

AGENDA ITEM 8

RURAL, ECONOMIC & ENVIRONMENTAL AFFAIRS COMMITTEE

31 OCTOBER 2012

REPORT OF HEAD OF REGULATORY SERVICES

BUILDING CONTROL FEES

1.0 PURPOSE OF THE REPORT

1.1 To provide background detail to enable consideration of the fees to be set for Building Control for 2012/13

2.0 RECOMMENDATIONS

2.1 It is recommended that:-

(a) The Committee determines, based on the information within the report, the level of fees for Building Control services for implementation in 2013/14.

3.0 KEY ISSUES

3.1 Management Team have requested that there is a full review of fees and charges following receipt of a report from Deloitte's in 2011-12, who carried out a review of all East Midlands Council's fees and charges. The Deloitte's review has identified that there is a wide disparity in the level of fees charged for such services. Melton Borough Council Building Control fees have increased since the data was collected and therefore not all of the categories highlighted as requiring an increase remain applicable.

	New Dwelling	Extension 30m ²	Extension 100m ²	Loft Conversion	Cost of Work 50k	Garage Conversion
Melton	832.29	508.19	605.42	508.19	674.12	346.14
Ashfield	435.00	385.00	ID	385.00	ID	245.00
Bassetlaw	434.99	385.00	ID	385.00	ID	245.00
Blaby	ID	465.00	525.00	555.00	475.00	305.00
Broxtowe	475.00	395.00	ID	395.00	ID	295.00
Charnwood	544.68	410.21	524.26	480.00	735.32	255.32
Gedling	435.00	385.00	490.00	490.00	ID	220.00
H&B	ID	417.17	508.08	449.79	529.40	308.42
Harborough	ID	480.00	630.00	510.00	ID	330.00
Leicester City	653.79	473.16	586.78	453.93	589.69	297.17
Mansfield	495.90	438.90	558.60	438.90	ID	N/A

O&W	ID	375.60	544.62	394.38	544.62	228.36
Rushcliffe	520.84	437.50	ID	437.50	ID	229.17
South K	520.84	437.50	ID	437.50	ID	229.17

KEY:

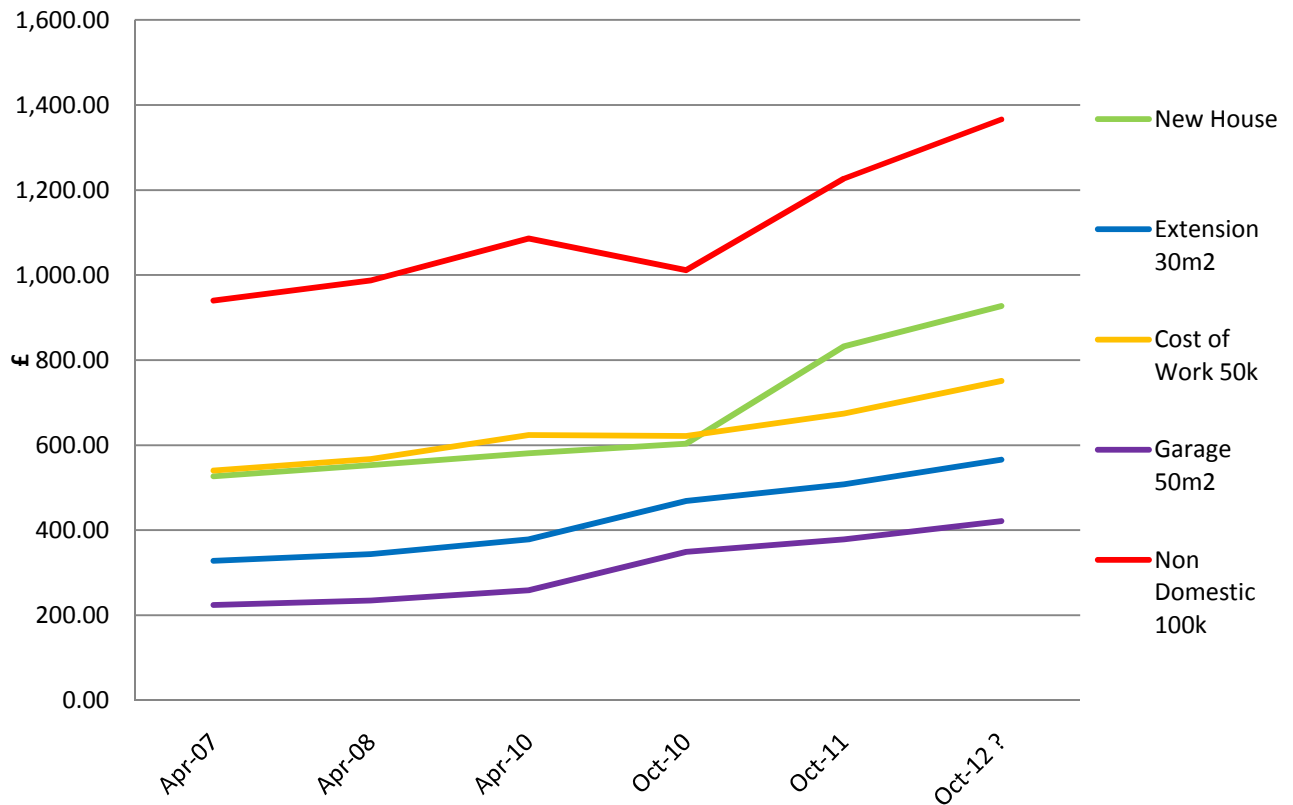
	Highest Price
	2 nd Highest Price
	3 rd Highest Price
ID	Individually Determined

