

Report To:	Environment and Regeneration Committee	Date: 12 January 2017
Report By:	Corporate Director, Environment, Regeneration and Resources	Report No: ENV/004/17/SJ/NMcL
Contact Officer:	Aubrey Fawcett	Contact No: 01475 712462
Subject:	Scottish Government Consultation on Building Warrant Fees	

1.0 PURPOSE

- 1.1 The Scottish Government is seeking views on increasing building warrant and associated fees to make the building standards system achieve full cost recovery.
- 1.2 This consultation sought views by 9 January 2017. The purpose of this report is to inform the Committee of the response submitted on behalf of the Council.

2.0 SUMMARY

- 2.1 Current building warrant and associated fees are set out in The Building (Fees) (Scotland) Amendment Regulations 2004, with fees paid on a sliding scale based on the value of the work. The current minimum fee of £100 is based on a work value of up to £5,000, with at the upper end of the scale a fee of £77,130 applying to a £30m project. The fees have not changed since 2005.
- 2.2 Since then there have been a number of changes; authorities are required to deliver the building standards service in accordance with a performance framework, technical changes have been made to standards, there is now a more formalised reasonable inquiry process for on-site checking, and certification of design and construction now play a greater part in the process.
- 2.3 The Government proposes to increase income from building warrant and associated fees to achieve full cost recovery for the system. The aim is to provide alternative resources for local authority building standards to encourage recruitment and retention of professional staff, to support service and performance improvement, and to introduce an alternative funding mechanism for its Building Standards Division, with a proportion of the application fees to be transferred to the Scottish Government.
- 2.4 The consultation poses 6 questions, which were responded to as detailed in paragraphs 4.9 to 4.14.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that the Committee note the consultation response submitted to the Scottish Government.
- 3.2 It is recommended that once any financial implications are clear that a further report will be considered by Committee.

Aubrey Fawcett
Corporate Director, Environment, Regeneration and Resources

4.0 BACKGROUND

- 4.1 The building warrant fee structure has not changed since 2005, consequently the fees in real terms are approximately less by about 40% than at the time of introduction. In 2008 income to building standards services in Scotland exceeded expenditure by £5m; in 2013 expenditure exceeded income by £15.6m, largely driven by a sharp decline in development activity. Most recent Local Government Finance Statistics show that substantial cost reductions have helped to narrow the deficit to £2.4m.
- 4.2 Since 2005 there have been a number of changes; authorities are required to deliver the building standards service in accordance with a performance framework, technical changes have been made to standards, there is now a more formalised reasonable inquiry process for on-site checking, and certification of design and construction now play a greater part in the process.
- 4.3 The Government proposes to increase income from building warrant and associated fees to achieve full cost recovery for the system. The aim is to provide alternative resources for local authority building standards to encourage recruitment and retention of professional staff, to support service and performance improvement, and to introduce an alternative funding mechanism for its Building Standards Division, with a proportion of the application fees to be transferred to the Scottish Government.
- 4.4 The Government has noted the trend of experienced building standards staff retiring or leaving with little corresponding intake of trainees or apprentices. Where application numbers increase, the shortage of staff has resulted in increased application processing times. The Government believes that for the system to be enhanced there is a need to invest in staff for the future of the Building standards profession. The additional income is expected to produce sufficient revenue for all authorities to employ at least one additional trainee building standards surveyor.
- 4.5 The Building Standards Division on behalf of the Scottish Ministers oversees the building standards system. The Government wants this to be provided on a full cost recovery basis, but has rejected the option of charging for the cost of copies of legislation and guidance. The recovery of £1.5m of the anticipated £3.5m increased fee income will cover the overall running costs of the Building Standards Division.
- 4.6 Certification is based on the principle that qualified and experienced building professionals can be responsible for confirming that certain works comply with the building standards. This aids local authorities saving time and is cost effective, however the financial incentives to applicants is recognised as currently unattractive.
- 4.7 To achieve all this, the Scottish Government is seeking views on increasing building warrant and associated fees. The proposal is to increase fees with the minimum set at £150 and incremental increases of £4 per step up to a project cost of £20,000 and thereafter £3 per step for project values of £20,001 and above. Discounted fees are increased for users of Certification of Construction from 1% to 3% and for Certification of Design minimum fixed amounts have been increased to assist smaller value projects. Fees for unauthorised works are also proposed to increase to from 125% to 200% of the normal warrant fee.
- 4.8 This consultation sought views by 9 January 2017. The purpose of this report is to ask the Committee to note the response submitted on behalf of the Council. The consultation sought response to 6 questions.
- 4.9 Question1: Should building warrant and associated fees be increased to make the Scottish Building Standards system achieve full cost recovery?

