

# **Review of Building Standards Fee Income and Level of Re-Investment in Service Delivery**

**June 2023**

Report prepared by:  
Optimal Economics  
1 St Colme Street  
Edinburgh  
EH3 6AA

The opinions expressed in this report are those of the author.

Report commissioned by:

Building Standards Division  
Directorate for Local Government and Housing  
Denholm House  
Almondvale Business Park  
Livingston  
EH54 6GA

Tel: 0300 244 4000  
e-mail: [buildingstandards@gov.scot](mailto:buildingstandards@gov.scot)  
web: <https://www.gov.scot/policies/building-standards/>

© Crown Copyright 2023

Applications for reproduction of any part of this publication should be addressed to:  
BSD, Directorate for Local Government and Communities, Denholm House,  
Almondvale Business Park, Livingston, EH54 6GA

This report is published electronically to limit the use of paper, but photocopies will be provided on request to Building Standards Division.

# Contents

	Executive Summary	4
1.	Introduction	14
2.	Building Standards Income and Expenditure	18
3.	Key Performance Outcomes	34
4.	Changes Arising from 2017 Fees Increase	43
5.	Building Control in England and Wales	60
6.	Future Changes to the Building Standards System	68
7.	Options for Raising Fee Income	74
8.	Modelling and Results	82
Annex A:	Online Survey Questionnaire	90
Annex B:	Income and Expenditure Position of Local Authorities from LFR Data, 2016/17 to 2020/21, £000s	103
Annex C:	Data for Model and Assumptions	105

# Executive Summary

## Introduction

1. In July 2017 there was a change to building standards fee levels to increase income from building warrant applications and associated fees paid by users of the system to achieve full cost recovery for verification. The fee increase was expected to deliver approximately £3.5 million in additional funding which was split broadly as £2 million to support investment in the local authority building standards service and £1.5 million to cover the overall running costs of Scottish Government Building Standards Division (BSD).
2. Following the Grenfell Tower fire in 2017 and subsequent establishment of a Ministerial Working Group (MWG) to address issues of compliance and fire safety, the Building Standards Futures Board is leading a programme of work to drive forward the transformation of the building standards system in Scotland. The introduction of some of the proposed changes identified by the Futures Board will have implications for the cost of delivering the building standards service in the future.

## Study Aims

3. The purpose of the study is to review building warrant fees in Scotland and to consider how fees are used to support the delivery of the verification service and how verifiers invest in their service to meet the requirements of both the Operating Framework and Performance Framework. The study is intended to determine how the future requirements for building standards verification can be delivered and determine if there is a need for an increase in fees to support the changes.

## Approach to the Study

4. There were three main components to the research:
  - Analysis of published data and data held by BSD.
  - Stakeholder engagement including an online survey of Scottish local authorities, consultations with Local Authority Building Standards Scotland (LABSS) and Local Authority Building Control (LABC) and consultations with eight Scottish local authorities and four English building control departments.
  - Modelling of different options for changing fee rates.

## Number and Characteristics of Building Warrants

5. The number of building warrant applications has fluctuated at around 38,000 per annum over the last six years with an average of 9,300 amendment to warrant applications per annum. Domestic warrants account for approximately 80% of

the warrants issued. Almost 50% of warrants issued are in the lowest value of work band (£0 to £10,000).

### **Building Warrant Fee Income and Expenditure**

6. A comparison of 2016/17 and 2018/19 shows there was an increase in fees of almost £8.45 million or 32% between these two years (from £26.6 million to £35 million). Allowing for changes in the volume of building warrant applications, almost all (£8.43 million) of the increase was attributed to the increase in fee levels. Hence, at the Scotland level, the fees increase more than achieved the objective of delivering an additional £3.5 million in income. In 2021/22, building warrant fee income had reached £35.4 million.
7. All but two authorities saw their income increase following the 2017 fees increase and, for most authorities, the change in income was driven by the fees increase.
8. In 2021/22, total verification costs (staff, non-staff and other verification related investment) were £26.2 million with staff costs (£23.4 million) accounting for almost 90% of these costs. Staff costs are the dominant cost in verification expenditure and also the most consistent across authorities in terms of what is covered by the category. However, there is some inconsistency in the way authorities allocate and account for other components of verification costs and the total verification cost of £26.2 million makes no allowance for general overheads.

### **Balance of Verification Income and Expenditure**

9. Since 2017/18, income from building warrant fees has exceeded the total direct cost of providing verification services in Scotland. In 2021/22 the surplus of income over direct verification costs was £9.2 million. However, this measure of direct verification costs does not include any allowance for general overheads in authorities attributable to the delivery of the service (e.g. office costs, many IT costs, HR etc). A figure of 30% of direct staff verification costs is used as a broad estimate of typical overheads in Key Performance Outcome 5 (KPO5) in the verifier Performance Framework. If 30% is applied to the total direct verification costs of £26.2 million, total costs would be £34 million in 2021/22 yielding a surplus of income over expenditure of £1 million.
10. There is considerable variation across authorities in the extent to which building warrant fee income covers the costs of delivering the verification service. The majority of authorities receive more building warrant fee income than they spend, but there are several authorities every year which have operated the service at a deficit i.e. more has been spent on verification than has been received in building warrant fee income before any overhead costs.

