



CABINET - 8 JULY 2002

REPORT ON BUILDING REGULATION CHARGES FOR THE PERIOD 1ST APRIL 2001 – 31ST MARCH 2002, WITH RECOMMENDATIONS FOR FUTURE CHARGING LEVELS AND SERVICE DELIVERY

1. INTRODUCTION

- 1.1 The purpose of this annual report is to review the fee income and corresponding expenditure of the Building Regulation charge account for the period from 1st April 2001 until 31st March 2002, with recommendations on future levels of charges for the 12 month period from the 1st October 2002, and suggestions for changes in service delivery using surplus income.
- 1.2 The best value review and subsequently agreed performance plan highlighted the need for additional resources and improvements in levels of service especially in the area of site inspections.
- 1.3 The Authority has adopted its own scheme of charges for building control work since April 1999, in accordance with The Building (Local Authority Charges) Regulations 1998 and has based its level of charges upon the recommendations issued by the Local Government Association.
- 1.4 A principal requirement of the charges regulations is that the Authority should recover the cost of the Building Regulation fee service through charges taken over a three year accounting period.
- 1.5 The year 1st April 2001 – 31st March 2002 is the final year in the first three year accounting period.

2. INCOME 1ST APRIL 2001 – 31ST MARCH 2002

- 2.1 As in previous years the charging for the Building Regulation function has been divided into chargeable and non-chargeable tasks in accordance with the CIPFA (Chartered Institute Public Finance & Accounting) document entitled – Building Control Accounting.
- 2.2 Chargeable tasks account for plan vetting and a range of site inspections to ensure work is implemented in accordance with Building Regulations. Non chargeable work includes, general guidance and information to the general public, work carried out in respect to alterations and adaptations for disabled persons and any enforcement procedures as a result of work not complying with Building Regulations.

- # 2.3 The income from the Building Regulation Fee earning work for the period is as shown in Table A of Appendix 1.

3. **EXPENDITURE 1ST APRIL 2001 31ST MARCH 2002**

- 3.1 The costs in relation to the fee earning part of the Building Regulation service has also been based upon the rules contained within the CIPFA document – Building Control Accounting, which exempts certain overheads and corporate costs from being included.
- 3.2 The expenditure in respect to the Building Regulation Fee earning account for the same period is as shown in Table B of Appendix 1.

4. **ANALYSIS OF INCOME AND EXPENDITURE**

- 4.1 The total Building Regulation fee income for the period is £514,077.
- 4.2 The total cost over the same period is £459,476.
- # 4.3 This gives a notional surplus of £54,601 over the past 12 months and is produced as a statement as required by regulation 5(6) of The Building (Local Authority Charges) Regulations 1998, as Appendix 2.
- 4.4 The total surplus at the end of the first three year accounting period in respect to Building Regulation fee earning work is £213,865.

5. **OBSERVATIONS ON INCOME AND EXPENDITURE**

- 5.1 Increases above the initial budgetary figure of £480,000 of fee income have been reported to CMT on two occasions (£20,000 in September 2001 and £16,000 in February 2002) with the final estimated budgetary figure being £516,000, the actual figure being just short of this amount (£514,077).
- 5.2 Costs have increased in respect to Supplies and Services, mainly in respect to hired and contracted consultant engineers employed to check submitted structural details and calculations.
- 5.3 An increase in these costs of £18,000 above an initial budget figure of £13,760 was reported to CMT in September 2001. The final figure of £26,424, being £5,336 less than the reported forecast budget.
- 5.4 It is anticipated that a 25% saving can be achieved on structural engineer checking costs during the current financial year and subsequent years as a result of revised checking procedures agreed with the Council's insurers. These were outlined in the section's best value report subsequently agreed by Cabinet in April 2002.
- 5.5 Employee costs of £433,052 indicate an increase of £5,302 above budget. This increase is a direct result of employing hired staff (JBC Ltd) to act as 'plan check' consultants to undertake designated areas of plan examination work. An increase in Hired and Temporary Staff costs of £6,000 was reported to CMT in February 2002.

- 5.6 The employment of JBC Ltd was as a direct result of a continued heavy workload coupled with difficulties in filling a number of vacant posts with suitably qualified staff, which arose during the past 12 months.
- 5.7 The unbudgeted cost of employing JBC Ltd has been largely met during the last financial year by savings in staff costs as a result of delays in filling vacant posts, with a position for an Assistant Building Control Surveyor still remaining vacant.