Response: Full cost recovery of the system would require the fee to cover other local

authority non-verification building standards functions plus Building Standards Division functions including developing legislation/national policy and overseeing the building standards system for the benefit the wider community. The vast majority of customers when submitting a building warrant application only engage with the verification functions of the local authority. Direct building warrant applicant contact with the Building Standards Division is very rare. It is inappropriate to increase fees to facilitate non-verification local authority building standards functions. It is also inappropriate to allocate a portion of fees paid by customers to the Building Standards Division as it is most unlikely to contribute directly to the processing of their application.

- 4.10 Question 2. Should fees for building warrant applications (minimum fixed fee and incremental steps) and fixed fees for amendment to warrant applications, demolition, conversion etc., be increased as described in the proposals?

Response: Inverclyde Council considers that the proposed fee increases should exclude the element intended to cover non-verification local authority building standards functions and running costs of the Building Standards Division. The consequential lower fee increase should be retained in full by the verifier.

- 4.11 Question 3: Should discounts for using a certifier of design or construction be increased?

Response: Yes. Inverclyde Council recognises the benefits to both applicants and verifiers of a service that ensures specialist expertise as part of the building standards compliance process and considers that the current discount scheme does not provide appropriate inducement.

- 4.12 Question 4: Should fees for those who have undertaken unauthorised work be increased?

Response: This proposal indicates support for those applicants who seek conform with the building standards procedures and may act as an encouragement to those with a tendency to build and apply later. However, while supporting an increase in fees for unauthorised works, it is considered that the substantial rise may act as further discouragement and increase the potential for non-compliant buildings with consequential impacts for user safety and comfort.

- 4.13 Question 5: Are there any alternative options to achieve full cost recovery that should be considered?

Response: Local authorities through Local Authority Building Standards Scotland provide applicants with the comfort of a dispute resolution process. Building Standards Division also provides the facility for applicants to seek a "view" when in dispute with the local authority over interpretation. If an applicant wishes to use such a facility the Government may consider it appropriate to charge directly for this service.

- 4.14 Question 6: Additional views or comments.

Response: None

5.0 IMPLICATIONS

Finance

- 5.1 It is estimated that the increases in fees proposed would generate approximately an extra £28,000 in building warrant fee per year for the Council excluding a proportion passed onto the Building Standards Division. The additional funding generated by additional fee income is intended to be cost neutral with the Government expectant any additional income invested in the employment of a building standards trainee, although currently the final usage of fee income is a matter for the Council.

Financial Implications

One off Costs

Cost Centre	Budget Heading	Budget Year	Proposed Spend this Report	Virement From	Other Comments
N/A	N/A	N/A	N/A	N/A	N/A

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With effect from	Annual Net Impact	Virement From	Other Comments
Building Standards	Income	1 April 2017	(£3,000)	N/A	Net impact based on 10% application fee increase calculated on average fee income 2012-16 against expected cost of building standards trainee, although how any fee income is used is currently considered by Members as part of the Budget process.

Legal

- 5.2 There are no direct legal implications arising from this report.

Human Resources

- 5.3 There are no direct personnel implications arising from this report.

Equalities

- 5.4 There are no direct equalities implications arising from this report. This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy.

Repopulation

- 5.5 There are no direct repopulation implications arising from this report.

6.0 CONSULTATION

- 6.1 Consultation has been carried out with the Chief Financial Officer, the Head of Legal and Property Services and the Head of Organisational Development, Human Resources and Communications. No adverse comments have been received.

7.0 LIST OF BACKGROUND PAPERS

Scottish Government Consultation – Building Warrant Fees
The Building (Fees) (Scotland) Amendment Regulations 2004