## Key Performance Outcomes (KPOs)

11. KPO1 seeks to minimise the time taken to issue a first report or building warrant or amendment to a building warrant and is split into two parts with the following targets:
  - KPO1.1: 95% of first reports (for building warrants and amendments) to be issued within 20 days.
  - KPO1.2: 90% of building warrants and amendments to be issued within 10 days from receipt of all satisfactory information.
12. For Scotland as a whole since 2017/18, the 95% target of KPO1.1 has only been met once (in Q2 of 2020/21). Six authorities have achieved or exceeded the target every year while two authorities have been more than 10% points below the target throughout the period. However, most authorities have seen their performance improve since 2017/18.
13. For Scotland since 2017/18, the 90% target of KPO1.2 has only been met once (in Q4 of 2020/21), although there has been a general improvement in performance over time. Seven authorities have achieved or exceeded the target every year while one authority was more than 10% points below the target throughout the period.
14. KPO4 relates to understanding and responding to the customer experience. The target is to achieve a minimum rating of 7.5 out of 10. For Scotland, a rating of 7.5 was achieved in 2020 with ratings in the other years (7 to 7.4) just falling short of the target. Fourteen authorities have consistently achieved the target rating while two authorities have consistently scored less than 6.4.
15. Generally, the authorities which met the KPO1.1 and KPO1.2 targets also have good customer satisfaction scores.
16. KPO5 is concerned with maintaining financial governance and the target is for building standards fee income to cover indicative verification service costs as defined by verification staff costs plus the 30% allowance for overhead costs. For Scotland as a whole, the target of building standards related fee income covering verification staff costs plus 30% has been achieved in every quarter since the start of 2017/18 except for Q2 in 2020/21 (the only quarter where KPO1.1 was achieved).
17. For individual authorities there are a range of results. There are a few authorities where building warrant fee income has never exceeded verification staff costs. Whereas there are authorities where building warrant fee income exceeds staff costs by a considerable amount e.g. income is almost twice staff costs. The authorities where income is considerably greater than staff costs are authorities which tended to perform less well under KPO1, suggesting that these authorities may be understaffed and underdelivering on the service.

## **Grant Aided Expenditure**

18. Prior to the 2017 fees increase, local authorities received £5.3 million in general revenue grant. As part of the income arising from the 2017 fees increase was to provide funds for BSD, there was a £1.5 million downward adjustment to the local government finance settlement following the fee increase. Hence, the amount of general revenue grant local authorities received from the Scottish Government for building standards was reduced from £5.3 million to £3.8 million in 2018/19.
19. This level of funding is allocated to local authorities using grant aided expenditure (GAE) calculations. It is important to note that the GAE allocation for building standards is not a budget or a spending target and local authorities make their own decisions about the allocation of funds across services to reflect local needs having fulfilled their statutory obligations.
20. The statutory obligations relating to building standards for which fees are not charged include enforcement and maintenance of the building standards register. The majority of authorities responding to the online survey stated that they do not receive any income from the GAE allocation and they are expected to fund enforcement activities and the building standards register from their building warrant fee income. The survey also found that almost half of respondents were expected to make a contribution to their finance department from their building warrant fee income to cover the reduction in GAE allocation to the authority.

## **Reinvestment in Building Standards Service**

21. Across Scotland, an additional £8 million in annual income was delivered following the 2017 fees increase. Approximately 60% of authorities responding to the survey reported that additional income had been available to invest in the service. The investment of four authorities was primarily related to staffing and represented approximately 16% of the additional fee income of these authorities. There was also some investment in training and technology. However, the survey results suggest that the majority of additional fee income has not been reinvested in the building standards service.
22. The effects of these investments has enabled some authorities to provide a better verification service and meet KPO targets, deliver efficiency and productivity improvements and develop skills and competencies.
23. Consultations with eight authorities allowed more in-depth discussion of the effect of the fees increase on individual building standards services and found that it is difficult to draw general conclusions across all authorities as specific local circumstances were often the key drivers for investment in the service. For example, three authorities made considerable investment in the service, but this was to address issues of poor performance and the investment would have occurred without the fees increase, although the increase was beneficial. Cost savings were key issues in two authorities where the majority of additional

income was used to support savings or services elsewhere in the council. Recruitment difficulties were the main challenge for two authorities who had access to funds but were unable to recruit staff with the necessary experience/skills. Where fee income does not cover verification costs, the increased income was able to reduce the amount of funding from the authority.