6. FUTURE CHARGING LEVELS AND STRATEGY

- 6.1 The mandate of the Building (Local Authority Charges) Regulations 1998 is that the level of charges should be set to fully recover expenditure on the Building Regulation service over any rolling three year accounting period.
- 6.2 It is recognised that there is likely to be inevitable variations over time in the level of building activity and as a result this three year rolling charging period was introduced in an effort to equate costs with charge income.
- 6.3 The first three year accounting period has now been concluded with a surplus of £213,865 having been reached. The three year rolling accounting programme will now exclude year 1999/2000 from the next assessment period.
- 6.4 The DTLR have consistently given guidance that they expect Building Control Authorities to keep surplus income to a minimum with expectations that a proportion of any surplus income be utilised in improving the quality and performance of the service and, not to cross-subsidise other services or activities which should otherwise fall to be funded by local taxation.
- 6.5 The problems associated with balancing income against expenditure has been addressed in previous Charges Reports with it being concluded that reductions in fee levels for new work to help reduce the level of surplus income would only be of benefit to new users and not to those individuals who had previously paid for the service. In effect those that had previously paid for the service would be subsidising all new users.
- 6.6 Customer surveys undertaken in May/June 2001, as part of the section's best value assessment process, would seem to indicate that customers consider that existing fee levels offer good value for money with 79% responding positively to the question in respect to plan examination and 85% in respect to site inspections.
- 6.7 The Authorities charges for domestic extension and alteration work, which accounts for 70% of current work levels, has remained unchanged since October 2000 despite recommendations by the Local Government Association (LGA) that they be increased by 2% in 2001.
- 6.8 This increase was not recommended in the Charges Report approved by Cabinet in July 2001 in an effort to limit the amount of surplus income in line with DTLR advice.
- # 6.9 The recommendations from the LGA on this occasion are that inflationary increases be applied to the fixed fee categories of domestic extensions. These changes will result in increases in charges as shown in Table 1 of Appendix 3.

- 6.10 Considering the present level of activity in this area of the building market this increase in charges will produce approximately an additional £7,000 in the current financial year based upon last year's numbers.
- 6.11 It should be noted that the 'Plan Fee' figure, covering the plan checking process, has been unified for all categories of work other than for new or replacement windows in an effort to be more customer friendly. It will also offer the added benefit of improved cash flow to the Council, with an increase in the total fee due paid at application submission stage before work starts (current fee amounts are shown in brackets beneath the recommended change). The overall fee differential for each category of work will be maintained by adjusting the site inspection fee accordingly.
- 6.12 A new fee category in Table 1, covering 'new or replacement windows' has been introduced as a result of new and replacement windows/doors being subject to control under the requirements of The Building Regulations 2001.
- 6.13 The Glass and Glazing Industry are undertaking the control of the majority of this work with the introduction of a registered scheme (FENSA) amongst its members.
- 6.14 The remaining work will generate approximately £1,000 per annum to the Authority.
- 6.15 The fee charges for works relating to new dwellings and commercial work are outlined in Tables 2 and 3 of Appendix 3 and remain unchanged.
- # 6.16 These categories of work are subject to increasing competition from Approved Inspectors and fees need to remain competitive in order to help retain these areas of work (see Appendix 4).
- 6.17 The fees in respect to work for commercial/industrial projects are determined in accordance with Table 3 of Appendix 3, and are based upon the estimate cost of the work.
- 6.18 With the vast majority of these categories of building projects this provides a suitable and uncomplicated method in establishing appropriate fee levels.
- 6.19 However, with an increasing number of projects, charges based upon the overall estimated cost of the works may produce fees that are uncompetitive and the work will be lost to an Approved Inspector.
- 6.20 In order to compete effectively with Approved Inspectors on large commercial/ industrial projects, it is therefore becoming increasingly necessary to develop a flexible pricing strategy.
- 6.21 The LGA have recommended that fixed price tendering is appropriate especially to maintain Local Authority Building Control (LABC) links with national companies that are engaged in 'partnering schemes' with local authorities throughout the United Kingdom.
- 6.22 The LGA recommend that where a nationally agreed fixed fee has been established for a specific project then this should be adopted.
- 6.23 In such situations there will be a need to develop a clear audit trail to demonstrate that the charge levied fully covers the cost of the service.

