

Decision Maker: RENEWAL, RECREATION AND HOUSING PDS COMMITTEE

Date: 21 March 2023

Decision Type: Non-Urgent Non-Executive Non-Key

Title: BUILDING CONTROL BUDGETARY POSITION

Contact Officer: Alison Pipes, Head of Building Control
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Chief Officer: Sara Bowrey, Director of Housing, Planning, Property and Regeneration

Ward: All Wards

1. Reason for decision/report and options

- 1.1 This report outlines the budgetary position for Building Control, including trend data over 5 years.
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2. **RECOMMENDATION(S)**

2.1 The Renewal, Recreation and Housing PDS Committee is asked to note:

- Current pressures on the building control service and the steps taken to improve the budgetary position; and,
- The next steps identified.

Impact on Vulnerable Adults and Children

1. Summary of Impact: N/A
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Transformation Policy

- (5) To manage our resources well, providing value for money, and efficient and effective services for Bromley's residents.
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Financial

1. Cost of proposal: No Cost
 2. Ongoing costs: Not Applicable:
 3. Budget head/performance centre: R56404 and R56430– Planning Services – Building Control
 4. Total current budget for this head: £90k
 5. Source of funding: Revenue budget
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Personnel

1. Number of staff (current and additional): 12.9 FTE
 2. If from existing staff resources, number of staff hours: 464.40 FTE x36
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Legal

1. Legal Requirement: Statutory Requirement
 2. Call-in: Not Applicable: No Executive decision.
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Procurement

1. Summary of Procurement Implications: N/A
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Property

1. Summary of Property Implications: N/A
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Carbon Reduction and Social Value

1. Summary of Carbon Reduction/Sustainability Implications: N/A
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Customer Impact

1. Estimated number of users or customers (current and projected): Volume of applications is around 3,000 per annum
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Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments: N/A

3. COMMENTARY

3.1 Background

- 3.1.1 Building Control is concerned with ensuring buildings are constructed to minimum technical standards as set out in the Building Regulations.
- 3.1.2 A person carrying out work that is controlled under the Building Regulations can choose to use either the Council's Building Control service or employ a private Building Control company (Approved inspector).
- 3.1.3 The council has a statutory duty to provide a Building Control service under S91 of the Building Act 1984 to fulfil its responsibilities relation to Building Regulations. This in effect means that if someone wishing to carrying out building work that is controlled under the Building Regulations and they wish for LLB to deal with their application, we cannot refuse to do so. Furthermore, only the Council has enforcement powers under the Building Act 1984.
- 3.1.4 The main source of income to the Building Control service is through building regulation applications. Under the Building (Local Authority Charges) Regulations 2010, the authority is authorised by means of a scheme, to fix charges to recover the cost of performing the functions relating to Building Regulations. The CIPFA Local Authority Building Control Charging 2010 document provides guidance in the methodology.
- 3.1.5 The overarching principles of the Charges Regulations is that users of the service pay only for the service they receive. The charging scheme should be reviewed each year to ensure no profit or deficit occurs. Should this happen, the charges should be amended accordingly.
- 3.1.6 A full review of the charging scheme was carried out in 2022 and a new scheme introduced on 1 Oct 2022. Prior to this, the charging scheme had not been changed since 2013.
- 3.1.7 The building control service had been without a permanent Head of Service for several years. Shared and then interim arrangements had been put in place. A permanent Head of Building Control was appointed in 2021.

3.2 Income trend

- 3.2.1 In 2017/2018 the Building Regulation application income budget was £800,770, this reduced slightly in 2018/2019 to £789,450, this has remained at this level to date.
- 3.2.2 The income target has not been achieved for at least the last 7 years. Fig 1 in Appendix 1 shows a downward trend dropping from £703,614 in 2017/2018 to £529,103 in 2021/2022.

3.3 Reasons for Income Reduction

- 3.3.1 The number of Building Regulation Applications dealt with by LB Bromley has reduced due to:
- Loss of work to the private sector (customers can chose to use LB Bromley or a private building control company)

- Covid pandemic (2020/2021) This led to a reduction in available applications.
- Recovery after Covid (2021/2022) Many private building control companies furloughed staff during the pandemic. In 2021/2022 they recovered and increased market share as they competed strongly for the work. This is the picture across London where market share has been lost.
- Economic downturn in UK (from July 2022)

3.3.2 Refer to Appendix A: Fig 2 Cumulative Building Regulation Applications; Fig 3 Total Number of Building Regulation Applications Received Month by Month; Fig 4 Market Share