### **Certification**

24. When fees increased in 2017, changes were made to certification discounts. The change in discounts was to encourage greater use of certification and it was hoped to lead to an increase in the number of certificates submitted.
25. For all certification schemes, the effects of Covid are clear with reductions in the number of certificates submitted in 2020/21. However, the effect of the change in discounts has been mixed for the three certificate of design schemes, with take-up of both energy schemes lower than they were before the increase. The structural scheme has seen uptake increase in 2021/22 following four years of declining numbers.
26. The effect of the change in discounts has been more positive on the certificate of construction schemes with the number of certificates increasing in both schemes in the years before Covid. However, while the drainage, plumbing and heating scheme has recovered well from Covid, the electrical installations scheme is now (2021/22) at a lower level than 2016/17.
27. The survey identified that the structural scheme is the scheme where the value of the discount forgone is least likely to cover the verification costs. Examples were provided of projects where the building warrant application was submitted with structural calculations and, as an external engineer had to be used, the fee for the engineer was greater than the fee for the building warrant.
28. It was suggested by local authorities that certification could be encouraged by better communication of the scheme benefits to users, increased KPO target times for applications without a certificate and a surcharge for non-certified work (although it was recognised that this may be complicated to administer).

### **Building Control in England and Wales**

29. Building control fees and services in England and Wales operate in a different manner to Scotland with a mix of public and private provision and local authorities setting their own fee levels. Local authority building control departments are subject to strong competition from Approved Inspectors (AIs) who account for approximately 40% of the work. Local authorities set fees within a framework which means they should achieve overall cost recovery and the cost of the fees should, broadly, reflect the cost of delivering the service.
30. The Regulations make clear that only certain building regulation functions may attract a charge and there is surprising variation in the share of chargeable activity in total costs. On average around 75% of total costs are chargeable costs with most authorities trying to increase the percentage by focusing on efficiency



in the delivery of non-chargeable activity. LABC are currently in discussions with the Department for Levelling Up, Housing and Communities around extending the scope of activities where local authorities can charge fees.

31. The fees are set using an hourly rate which can vary across areas to reflect underlying staff costs and competition from the private sector. The total cost of delivering the service is based on the direct costs of staff time and recharges of other costs across the local authority to the building control department. There is considerable variation in the approaches adopted by local authorities in respect of charging for central overheads and debate between building control department managers and local authority finance teams as to what is a fair and reasonable charge.
32. Estimated fees are based on the expected time spent delivering specific services multiplied by the total hourly rate. Many authorities have based their charges on a model set of charges produced by LABC in 2011. As separate fees are quoted for plan checking and inspections, the schedules can run to several pages. Fee schedules can also be based on different parameters e.g. specific activity such as replacing a number of windows, floor area or value of work. Smaller domestic work tends to have fixed fees (e.g. garage conversion) and there tends to be a standard per dwelling fee for domestic new builds. There is some support for a national fee calculator for each project type where the only variable would be the individual local authority's hourly rate. Some authorities increase charges every year in line with the consumer price index, while others review charges periodically.
33. The new Building Safety Act is creating, for certain works, a new Building Safety Regulator. This will apply to residential buildings over seven stories or 18 metres high. The Regulator will be funded from fees charged to applicants. The Regulator will then approach local authority building control departments to undertake the work. Local authorities will receive payment from the Regulator and will have to demonstrate competence/experience to undertake the work. Details are being finalised and it is not yet clear if there will be a central hourly rate for the work or if it will vary by authority.

### **Future Changes to the Building Standards System**

34. There are several potential changes to the delivery of the building standards service which could impact on the resources of building standards departments. These include:
  - A central hub: this was not anticipated to have a major impact on workload.
  - Pre-application discussions: there is variation in the extent to which these are currently held and authorities were generally not supportive of charging for these. The exception was for High-Risk Buildings (HRBs) where charging could be appropriate as there is expected to be additional work.

- Compliance plan: this is a change which could have a significant impact on workload. It was also felt that more Construction Compliance and Notification Plan (CCNP) notices and stricter compliance procedures will lead to increased workload not only directly from carrying out increased checks, but also following up the number of defects found.
- Compliance plan manger: some authorities feel that, as this is the responsibility of the applicant, it will have a minimal impact on workload while others see the potential for increased workload in liaising with the manager.
- Pro-active enforcement: this is expected to lead to additional work.
- Monitoring HRBs: authorities consider this will lead to an increased workload, although it would be tied into the compliance plan and checks may be done anyway.
- Post completion enforcement: this could lead to a major impact on workload.