7. SERVICE DELIVERY

- 7.1 During the past 12 months there has been significant staff movement with accompanying difficulties in filling vacant posts.
- 7.2 Some vacancies, as with the case of two retirements, have been planned for but equally four resignations and unfortunately one individual who has been away on long-term sick leave, have not.
- 7.3 This is out of an establishment of 16 posts, with only one for an Assistant Building Control Surveyor, remaining vacant at this time.
- 7.4 The pressure to maintain service delivery has been significant and in order to ensure that plan examination was undertaken within the statutory time period, a firm of plan examination consultants (JBC Ltd) were engaged in June 2001 to help with this process.
- 7.5 Their service, which for 10 months has cost £23,088, was appraised as part of the section's recent best value assessment process.
- 7.6 The section, in addition to being confronted with continuing pressure from private Approved Inspectors (AIs) on work within the commercial and new housing sector, is now being faced with the likelihood that in the very near future private inspectors will be competing for the bulk of our work, the domestic extension and alteration market worth approximately £354,000 in fees annually.
- 7.7 It is therefore essential, in order to stave off competition, that the level of service be improved to ensure that the Council's commitment to providing effective building control throughout the district is maintained.
- 7.8 These improvements were outlined within the Section's Performance Improvement Plan, as part of the best value assessment report, and in part revolve around the need and desire to undertake more site inspections.
- 7.9 These will be based around the recommendations issued by the DTLR contained within their document entitled 'Building Control Performance Standards' which essentially suggest an evaluation of each building project to establish the number of inspections required. The evaluation will consider:
- Complexity of project
 - Competence of contractor
 - Degree of design detail available
 - Available resources
- 7.10 Increased site inspections of work in progress is of great benefit in preventing the 'building in' of potential constructional problems and will also provide additional inspections for development control in our 'eyes and ears' role.
- 7.11 Recent customer survey results have shown that 93% of service users consider that site inspections are fundamental to the service.
- 7.12 It is considered that the most practical and flexible method in maintaining and improving site inspections is by reducing existing staff time spent on plan checking by continuing with the service provided by external plan examination consultants.

7.13 These are engaged on a monthly contract basis in order that variations in workload can be addressed.

7.14 The cost of providing this plan checking service during the current financial year is estimated at £28,000.

8. ENVIRONMENTAL IMPLICATIONS

8.1 The current commitment by Government to reduce CO₂ emissions has recently been reinforced by introducing new legislation in respect to increased standards of thermal insulation in elements such as walls and roofs and by the control of all replacement windows and boiler installations.

8.2 The control of such matters is best exercised by undertaking more informed site inspections making builders, contractors and owners aware of the importance of applying the improved standards ensuring that they are incorporated correctly into new buildings.

9. CRIME AND DISORDER IMPLICATIONS

9.1 There are no crime and disorder implications arising from this report.

10. FINANCIAL IMPLICATIONS

10.1 Financial implications are contained within the report.

11. CONCLUSION

11.1 The completion of the first three year rolling period in respect to Building Regulation charges income and expenditure has seen a significant surplus result.

11.2 Whilst the DTLR has not issued any direct instructions with respect to the handling of surplus charges it may be pragmatic at this time to show that steps have been taken in respect to reinvesting a percentage of surplus income to improve services in line with best value results.

11.3 The improvement of site inspections is high on the list of expectations both with customers and the DTLR and will clearly impact upon environmental issues.

11.4 The continued employment of plan examination consultants on a contract basis would seem the best way in which to offer an improved site inspection service by 'freeing up' inspection time for present staff, as well as being flexible in operation in terms of variable workloads that arise from time to time.

11.5 It is anticipated that the present level of activity within the building market will continue much the same over the next 12 months producing a similar level of surplus income.