3.2 The Building (Local Authority Charges) Regulations 2010 came into force on 1st October 2010. The Regulations require local authorities to;

- Calculate charges to achieve full cost recovery by relating an hourly charge of local authority building control officers to the time spent carrying out their chargeable building regulation function and advice.
- Fix a charge in relation to individual building projects either by reference to standard charges published in the charging scheme or by providing an individual determination where appropriate, e.g. in relation to larger building projects.
- Provide refunds of charges and raise supplementary charges where appropriate.

Building Control fees should be set in accordance with an hourly rate based on full cost recovery of 'chargeable costs' (a significant proportion of the work of the Building Control service is not 'chargeable' within these regulations). The legislation requires this hourly rate to be reviewed periodically to take into consideration the changing financial circumstances.

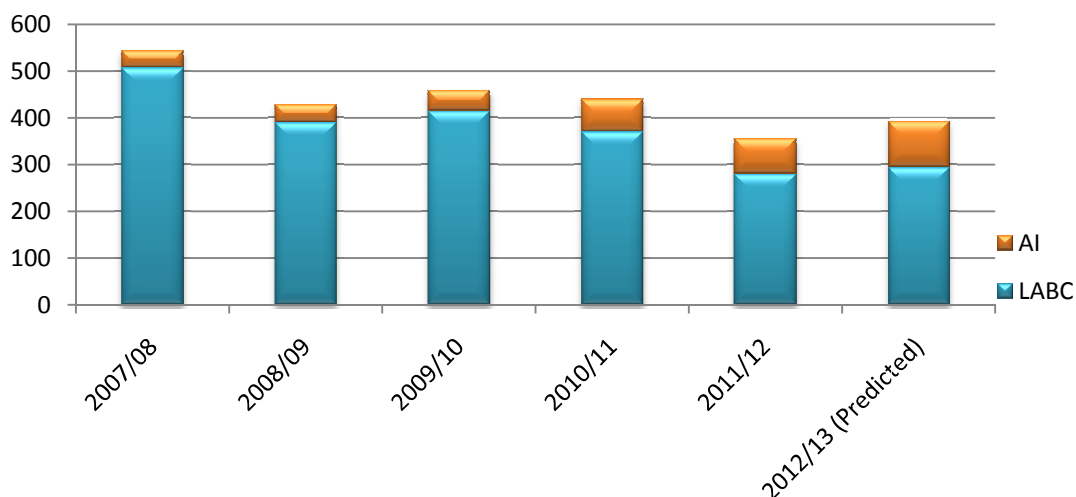
The pattern of charges is illustrated in the graph below:



3.3 The service had expressed serious concern that the fees are to be increased. The competitive nature of the Building Control industry and the fall in construction works due to the economic climate has led to a significant impact on income since 2009-10. This is shown in the table below:

	Original budget	Year-end actual	Shortfall	fee increase
2009-10	£236,770	£164,129	£72,641	0%
2010-11	£206,370	£181,415	£24,955	2%
2011-12	£206,370	£119,000	£87,370	3%
2012-13	£185,370	(estimate) £135,370	£50,000	?%

3.4 The impact on the 'market share' attracted by MBC Building Control is considered to be price sensitive. Whilst no direct comparison can be made between our published fees and those of competitors ('Approved Inspectors') because their fees are not published and are negotiated on an individual basis, the graph below shows the market share between MBC and the private sector over time. There appears to be a strong correlation between the scale of fee increases and the reduction in the proportion of market share attracted by our in house service.



