Schedule 1 – new dwellings

Fees in this category **remain unchanged**.

Reason – this is a highly competitive market dominated by a private Approved Inspector, the National House Builders Council. Raising fees in this category would reduce local authority competitiveness and could be counter-productive.

Schedule 2 – domestic extensions, garages and carports.

| | Existing £ | Proposed £ | % Increase |
|--------------------------------------|---------------|---------------|---------------|
| Small garages <40m ² | 110.64 | 127.66 | 15 |
| Large garage >40<60m ² | 223.83 | 234.04 | 5 |
| Small extension <10m ² | 223.83 | 234.04 | 5 |
| Med. Extension >10<40m ² | 327.66 | 361.70 | 10 |
| Large extension >40<60m ² | 438.30 | 468.09 | 7 |

Reason – Schedule 2 works account for 40% of total income, but are not a profitable area of work. Medium extensions are the largest single category. It is expected that average income in this category would increase by 7%, equivalent to a 2.8% increase in total income. (Note: when VAT is added the above amounts become round figures.)

Schedule 3 – all other building works

| | Existing £ | Proposed £ | % Increase |
|----------------------------------|---|---|---------------|
| Replacement glazing: Partial | 50.00 | 60.00 | 20 |
| Full | 100.00 | 110.00 | 10 |
| Loft conversions: minimum charge | 327.66 | 361.70 | 10 |
| <u>Estimated cost of work</u> | | | |
| £ | | | |
| Up to 2,000 | 100.00 | 110.00 | 10 |
| 2,001 - 5,000 | 165.00 | 170.00 | 3 |
| 5,001 – 20,000 | 165.00 | 170.00 | 3 |
| | plus 9.00 per 1,000 above 5,000 | plus 10.00 per 1,000 above 5,000 | 3 |
| 20,001 – 100,000 | 300.00 | 320.00 | 7 |
| | plus 8.00 per 1,000 above 20,000 | plus 9.00 per 1,000 above 20,000 | 7 |
| 100,001 – 1,000,000 | 940.00 | 1040 | 10 |
| | plus 3.50 per 1,000 above 100,000 | plus 4.00 per 1,000 above 100,000 | 10 |
| 1,000,001 – 10,000,000 | 4090 | 4640 | 13 |
| | plus 2.75 per 1,000 above 1,000,000 | plus 3.00 per 1,000 above 1,000,000 | 13 |
| 10,000,001 upwards | 28840 | 31640 | 10 |
| | plus 2.00 per 1,000 above 10,000,000 | plus 2.00 per 1,000 above 10,000,000 | 10 |

Reason – Schedule 3 works account for 50% of total income. The above increases are expected to produce an increase of between 7 and 8%, or 3.5% to 4% on total income.

- 4.4 The charges proposed should produce an increase in income of approximately 6.5% in total, assuming that volume of work remains at 2005 / 06 levels. This level of increase should be sufficient to ensure that the fee-earning service does not fall into deficit.

5 Recommendation

- 5.1 The Executive is requested:

- (a) To approve the proposed increase in Building Control fees with effect from 1st April 2006.

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