- 11.6 At present the charges in respect to domestic extensions and alterations are not in direct competition with Approved Inspectors but it is only a matter of time before this occurs and reductions in fee levels may then have to be contemplated in order to remain competitive and retain and win work.
- 11.7 In order to gain income to act partly as a buffer in this situation and to help fund the services of the plan check consultants, it is recommended that the inflationary increases in charges, as recommended by the LGA, be introduced for domestic work as outlined in Table 1 of Appendix 3 and that a fixed price tender system be introduced for appropriate commercial schemes.
- 11.8 The income level is anticipated to be in the region of £520,000, which is £40,000 greater than the estimate. It is proposed to employ plan examination consultants as an additional resource at an estimated cost of £28,000, which, can therefore be funded from the anticipated additional income.

12. ECONOMY & PLANNING REVIEW PANEL COMMENTS

12.1 The Economy & Planning Review Panel support the recommendations below.

13. RECOMMENDATIONS

13.1 That Cabinet approve:

- (i) The Charges Statement as set out in Appendix 2 to this report be agreed.
- (ii) The introduction from the 1st October 2002, an increase in charges for domestic extensions and alterations as set out in Table 1 of Appendix 3 to this report, which will increase income levels by approximately £7,500.
- (iii) The level of charges as shown in Tables 2 & 3 of Appendix 3 to this report remain unchanged.
- (iv) That irrespective of the level of charges for commercial work as detailed in Table 3 of Appendix 3, that a negotiated fixed price tendering strategy be applied to commercial work when open competition is invited.
- (v) That plan check consultants be employed at a cost of £28,000, which can be funded from anticipated income.

For further information please contact:

Stuart Gange
Principal Building Control Surveyor
Tel: (02380) 285287
E-Mail: stuart.gange@nfdc.gov.uk

Background Papers

Previous Charges Reports
Building Control B.V. Report

APPENDIX 1

BUILDING CTRL FEE INCOME FOR 2001/02 - (PROVISIONAL OUTTURN)

TABLE A PERIOD	R061 DF1XX			
	2000/01 £	2000/01 CUMM. £	2001/02 £	2001/02 CUMM. £
1	49,728.55	49,728.55	31,635.31	31,635.31
2	48,912.56	98,641.11	49,705.15	81,340.46
3	49,954.27	148,595.38	42,178.00	123,518.46
4	43,803.77	192,399.15	59,482.40	183,000.86
5	47,404.77	239,803.92	60,682.95	243,683.81
6	37,405.34	277,209.26	31,887.38	275,571.19
7	43,787.13	320,996.39	38,001.91	313,573.10
8	35,100.64	356,097.03	38,409.36	351,982.46
9	33,054.83	389,151.86	21,567.04	373,549.50
10	31,319.90	420,471.76	47,405.73	420,955.23
11	35,719.32	456,191.08	42,303.59	463,258.82
12	62,788.06	518,979.14	50,818.06	514,076.88
	518,979.14		514,076.88	

ORIGINAL BUDGET	425,000.00	LATEST ESTIMATE	516,000.00
ACTUAL	518,979.14	ACTUAL	514,076.88
VARTN.	- 93,979.14	VARTN.	1,923.12
% SHORTFALL	-22	% SHORTFALL	0

NOTE: Figures up to and including period 12.

TABLE B DF1XX - Fee Earning Account	ORIGINAL 2001/02 £	ACTUAL TO DATE £	VARIATION FROM BUDGET £
EMPLOYEES	427,750	433,052	5,302
SUPP & SERV	13,760	26,424	12,664
TOTAL EXPEND.	441,510	459,476	17,966
TOTAL FEE INC.	480,000	514,077	34,077
NET TOTAL	- 38,490	- 54,601	- 16,111

THE BUILDING (LOCAL AUTHORITY CHARGES) REGULATIONS

CHARGES STATEMENT IN ACCORDANCE WITH REGULATION 5(6)

New Forest District Council income received and expenditure incurred from Building Regulation services for the year 2001/2002.