### **Costs Associated with Potential Changes to Building Standards Delivery**

35. The role of the central hub is being developed through the Hub - Pilot, but BSD envisage that it will include a range of activities including education and training, digital support and expert support on specialist services such as structural engineering, fire engineering and energy. For the analysis in this report, it is assumed that the annual cost of the hub would be £750,000. This would provide for 5.5 FTE senior staff, 2 FTE admin staff and a research budget of £200,000.
36. If £750,000 was to be raised from fees, this would imply an increase in fees of just over 2% on current levels.
37. The other changes described in paragraph 34 above would arise at the local authority level and should be paid for through a change in fees. For most of the changes described, the survey found that a majority of authorities felt that there could be an increase in workload of between 10% and 50%. The research assumes that the potential changes will add 30% to local authority workloads.
38. As KPO5 targets building warrant fee income to be 130% of verification staff costs, this cost base has been adopted for the analysis. Applying the 30% uplift to verification staff costs plus 30% for overheads yields an increase in cost needed of £9.1 million. This level of additional cost would imply an increase in fee income of almost 26%<sup>1</sup>.

---

<sup>1</sup> This percentage is lower than the increase in costs as income was higher than costs in the base year

39. Combining the cost of the central hub and the local proposed changes yields an additional funding total needed of £9.86 million. This is equivalent to an increase in current fee income of almost 28%.

### **Options for Raising Fee Income**

40. Four main options for raising additional income through fees were identified:
- Option 1 – Simple:
    - Option 1: simple pro-rata increase in current fee rates
    - Option 1a: simple pro-rata increase but with the option for authorities to charge for certain activities e.g. pre-application discussions, cost of checking structural calculations etc.
    - Option 1b: simple percentage uplift to fees but a change to the entry minimum fee and the ‘slope’ of fee rates to increase loading on the smaller, lower value projects.
  - Option 2 – Bespoke: the introduction of different fee rates for HRBs where compliance plans are required.
  - Option 3 – Project Types: the introduction of fees for specific types of work to better reflect delivery cost. This would be similar to the situation in England and Wales where authorities can specify the cost of warrants for different types of work e.g. extensions of different sizes.
  - Option 4 – English Model: this option would delegate fee setting to each local authority.

### **Modelling the Options and Results**

41. A spreadsheet model was developed to project fee income under alternative fee structures and scenarios. The core model estimates fee income from building warrant applications by type and value of work bands. It then makes an allowance for discounts provided for certification to determine total building warrant fee income net of certification.
42. All options have been modelled on the average number of building warrant applications over the last five years. Table 1 sets out the results for Options 1, 1a, 1b and 2. The Table shows the base level of fee income (based on current fees), the additional income (from the proposed changes) and total income for each option.
43. The Table shows:
- Option 1 (a flat increase of 28% across all values of work and type of application) yields additional income of £10.2 million.

- Option 1a (Option 1 but with the potential to charge for specific services) yields additional income of £12.2 million. This comprises £10.2 additional income from Option 1 plus potential discretionary income of £2 million. Charging for checking structural calculations and the building standards register add approximately £1m each in additional fees.
  - Option 1b (varying the percentage uplift<sup>2</sup> by value of work) yields an additional £10.3 million.
  - Option 2 (different fee rates for HRB and non-HRB projects) yields an additional £10.3 million in fees.
44. Modelling Option 3 is beyond the scope of the research and would require agreement on the different types of project, assumptions about the proportion of building warrant applications accounted for by the different project types and a template for verification for each project type.
45. Detailed modelling of Option 4 is also beyond the scope of the research but some basic analysis was undertaken to determine the average cost of a building warrant in each authority if fees were set to recover costs. Average verification staff costs plus 30% per building warrant and amendment application was calculated and found to exceed average income per warrant in eleven authorities and, in some of these authorities, the excess is several hundred pounds.

**Table 1: Summary of Modelling Results, £million**

	<b>Base Fee Income (Net of Cert. Disc.)</b>	<b>Additional Fee Income</b>	<b>Additional Fee Income (HRBs)</b>	<b>Total Fee Income</b>
Option 1	34.4	10.2	-	44.5
Option 1a	34.4	12.2	-	46.5
Option 1b	34.4	10.3	-	44.7
Option 2	34.4	7.4	2.9	44.6

Note: Rows may not sum due to rounding

Option 1a comprises additional income of £10.2 million (Option 1) plus £2 million from additional discretionary charges

<sup>2</sup> All fixed fees, amendments, extensions and value of work up to £10,000 is a 45% uplift, work between £10,001 and £250,000 is a 35% uplift, work between £250,001 and £1m is a 25% uplift, work over £1m is a 15% uplift.