3.5 Costs

In common with all other service areas, the cost of delivery of Building Control services comprises direct and indirect costs. It is from the overall costs that the 'hourly rate' is calculated and in turn, based on the staff time required for specific types of work, that the individual fee categories are set. Since 2002/08 direct costs have reduced by 15% whilst there has been an increase in the indirect cost. However, whilst it is an accounting requirement to apportion overhead costs to the cost of services delivered to the public these are apportioned on a best estimate basis. The scrutiny of these overall costs is undertaken through the examination of the support service themselves as opposed to the allocation made to the services they support. Such a method will realise true savings rather than moving the charge to another service.

3.6 Fee increases have been led by pressures on the budget due to the reduction in external funding, income during the economic downturn and the restrictions on Council Tax increases the Council has been under as well as increases in the cost of services delivered to the public. This has led to many Council's looking to fees and charges to fill this gap. The cost of the service has also justified increases as aside from the indirect costs the income has only just been sufficient to cover the direct cost of the service let alone make at least a contribution to fixed overheads some of which include direct administrative and managerial support to the service.

3.7 The table below shows the profile of direct costs and indirect costs (recharges) in recent years and compares them to income levels. From this it can be seen how they have developed over time and the extent to which income meets the costs of the service and its overheads. This also provides the background as to why fees have been increased.

Year	2008/9	2009/10	2010/11	2011/12
Direct Costs	138,214	128,426	129,872	123,478
Indirect Costs (recharges)	136,270	129,243	140,228	147,918
Income	193,000	164,129	181,415	119,000

3.8 It is clear that the level of income for building control is in decline and that the service is competing with commercial organisations. In a number of areas the Council is also at the upper end for fees and charges. There is no evidence to prove a causal link between this decline and the fees set but there does appear to be a correlation (see para. 3.4 above). Should the Council look to freeze or reduce the fees set it could be that this will just serve to reduce income further rather than increase the business generated and thereby the overall income in proportion to costs.

4.0 POLICY AND CORPORATE IMPLICATIONS

- 4.1 It is of concern that the Building Control Service has diminished over time and that it appears that the fees we set are accelerating this. Building Control Services are not permitted to generate a surplus to support other activity but within the team are a series of activities (not covered by fees charged) that are important to the wider organisation. Specifically, Building Control has a key role in responding to dangerous structures and a prominent role is fulfilling the Council's responsibilities under the Civil Contingencies Act (Emergency Response). It is considered desirable to maintain a robust team to fulfil these duties and that measures that may diminish its capacity and ability to fulfil these related duties.

5.0 FINANCIAL AND OTHER RESOURCE IMPLICATIONS

- 5.1 It is anticipated that income from fees will fail to meet the budget this year (see para 3.3 above). It is further considered that a significant increase in fees may exacerbate the 'market share' issues explained at 3.4 above and may exert downward pressure on fee receipt income.

6.0 LEGAL IMPLICATIONS

- 6.1 There are no legal implications arising from this report.

7.0 COMMUNITY SAFETY

- 7.1 There are no community safety issues arising from this report.


8.0 EQUALITIES

- 8.1 The proposals would significantly disadvantage applicants with a limited capacity to pay. It is not considered that there are significant equalities issues relating to issues of race, gender, language, sexuality or age.

9.0 RISKS

- 9.1 The risks associated with this issue are considered to be the financial and service level risks described at paragraphs 3.4 and 4.1 above.

Very High A				
High B				
Significant C		1.		
Low D			2.	
Very Low E				
Almost Impossible F				
	IV Neg- ligible	III Marg- inal	II Critical	I Catast- rophic


Impact

Risk No.	Description
1.	Loss of market share to competitors
2.	Longer term impact of viability of building control team and its ability to discharge wider functions

10.0 CLIMATE CHANGE

10.1 There are no climate change issues arising from this report.

11.0 CONSULTATION

11.1 Staff in Development Control have been apprised of the proposals and have contributed to the comments set out in para. 3.5 above.

12.0 WARDS AFFECTED

12.1 To varying degrees all wards are affected

Contact Officer: J Worley

Date: 17th October 2012

Appendices: None

Background Papers: Deloitte Review on fees and charges.

Reference: X: C'tee, Council & Sub-C'tees/REEA/2012-13/31-10-12/Building Control Fees