Total charges income received	£514,077
Total charges expenditure incurred	£459,476
Surplus for year 2001/2002	£54,601

SUGGESTED FEE CHANGES COMMENCING 1ST OCTOBER 2002
CURRENT FEE COSTS SHOWN IN BRACKETS

Table 1. Fees for certain small buildings and domestic extensions/alterations

Type of work	Plan Fees		Inspection Fee		Building Notice Fee		Regularisation Fee
	Basic Net Fee £	Gross Fee £ Inc. VAT	Basic Net Fee £	Gross Fee £ Inc. VAT	Basic Net Fee £	Gross Fee £ Inc. VAT	Basic Net Fee £
Certain small buildings and domestic extensions							
Erection or extension of a building which consists of a garage or carport or both having a floor area not exceeding 40 sq.m total	106.38 (35.00)	125.00 (41.13)	0.00 (68.00)	0.00 (79.90)	106.38 (103.00)	125.00 (121.03)	127.66 (123.60)
Erection or extension of a building which consists of a garage or carport or both having a floor area which exceeds 40 sq.m but does not exceed 60 sq.m	106.38 (70.00)	125.00 (82.25)	110.64 (136.00)	130.00 (159.80)	217.02 (206.00)	255.00 (242.05)	260.43 (247.20)
Any extension of a dwelling the total floor area of which does not exceed 10 sq.m	106.38 (206.00)	125.00 (242.05)	110.64 (0.00)	130.00 (0.00)	217.02 (206.00)	255.00 (242.05)	260.43 (247.20)
Any extension of a dwelling the total floor area of which exceeds 10 sq.m but does not exceed 40 sq.m	106.38 (77.00)	125.00 (90.48)	221.28 (232.00)	260.00 (272.60)	327.66 (309.00)	385.00 (363.08)	393.19 (370.80)
Any extension of a dwelling the total floor area of which exceeds 40 sq.m but does not exceed 60 sq.m	106.38 (103.00)	125.00 (121.03)	331.92 (309.00)	390.00 (363.08)	438.30 (412.00)	515.00 (484.10)	525.96 (494.40)
Provision or replacement or extension of windows, roof lights, roof windows and external doors	51.06	60.00	0.00	0.00	51.06	60.00	61.27

Table 2. Charges for small domestic buildings (dwellings)

Number of dwellings	Plan Charge		Inspection Charge		Building Notice Fee	
	Basic Net Fee £	Gross Fee Inc VAT £	Basic Net Fee £	Gross Fee Inc VAT £	Basic Net Fee £	Gross Fee Inc VAT £
1	140.00	164.50	265.00	311.38	405.00	475.88
2	205.00	240.88	401.00	471.18	606.00	712.05
3	270.00	317.25	541.00	635.68	811.00	952.93
4	335.00	393.63	666.00	782.55	1001.00	1176.18
5	405.00	475.88	766.00	900.05	1171.00	1375.93
6	475.00	558.13	911.00	1070.43	1386.00	1628.55
7	495.00	581.63	974.00	1144.45	1469.00	1726.08
8	515.00	605.13	1137.00	1335.98	1652.00	1941.10
9	535.00	628.63	1301.00	1528.68	1836.00	2157.30
10	540.00	634.50	1480.00	1739.00	2020.00	2373.50
11	545.00	640.38	1623.00	1907.03	2168.00	2547.40
12	550.00	646.25	1765.00	2073.88	2315.00	2720.13
13	555.00	652.13	1908.00	2241.90	2463.00	2894.03
14	560.00	658.00	2051.00	2409.93	2611.00	3067.93
15	565.00	663.88	2194.00	2577.95	2759.00	3241.83
16	570.00	669.75	2337.00	2745.98	2907.00	3415.73
17	575.00	675.63	2480.00	2914.00	3055.00	3589.63
18	580.00	681.50	2623.00	3082.03	3203.00	3763.53
19	585.00	687.38	2766.00	3250.05	3351.00	3937.43
20	590.00	693.25	2909.00	3418.08	3499.00	4111.33
21-30	600 +10.00 for each dwelling over 21	705 +11.75 for each dwelling over 21	3011 +102 for each dwelling over 21	3537.93 + 119.85 for each dwelling over 21	3611 + 112 for each dwelling over 21	4242.93 + 131.60 for each dwelling over 21
31 & over	700 + 5 for each dwelling over 31	822.50 +5.88 for each dwelling over 31	3940 + 75 for each dwelling over 31	4629.50 + 88.12 for each dwelling over 31	4640 + 80 for each dwelling over 31	5452 + 94 for each dwelling over 31

APPENDIX 3 (Cont./...)