46. The advantage of Option 1 is that it is easy to implement and maintains a relatively simple approach to fees. Proportionately, all fee bands are treated the same and it continues with a system which is understood by customers. The disadvantage of this option is that there may still be an element of cross subsidy and, while some of the proposed changes to the delivery of building standards are focused on HRBs, HRB projects with the same value of work as a non-HRB project would pay the same fee.
47. Option 1a retains all the advantages and disadvantages of Option 1, but provides authorities with the opportunity to charge for specific activities, if they want. This could lead to different fees for the same project in different authorities, could discourage applicants for non-HRB projects to approach the authority for discussions and could add to the complexity of fees for users.
48. Option 1b would help to provide a greater contribution to cost recovery and all authorities would benefit as they all receive a relatively high proportion of lower value work. The disadvantages of this option would be a move away from the current position which acknowledges there is cross subsidy of low value projects and it may discourage applications for building warrants for low value work.
49. The advantages of Option 2 include tailoring the increase in fees to buildings where the requirements for building standards will be more onerous. The change in fees can be related to the change in workload and authorities would be able to recover some of the additional costs associated with the introduction of the compliance plan. The disadvantage of this option is that some HRBs may already pay a relatively high fee.
50. The advantages of Option 3 include the potential for fees to better reflect the actual cost of work and the removal of potential issues over the value of work as project types are defined by type. The disadvantages include its lack of "inflation proofing" which would necessitate regular review, the need for a standard template for the level of inspection work by project type which would reduce the flexibility of authorities to tailor work to specific project requirements and it would be a major change from the existing approach.
51. Option 4 would allow authorities to set their own fees to cover their costs and reflect local circumstances. However, this could lead to local authorities adopting different approaches to fee setting and different fee levels across authorities. There could be problems in determining the actual cost to be recovered and oversight would be required to ensure authorities were only achieving full cost recovery and no more. Introduction of this Option would require substantial explanation to users.

# 1. Introduction

## 1.1 Context

- 1.1.1 In July 2017 there was a change to building standards fee levels. The objective of the change was to increase income from building warrants and associated fees paid by users of the building standards system to achieve full cost recovery for verification. The Local Government and Communities Minister, Kevin Stewart advised that the changes to fees regulations will provide additional building warrant related fee income across Scotland. Overall, the Minister expected that the fee increase should provide every local authority with additional funding to help support their verification service and further improve performance. The fee increase also provided an alternative funding mechanism to cover the building standards related running costs of the Scottish Government Building Standards Division (BSD).
- 1.1.2 The proposed fee increase was expected to deliver approximately £3.5 million in additional funding which was split broadly as £2 million to support investment in the local authority building standards service and £1.5 million to cover the overall running costs of BSD.
- 1.1.3 Following the fire at Grenfell Tower in 2017 a Ministerial Working Group (MWG) was established to address issues of compliance and fire safety. To support the MWG two Expert Review Panels were convened, the first on Fire Safety and the other on Compliance and Enforcement. The Building Standards Futures Board was then established to provide direction and guidance on the implementation of the recommendations made by the Expert Review Panels. The Board is leading a programme of work under seven workstreams which are interlinked and collectively aim to drive forward the transformation of the building standards system in Scotland. The introduction of some of the proposed changes identified by the Futures Board will have implications for the cost of delivering the building standards service in the future.
- 1.1.4 The purpose of this study is to review building warrant fees in Scotland. The study should consider how fees are used to support the delivery of the verification service and how verifiers invest in their service to meet the requirements of both the Operating Framework and Performance Framework. The study must also determine how the future requirements for building standards verification can be delivered and determine if there is a need for an increase in fees to support the changes.

## 1.2 Study Aims

- 1.2.1 The specific objectives of the research were set out in the terms of reference under four phases of work:

### Phase 1

- Determine if the current building standards fees are sufficient to support the delivery of verification services and to meet the operational and performance frameworks (conditions of verifier appointment) throughout Scotland.

- Review the additional income generated from fees following the 2017 increase and identify how much and how the income has been reinvested into local authority verification services.
- Review and quantify improvements in service delivery and verifier performance following the 2017 fee increase and identify if the objectives set out by the Minister were achieved.
- Review the impact on the building warrant fee of discounts for Certification of Design and Construction.

#### **Phase 2:**

- Identify and show how and if Grant Aided Expenditure (GAE) has been used to support the local authority building standards statutory functions.
- Identify and show how income from building warrant fees are used to support the local authority verification services provided by building standards teams.
- Identify and consider the impact of changes to the verification delivery model which will require additional financial resources e.g., Central Building Standards Hub, introduction of the Compliance Plan Manager Role, increased compliance requirements, pre-application discussion fees and the monitoring of high risk building (HRB) projects.
- Provide evidence to support incentivising the use of certification and potential reductions in fees when used to support the building warrant application process.

#### **Phase 3:**

- Review the current funding mechanism supporting BSD and identify any capacity in the system to support additional central services.
- Identify and report on similar funding mechanisms or other funding solutions which could be used to support a future Central Building Standards Hub or other similar bodies.
- Review the Local Authority Building Control fee setting in England and consider the benefits a similar mechanism would provide.
- Identify other relevant funding mechanisms which could be used.