3.4 Action taken to address the shortfall in income

- 3.4.1 New charging scheme introduced on 1 October 2022. This led to significant increases in some categories of work so it was important that any increase in charges would not further reduce market share and thus having no impact on the overall income level
- 3.4.2 The service needed to undergo some improvements to ensure it could meet the customer's higher expectations of a higher cost service.
- 3.4.3 Reorganisation of processes and structure within the technical support team removed backlogs and created a faster turnaround of enquiries and registration process
- 3.4.4 Appointment of interim building control surveyors while permanent staff could be recruited. Additional staff were needed to provide the capacity to deal with day-to-day work, reduce reliance on overtime and compete against the private sector for more lucrative work.
- 3.4.5 The service successfully recruited a permanent Senior Building Control Surveyor and additionally was successful in filling a vacancy following a resignation in 2022. An interim surveyor is currently covering maternity leave. Following their return, staffing costs will be within budget.
- 3.4.6 The new charges were established by reference to the CIPFA Guide but also benchmarking other Authorities for both the amounts and the categories of work. The aim was to make the charges more transparent and straightforward. Market intelligence of the private sector was also used to ensure charges are competitive for a comparable level of service.
- 3.4.7 Communication with regular agents was important to ensure they remained with us despite the increased costs.
- 3.4.8 Key aspects of the new charging scheme are:
- Simplified categories
 - Increase in charges
 - Plan charge payments include all checking and administrative costs so all costs recovered if work does not go ahead
 - Commercial charges not published (for competitors to see and undercut)

3.5 Impact of the actions taken

- 3.5.1 The increase in ability to win large projects. For example, commercial and high-rise residential developments, such as new 100+ room care home, large housing development.
- 3.5.2 The economic downturn in Q2 of the current year has caused a reduction in available building regulation applications, however, since the introduction of the new charges, market share has held. This can be seen in Fig 4 Market Share.
- 3.5.3 The level of income in Q3 in 2022/2023 was higher than the same period the previous year. And the average income per application has gone up significantly. This can be seen in Fig 5 Average Income Per Building Regulation Application.

3.6 Recovery of other costs to Building Control

- 3.6.1 The building control service deals with dangerous structures. Costs can be incurred when emergency work is required to secure the building or structure. Legislation allows for the recovery of costs associated with removing the danger. The costs include emergency contractor costs and the cost of the surveyor attending the site and administrative costs.
- 3.6.2 Costs have not been recovered for at least 7 years. A review was carried out in 2022/2023 to identify costs that could be recovered.
- 3.6.3 Following the review of dangerous structure costs, a sum of approximately £93,000 has been recovered.
- 3.6.4 Procedural changes have been identified and put in place to ensure costs are recovered in a timely manner.

3.7 Next Steps

- 3.7.1 Review the charging scheme on an annual basis and make changes as necessary -. Review will include analysis of cost recovery of different application types; market share analysis of potential losses where charges are increased including analysis of market rates where available; calculation of hourly rate and methodology for individually determined charges. Timescale - Q1 2023/2024
- 3.7.2 Discussion with finance on realigning the budget to ensure income target is appropriate - The budget should be aligned to ensure that the income balances the cost of the building regulations service. However the full impact of the new charges needs to be considered before realigning budget. Timescale - Q3 2023/2024
- 3.7.3 Continue to monitor income levels quarterly and carry out reconciliation checks - Improved monitoring of accounts is to be expected following the roll out of the new Oracle system to Heads of Service. Access to live data will enable up to date reporting and any inaccuracies to be identified immediately.
- 3.7.4 Embed revised dangerous structure process to ensure recovery of fees - New procedure is in place for ensuring dangerous structures are managed effectively and costs recovered quickly. Outstanding cases will be reviewed on a quarterly basis. Timescale - ongoing

3.7.5 Ensure effective payment system and reporting within the Uniform replacement software. The requirements for payments and reporting forms part of the specification for the new software which is scheduled to be in place by from May 2024.

4 TRANSFORMATION/POLICY IMPLICATIONS

4.1 (5) To manage our resources well, providing value for money, and efficient and effective services for Bromley's residents.

5 FINANCIAL IMPLICATIONS

5.1 The Building Control service is forecasted to overspend in the region of £213k this year and this has been a similar story for the past few years.

5.2 This paper provides background, financial data, and trend analysis to give a wider more complete picture of the building control service and income generation and reasons for the drop off in income.

5.3 There are possible actions that can take place to close this gap, the paper outlines these briefly, further work would be required to cost these properly and implement them.