Table 3. Fees for all other building works, ie not within tables 1 & 2 – based upon estimated cost

Total Estimated Cost	PLAN CHARGE		INSPECTION CHARGE		BUILDING NOTICE FEE		REGULARISATION FEE
	Basic Net Fee £	Gross Fee £ Inc VAT	Basic Net Fee £	Gross Fee £ Inc VAT	Basic Net Fee £	Gross Fee £ Inc. VAT	Basic Net Fee £ (No VAT)
Under £1000	50.00	58.75	NIL	NIL	50.00	58.75	60.00
£1000-£2000	100.00	117.50	NIL	NIL	100.00	117.50	120.00
£2000-£5000	165.00	193.88	NIL	NIL	165.00	193.88	198.00
£5000-£6000	43.50	51.11	130.50	153.34	174.00	204.45	208.80
£6000-£7000	45.75	53.76	137.25	161.27	183.00	215.03	219.60
£7000-£8000	48.00	56.40	144.00	169.20	192.00	225.60	230.40
£8000-£9000	50.25	59.04	150.75	177.13	201.00	236.17	241.20
£9000-£10000	52.50	61.69	157.50	185.06	210.00	246.75	252.00
£10000-£11000	54.75	64.33	164.25	192.99	219.00	257.32	262.80
£11000-£12000	57.00	66.98	171.00	200.92	228.00	267.90	273.00
£12000-£13000	59.25	69.62	177.75	208.86	237.00	278.48	284.40
£13000-£14000	61.50	72.26	184.50	216.79	246.00	289.05	295.20
£14000-£15000	63.75	74.91	191.25	224.72	255.00	299.63	306.00
£15000-£16000	66.00	77.55	198.00	232.65	264.00	310.20	316.80
£16000-£17000	68.25	80.19	204.75	240.58	273.00	320.77	327.60
£17000-£18000	70.50	82.84	211.50	248.51	282.00	331.35	338.40
£18000-£19000	72.75	85.48	218.25	256.44	291.00	341.92	349.20
£19000-£20000	75.00	88.13	225.00	264.37	300.00	352.50	360.00
£20000-£100,000 plus for every £1000 or part thereof over £20,000	75.00	88.13	225.00	264.38	300.00	352.50	360.00
	2.00	2.35	6.00	7.05	8.00	9.40	9.60
£100,000-£1,000,000 plus for every £1000 or part thereof over £100,000	235.00	276.13	705.00	828.38	940.00	1104.50	1128.00
	0.875	1.03	2.625	3.08	3.50	4.11	4.20

Where an extension to a dwelling, the total floor area of which exceeds 60 sq.m, the sum of the plan charge and the inspection charge or the building notice charge, must not be less than £412.00. Building work for which the estimated cost exceeds £1,000,000, please refer to the Building Control Section for details of current fees.

Charges for applications relating to provision of rooms in roof spaces within dwellings and applicable cavity wall insulation and unvented hot water systems are now charged as estimated costs in accordance with Table 3

Analysis of work lost to Approved Inspectors Year 2000 (from 1/1/00 – 31/12/00)

Dwelling units lost to NHBC	Estimated loss of income (Average £184 per unit)
-----------------------------	-----------------------------------------------------

260	£47,840
------------	----------------

Dwelling units retained by NFDC	Projected income
---------------------------------	------------------

406	£74,704
------------	----------------

Percentage of market share retained – 61% (81% 1999)

Commercial sector work lost to AI's 12 projects	Estimated loss of income £5,928
-----------------------------------------------------------	-------------------------------------------

Commercial sector projects retained 240	Projected income £85,878
---------------------------------------------------	------------------------------------

**Percentage of market share retained – 95%(expressed as projects)
93.5%(expressed as income)**

Year 2001 (from 1/1/01 – 31/12/01)

Dwelling units lost to NHBC	Estimated loss of income (Average £184 per unit)
-----------------------------	-----------------------------------------------------

285	£52,440
------------	----------------

Dwelling units retained by NFDC	Projected income
---------------------------------	------------------

347	£63,848
------------	----------------

Percentage of market share retained – 55%

Commercial sector work lost to AI's 24 projects	Estimated loss of income £9,865
-----------------------------------------------------------	-------------------------------------------

Commercial sector projects retained 244	Projected income £118,546
---------------------------------------------------	-------------------------------------

**Percentage of market share retained – 91% (expressed as projects)
92.3% (expressed as income)**