

To: Planning and Property Policy Board

On: 24 January 2017

Report by: Director of Development and Housing Services

Heading: Scottish Government “Consultation on Building Warrant Fees”

1. Summary

- 1.1 The report relates to a Scottish Government consultation paper which seeks views on increasing Building Warrant and other associated fees with the intention of making the Building Standards system achieve full cost recovery.
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2. Recommendations

- 2.1 It is recommended that the Board:
- i. Notes the content of the Scottish Government “Consultation on Building Warrant Fees”, welcomes the suggested fee increases but expresses concern at the proposal to require a proportion of the fee income to be remitted back to resource the Scottish Government’s Building Standards Division.
 - ii. Homologates the terms of the respondent information contained in the Appendix 1.
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3. Background

- 3.1. The responsibility for setting Building Warrant and associated fees is reserved to Scottish Ministers and the Building Standards system is administered by the 32 local authority verifiers. The Scottish Ministers appoint verifiers and at present the verification role has been given to Scottish local authorities. The current period of appointment ends in May 2017.

- 3.2. The existing fee structure is set out in [The Building \(Fees\) \(Scotland\) Regulations 2004](#) and subsequent amendments. The intention of the current Building Standards system was to set fee levels for Building Warrants to ensure that the fee income for local authorities covered their expenditure on verification work. The costs associated with running the Scottish Government's Building Standards Division are taken from general taxation.
- 3.3. The fee paid for a Building Warrant for the construction of a building is based on the value of the project and is set on a sliding scale. For example, the minimum fee for works up to £5,000 in value is £100; works with a project value of £120,000 the fee is £1,080; and, for works with a value of £30 million the warrant fee is £77,130.
- 3.4. In 2015 the Scottish Government commissioned research to establish the overall position in Scotland in relation to Building Standards income and expenditure. This research established that in 2008 income to local authority Building Standards teams exceeded expenditure by £5 million. By 2013, however, the situation had changed and local authority expenditure exceeded income by £15.6 million. This deficit was largely due to a decline in development activity following the financial crisis and subsequent recession.
- 3.5. The 2015 research established that by 2014 substantial cost reductions and an upturn in income had helped narrow the deficit to £6.9 million and more recent figures indicate that this has now fallen to £2.4 million.
- 3.6. There is now evidence that as income has risen some local authorities are now coming back to a position of exceeding cost recovery and incurring a surplus in terms of resourcing its Building Standards services. The Scottish Government has concerns that as Building Warrant application numbers have increased, this has coincided with a reduction in the number of Building Standards staff in local authorities.
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4 Aims and objectives of the proposed changes

- 4.1. The consultation paper recognises that there has been no increase in building warrant fees since the introduction of the current building standards system in 2005. There is also recognition that building warrant fees are now approximately 40% less in real terms than at the time they were introduced.
- 4.2. The outline objective of the proposal is to increase income from building warrant and associated fees paid by the users of the building standards system, to achieve full cost recovery for the system. The two principal aims are:
- i. To provide additional resources for local authority verifiers to encourage recruitment and retention of professional staff and to support service and performance improvement.
 - ii. To introduce an alternative funding mechanism to cover the building standards related running costs of the Scottish Government's Building Standards Division.

5 The Proposed Changes

- 5.1. The Scottish Government is proposing to introduce an alternative funding mechanism to resource their Building Standards Division which historically has been funded through general taxation. To facilitate this, the consultation paper proposes that local authorities collect building warrant fees but transfer an agreed proportion to the Scottish Government for the running of its Building Standards Division. The current running cost of the Building Standards Division is £1.5 million.
- 5.2. A 2016 Scottish Government commissioned [study](#) suggests that the altered fee structure would deliver approximately £3.5 million in additional funding. This would represent a 10% increase on the overall revenue of local authorities based upon 2015/16 financial returns. The consultation proposes £2 million (67%) be allocated to support local authority service improvements and £1.5 million (33%) be diverted to the Scottish Government to cover their Building Standards Division running costs.
- 5.3. Using the previous examples, under the revised fee structure the minimum fee for works up to £5,000 in value would be £150; works with a project value of £120,000 the fee would be £1,137; and, for works with a value of £30 million the warrant fee would be £78,244.
- 5.4. The consultation also proposes to substantially increase the fee for those submitting late building warrants and completion certificates where no building warrant was obtained. This includes:
- i. Application for 'late' building warrant, i.e. where work is already started. It is proposed that the fee is increased from 125% to 200% of the normal building warrant fee.
 - ii. Application for a warrant for demolitions only – the fee is to be increased from £125 to £200.
 - iii. Submission of a completion certificate where no warrant was obtained. Fee to be increased from 125% to 300% of the normal building warrant fee e.g. application for warrant for demolitions only or for conversion only the fee is to be increased from £125 to £300.
- 5.5. The consultation is seeking to introduce the proposed changes on the 1st April 2017. As a result, the normal consultation period has been shortened to 8 weeks and closed on Monday the 9th January 2017.

6 Conclusions and Recommendations

- 6.1. The increase in relation to building warrant and associated fees is welcomed and considered overdue. The proposal to fund the Scottish Government's

Building Standards Division from locally raised building warrant fees, however, represents a significant change from current funding models. This aspect of the proposals is not welcomed.