6 LEGAL IMPLICATIONS

6.1 The Authority is authorised to fix a charging scheme under the Building (Local Authority Charges) Regulations 2010, to recover the cost of performing its functions relating to Building Regulations.

6.2 Under the Building Act 1984, the Authority can recover costs for dealing with dangerous structures from the owner of the property/structure.

7 CUSTOMER IMPACT

7.1 Customers of the building control service have a private sector alternative. This is reflected in the market share analysis. (Fig 4 of Appendix A)

Non-Applicable Headings:	Impact on Vulnerable Adults and Children; Procurement/Property/Carbon Reduction and Social Value Implications; Ward Councillor Views.
Background Documents: (Access via Contact Officer)	

Fig 1 Income from Building Regulation Applications

Shows income net of tax received from Building Regulation applications for each full financial year from 2017/2018 to 2021/2022. This shows a downward trend dropping from £703,614 in 2017/2018 to £529,103 in 2021/2022.

The current year to 31 January (£489,777) to compares the position of 10 months income against the full previous year and how positive the new charges have been since 1 October.

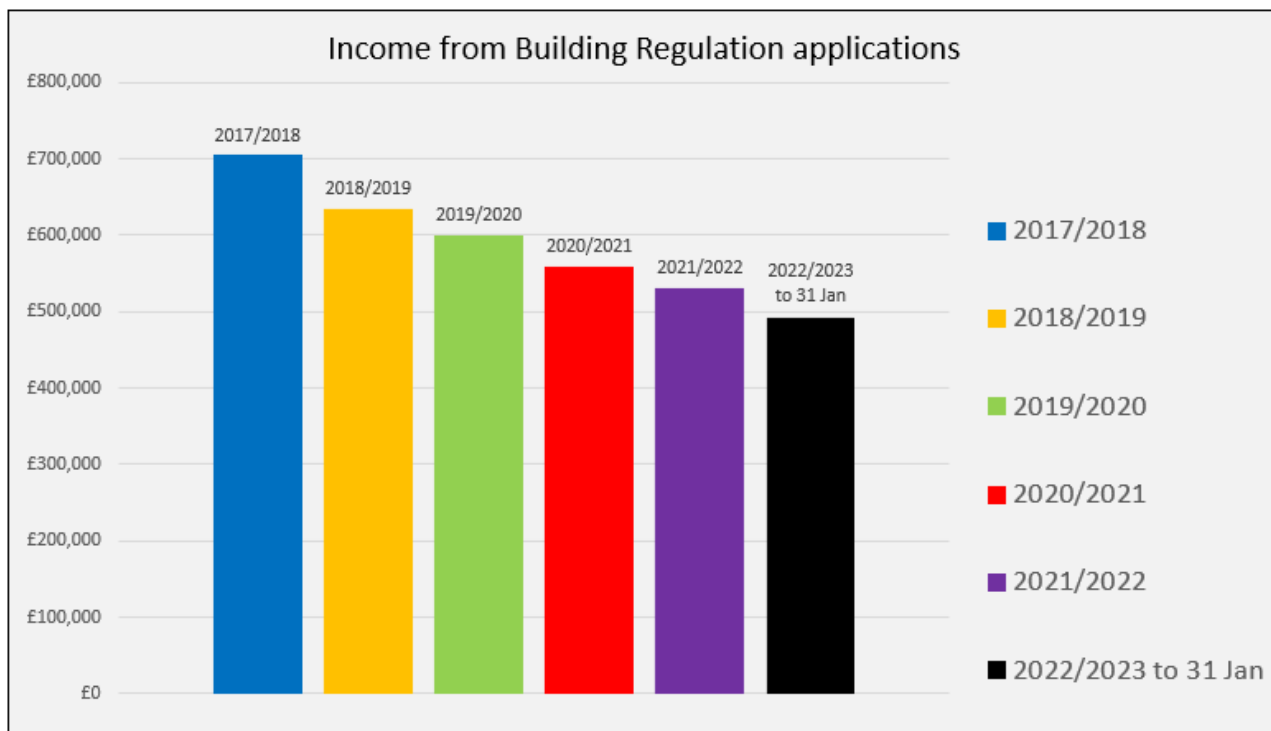


Fig 2 Cumulative Building Regulation Applications

This chart shows the number of available building regulation applications each year since 2017/2018 to 2022/2023 YTD.

Available means those that are either dealt with by LBB and private building control companies. This is a good indication of the amount of building work being carried out in Bromley.

The chart shows the impact of the Covid pandemic (2020/2021) which led to a reduction building work being carried and therefore building regulation applications followed by recovery in 2021/2022.