#### **Phase 4:**

- Determine the frequency of increases to building warrant fees in Scotland and offer a solution for change e.g., 'a fee accelerator approach' or other fee increasing systems such as: considering the effect on the system of a significant increase such as 100%.

### **1.3 Methodology**

#### **1.3.1 There were three main components to the research:**

- Analysis of published data and data held by BSD.

- Stakeholder engagement including:
    - An online survey of Scottish local authorities.
    - Consultations with Local Authority Building Standards Scotland (LABSS) and Local Authority Building Control (LABC).
    - Consultations with eight Scottish local authorities and four English building control departments.
  - Modelling of different options for changing fee rates.
- 1.3.2 The analysis of published and other data was undertaken to establish the current position of the building standards service in Scotland including the number of building warrant applications, fee income associated with these applications, the cost of delivering the building standards service, the number of certificates of design and construction and the performance of the Scottish local authorities on the key performance indicators.
- 1.3.3 An online survey of all 32 local authorities was undertaken with 19<sup>3</sup> authorities responding which represents a response rate of 59%. A copy of the questionnaire is included in Annex A which sought to consider:
- The extent to which fee income covers the cost of delivering the verification service.
  - The role of grant aided expenditure (GAE) in supporting statutory functions.
  - The level of re-investment in the service following the 2017 fee increase.
  - Future changes to the verification delivery model and effects on workload.
  - Additional data to assist with modelling fee income.
- 1.3.4 To further our understanding of these matters, more detailed consultations were undertaken with eight<sup>4</sup> local authorities. The case studies were selected to reflect a range of authorities in terms of their urban/rural position, their size in terms of the number of building warrant applications, their position in terms of verification income and expenditure and their performance on key performance outcomes (KPO) KPO1 and KPO4.
- 1.3.5 Consultations were undertaken with four<sup>5</sup> English building control departments to discuss the advantages and disadvantages of the approach to fee setting in England and Wales where local authorities set their own fees.

---

<sup>3</sup> Aberdeen City, Aberdeenshire, Argyll and Bute, City of Edinburgh, Dundee City, East Dunbartonshire, Fife, Glasgow City, Highland, Moray, North Ayrshire, North Lanarkshire, Orkney Islands, Perth and Kinross, Renfrewshire, Scottish Borders, South Ayrshire, Stirling, West Lothian

<sup>4</sup> East Lothian, Edinburgh, Glasgow, Highland, North Lanarkshire, Renfrewshire, South Ayrshire, Western Isles

<sup>5</sup> Carlisle City Council, 3C Shared Services, Central Building Control, Building Control Solutions



## 1.4 Report Structure

### 1.4.1 The report is organised as follows:

- Section 2 assesses the income and expenditure associated with the verification and building standards service for Scotland and by local authority. It draws on published statistics and data held by BSD.
- Section 3 provides an overview of the performance of the local authorities against three of the KPOs – KPO1, KPO4, KPO5.
- Section 4 analyses the change in fee income which occurred following the 2017 fees increase. The analysis considers the effect on grant aided expenditure and the level of reinvestment in the service.
- Section 5 provides an overview of the approach to fee setting in England and Wales and considers the issues related to that approach.
- Section 6 considers future changes to the building standards system and the potential additional costs associated with the changes.
- Section 7 sets out a number of options for raising additional income from fees.
- Section 8 sets out details of the “fee model” and the results of modelling the different options for raising fees.

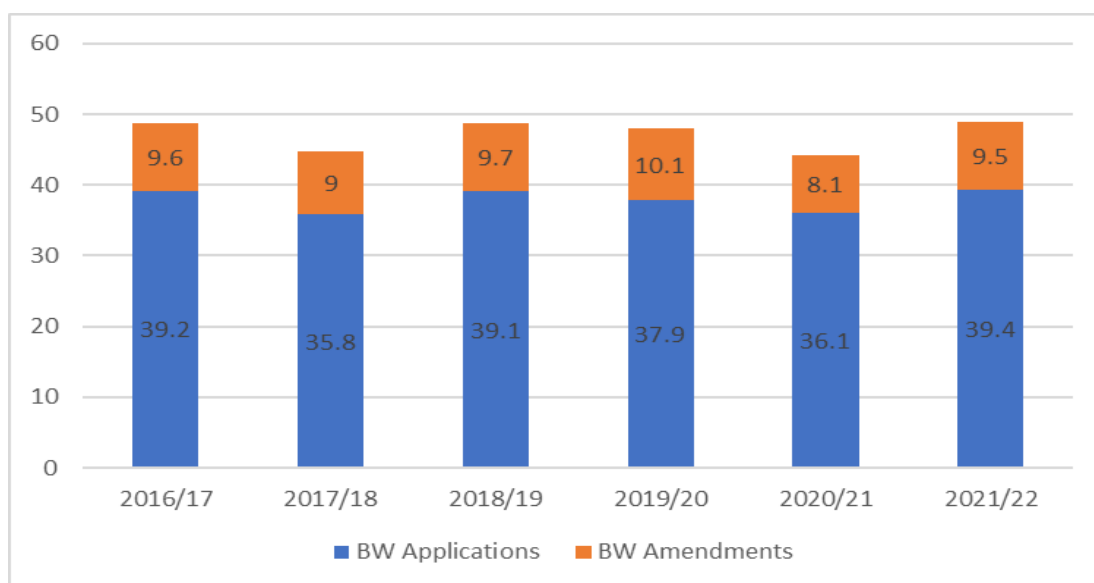
## 2. Building Standards Income and Expenditure