- 6.2 It is recommended that the Board note the content of this report, the Scottish Government consultation paper and homologates the respondent information included in Appendix 1.

Implications of the Report

1. **Financial** - The proposed fee increases have the potential to generate additional income, would assist in the costs of delivering the service moving closer to full cost recovery, and would introduce the potential to resource staffing at an appropriate level.
2. **HR & Organisational Development** – None.
3. **Community Planning** – None.
4. **Legal** – None.
5. **Property/Assets**–None.
6. **Information Technology** – None.
7. **Equality & Human Rights** - The Recommendations contained within this report have been assessed in relation to their impact on equalities and human rights. No negative impacts on equality groups or potential for infringement of individuals' human rights have been identified arising from the recommendations contained in the report because it is for noting only. If required following implementation, the actual impact of the recommendations and the mitigating actions will be reviewed and monitored, and the results of the assessment will be published on the Council's website.
8. **Health & Safety** -
9. **Procurement** – None.
10. **Risk** – None.
11. **Privacy Impact** – None.

List of Background Papers

- (a) Background Paper 1 : Scottish Government 'Consultation on Building Warrant Fees' <http://www.gov.scot/Resource/0050/00509963.pdf>

The foregoing background papers will be retained within Development & Housing Services for inspection by the public for the prescribed period of four years from the date of the meeting. The contact officer within the service is Alex MacCalman, Assistant Development Standards Manager, Ext: 7909 Email: alex.maccalman@renfrewshire.gov.uk

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CONSULTATION ON BUILDING WARRANT FEES

RESPONDENT INFORMATION FORM

Please Note this form **must** be returned with your response.

Are you responding as an individual or an organisation?

- ☐ Individual
☒ Organisation

Group/Org Type (please tick one)

Local Authority	<input checked="" type="checkbox"/>	Commercial Organisation	<input type="checkbox"/>	Designer/Consultant	<input type="checkbox"/>	NDPB/Agency	<input type="checkbox"/>
Professional Body	<input type="checkbox"/>	Voluntary Organisation	<input type="checkbox"/>	Academic Body	<input type="checkbox"/>	Advisory Body/Committee	<input type="checkbox"/>
Contractor/Developer	<input type="checkbox"/>	Housing Provider / RSL	<input type="checkbox"/>	Industry Ass/ Manufacturer	<input type="checkbox"/>	Other (Please Specify	<input type="checkbox"/>

Full name or organisation's name

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Email

The Scottish Government would like your permission to publish your consultation response. Please indicate your publishing preference:

- ☒ Publish response with name
☐ Publish response only
(anonymous) – Individuals only
☐ Do not publish response

We will share your response internally with other Scottish Government policy teams who may be addressing the issues you discuss. They may wish to contact you again in the future, but we require your permission to do so. Are you content for Scottish Government to contact you again in relation to this consultation exercise?

- ☒ Yes

☐ No

Consultation Questions

Consultees are encouraged to submit their views in electronic format. Please feel free to provide your views and comments on this form.

Proposal

The objective is to increase income from building warrant and associated fees paid by users of the building standards system to achieve full cost recovery for the system.

Aims

1. To provide additional resources to for local authority Verification services to encourage recruitment and retention of professional staff and to support service and performance improvement.
2. To introduce an alternative funding mechanism to cover the building standards related running costs of BSD

Questions

1. Should building warrant and associated fees be increased to make the Scottish Building Standards system achieve full cost recovery?

Whilst the increase in relation to building warrant and associated fees is welcomed and considered overdue, we do not agree with the proposal to make the entire Building Standards System self funding.

The proposed funding mechanism will require Local Authority verifiers to collect local building warrant fees and then pass back a proportion of these fees to fund the Building Standards Division (BSD). This raises fundamental questions around the purpose of the building warrant fee, what it funds and who should actually pay for the individual elements of the building standards system.

This proposal has the potential to confuse the relationship between the roles played by the BSD and that by Local Authority verifiers. The consultation also lacks detail with regard to the potential future running costs of the BSD and what mechanisms would be used to control spending. For instance what would happen were BSD costs to rise and local building warrant fees to drop, are local authorities expected to contribute regardless of whether they have fully recovered their service costs?

If the purpose of the building standards system is to protect the public interest, then it is considered appropriate for the “public purse” i.e. general taxation to continue to make a contribution towards the running of the system. The costs of funding the entire system should not be borne by building warrant applicants. Locally raised building warrant fees should support local building standards services; they should not contribute towards funding wider central government functions.

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?

The proposed fee increase is reasonable and the additional revenue will assist in funding Local Authority Building Standards verifiers.

3. Should discounts for using a certifier of design or construction be increased?

The discounts for certifiers of design and construction are broadly consistent with the previous fee structure. However, if the certification schemes were to be fully utilised we note that the fees for lower value building warrants will not cover the cost of checking the application and conducting site inspections. Therefore an element of cross subsidy could still exist between high and lower value work.

4. Should fees for those who have undertaken unauthorised work be increased?

The proposed increase is broadly proportionate to the additional work required by Local Authority verifiers in relation to funding the additional inspections and verification checks that are often required when regularising unauthorised works.

5. Are there any alternative options to achieve full cost recovery that should be considered?

None – refer to Qu1.

6. Additional views or comments.

None.