From July 2022, the impact of the economic downturn in the UK can be seen to have a negative impact on the amount of building work being carried out as the line rises less steeply.

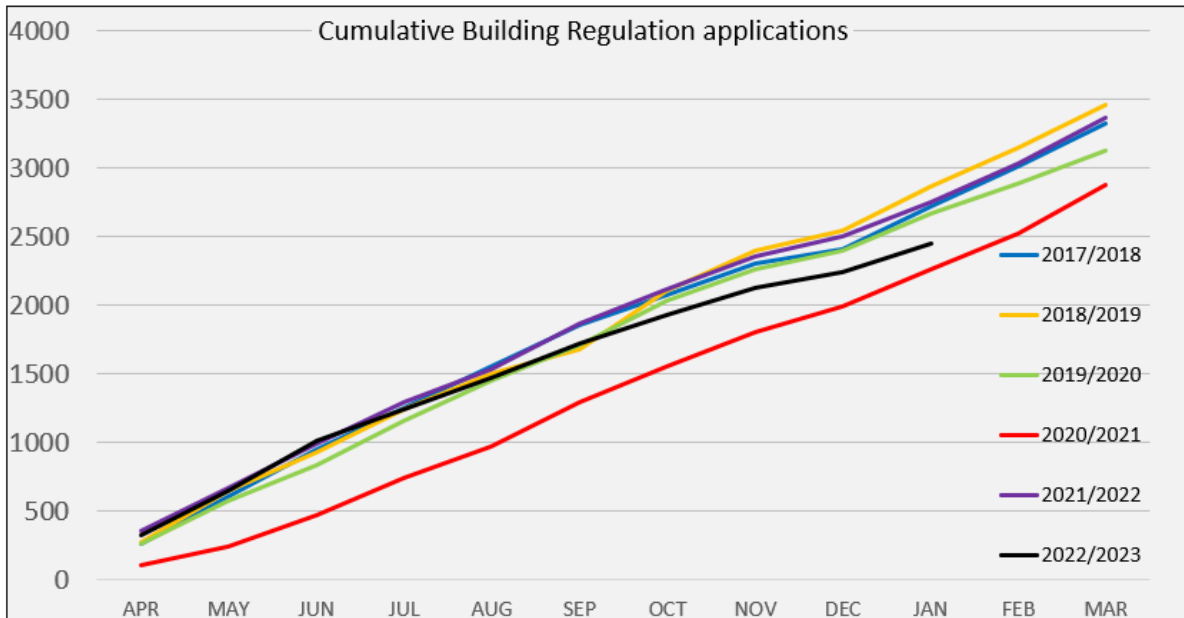


Fig 3 Total number of Building Regulation applications received month by month
 This chart shows the same applications as in Fig 2 but shows the month by month variations. The impact of covid and economic downturn are more clearly pronounced in this chart.

Also evident is the seasonal low in December due to holidays and weather.

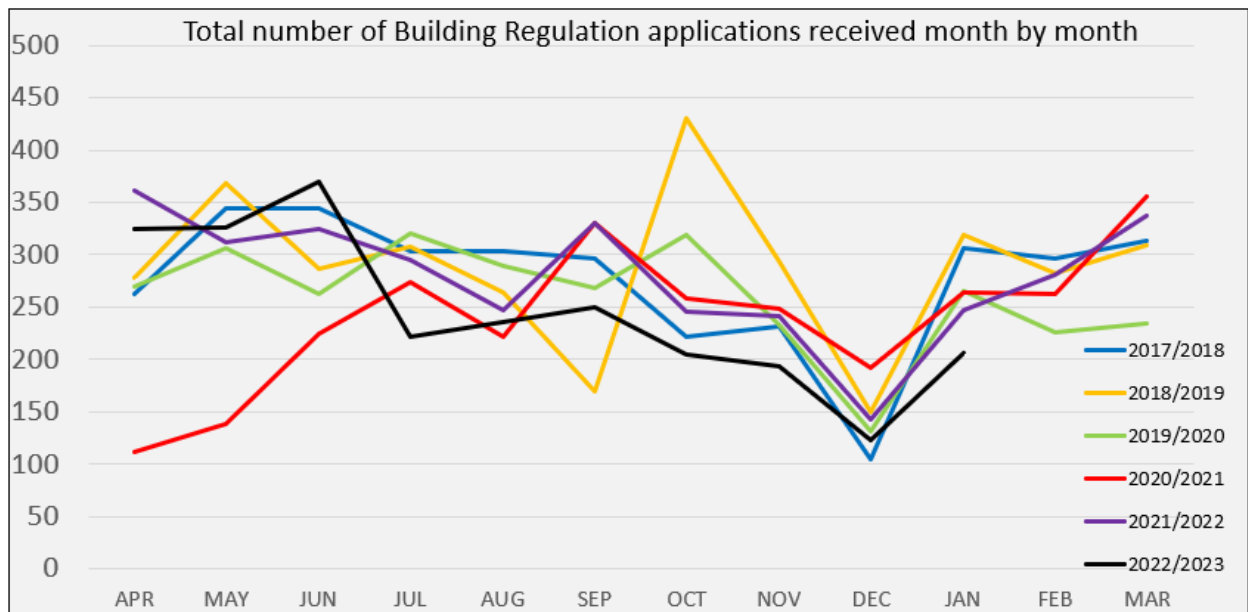


Fig 4 Market Share Trend

Measured as the percentage of Building Regulation Applications dealt with by LB Bromley against the total number of available applications. This is measured on a month by month basis. The percentage is calculated on numbers and not value of work.

What can be seen from this chart is the where private building control companies were inactive during covid and then in 2021/2022 competed strongly for work.

The chart also shows that LBB market performance has not been affected by our higher from October 2022.

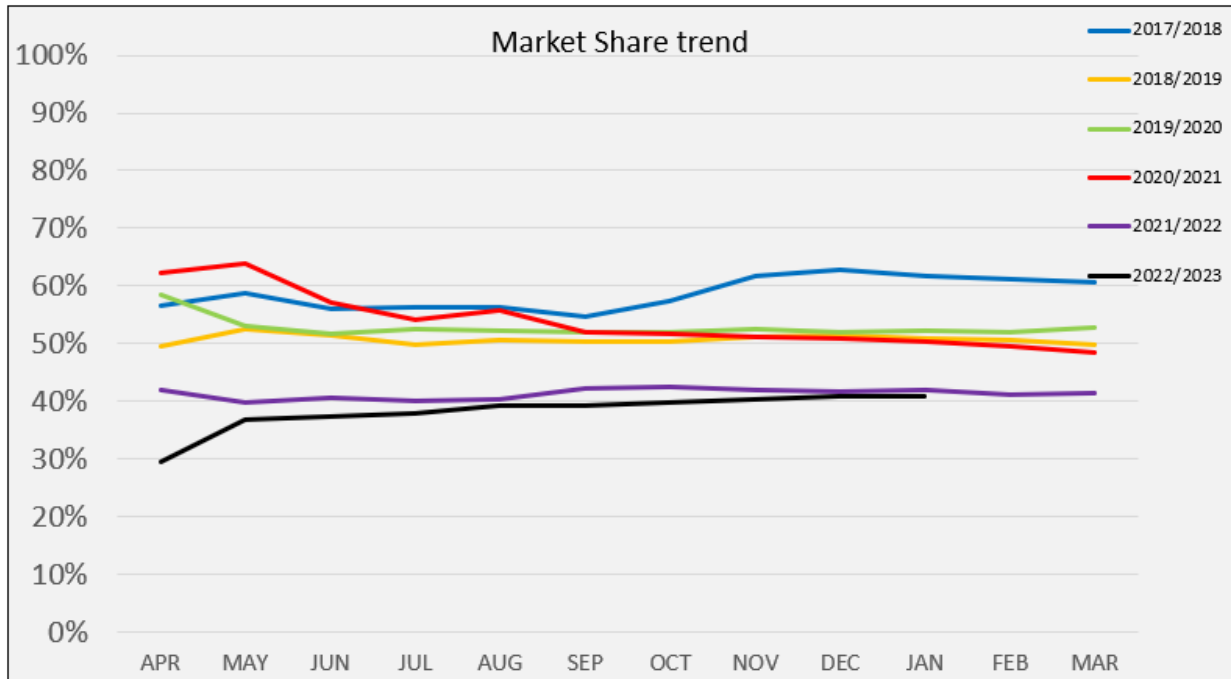


Fig 5 Average Income per Building Regulation Application

This chart shows the average income per application dealt with by LBB. It is measured as total income divided by the total number of Building Regulation applications dealt with by LBB.

If applications charges remain the same, the income will generally reduce as the number of applications reduce. Charge had been untouched since 2013 so this chart is a good indication of the value of the applications that we have received. In 2021/2022 the figures indicate that applications received were low value and therefore minor work which is understandable following the covid pandemic.

The figures for 2022/2023 show the increase in value to £172/application to 31 September. The average income has increased to £200/application for the current year to 31 January and this demonstrate the positive impact of the new charging from 1 October 2022 and the major projects won.