### 2.1 Introduction

2.1.1 This section considers the income and expenditure of the building standards service across Scotland and by local authority. The analysis considers published data from local government financial returns and data provided directly to BSD from building standards departments as part of their quarterly KPO returns. The analysis however, begins with an overview of the number and character of building warrant applications.

2.1.2 Figure 2.1 shows that the number of building warrant applications has fluctuated at around 38,000 per annum (excluding 2017/18 and 2020/21). The dip in 2020/21 is likely to be the effect of Covid 19 with the dip in 2017/18 possibly related to the fees increase in July 2017. The number of applications for amendments to warrants also fluctuates from year to year, but averages approximately 9,300 per annum. This is approximately 24% of total building warrant applications.

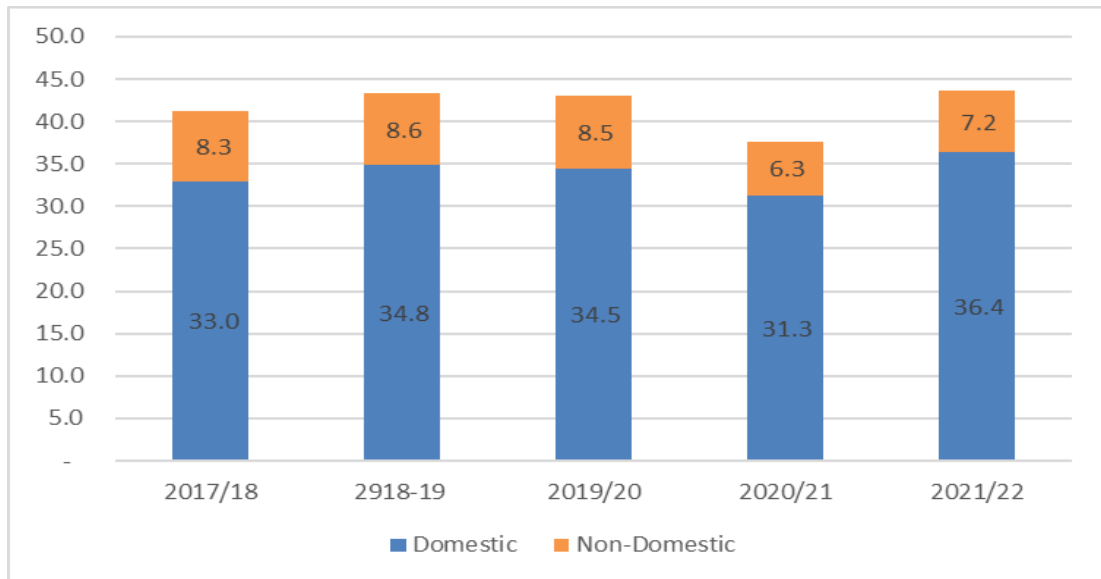
**Figure 2.1: Number of Building Warrant Applications and Amendments to Warrant, 2016/17 to 2021/22 (000s)**



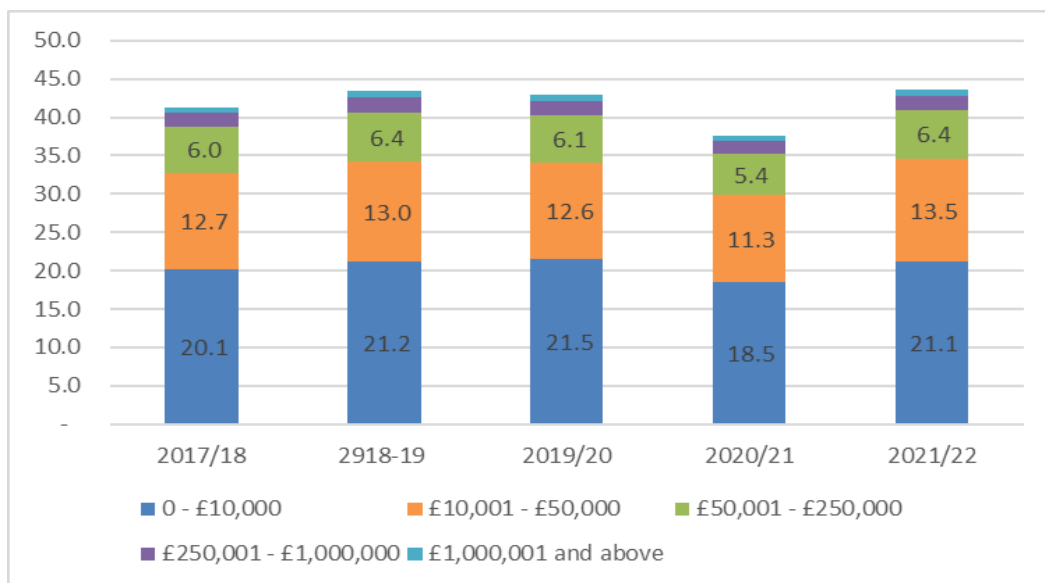
2.1.3 Data on the characteristics of warrants issued are available for the period from 2017/18. Figures 2.2 and 2.3 show the distribution of warrants by domestic and non-domestic activities and by value of work band respectively. The main points to note are:

- Domestic building warrants are the dominant type of warrant accounting for approximately 80% of warrants issued.
- Warrants issued in the lowest value of work band (£0 to £10,000) account for almost half of all warrants with a further 30% in the £10,001 to £50,000 value of work band.

**Figure 2.2 Number of Building Warrants Issued by Type of Project (000s)**



**Figure 2.3: Number of Building Warrants Issues by Value of Work (000s)**



## 2.2 Local Financial Returns Data

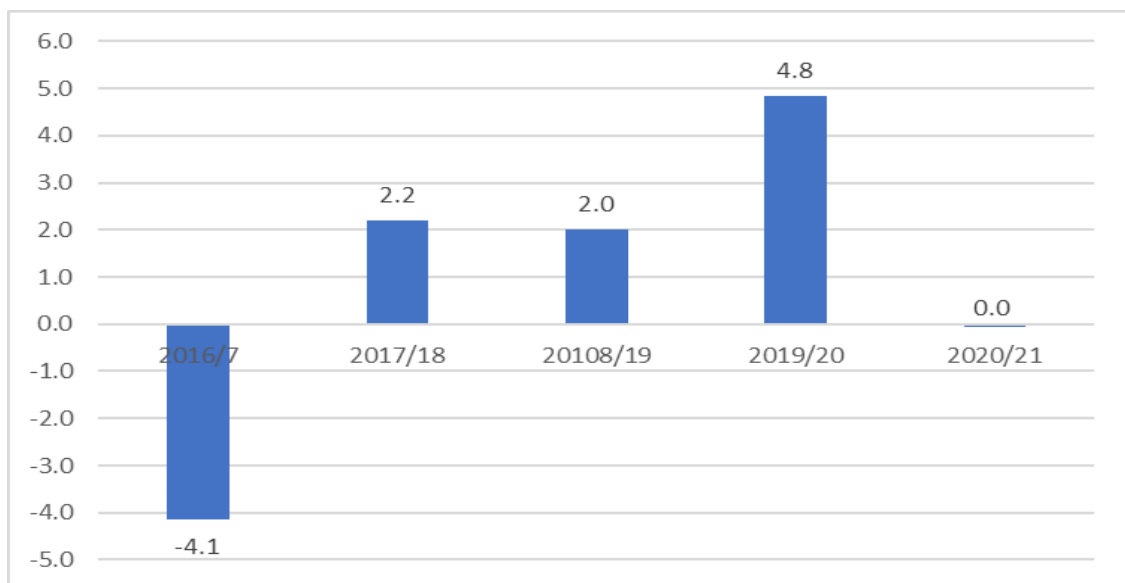
### Scotland

2.2.1 Scottish Local Government Financial Statistics (SLGFS) is an annual publication that provides a comprehensive overview of the financial activity of Scottish local authorities based on authorities audited accounts. Within the publication, there is detailed information on the cost of providing local government services and any income associated with different services.

2.2.2 Within SLGFS, building standards is included within the service category “Building, Planning and Development” and information on all expenditure and income relating to building standards, planning and economic development is available from Local Financial Return (LFR) 07.

2.2.3 Figure 2.4 shows the overall position of building standards<sup>6</sup> in Scotland with respect to income and expenditure from the LFRs. This is all expenditure on building standards, not just verification expenditure. In 2016/17, expenditure on building standards exceeded the income of the service by £4.1 million. Following the increase in fees in July 2017, the position was reversed, and income exceeded expenditure by £2.2 million in 2017/18. A similar surplus was achieved in 2018/19 with a substantial surplus of £4.8 million achieved in 2019/20. There was a slight deficit in 2020/21, but this figure is likely to have been affected by the Covid pandemic.

**Figure 2.4: Income less Expenditure on Building Standards: Scotland £million**

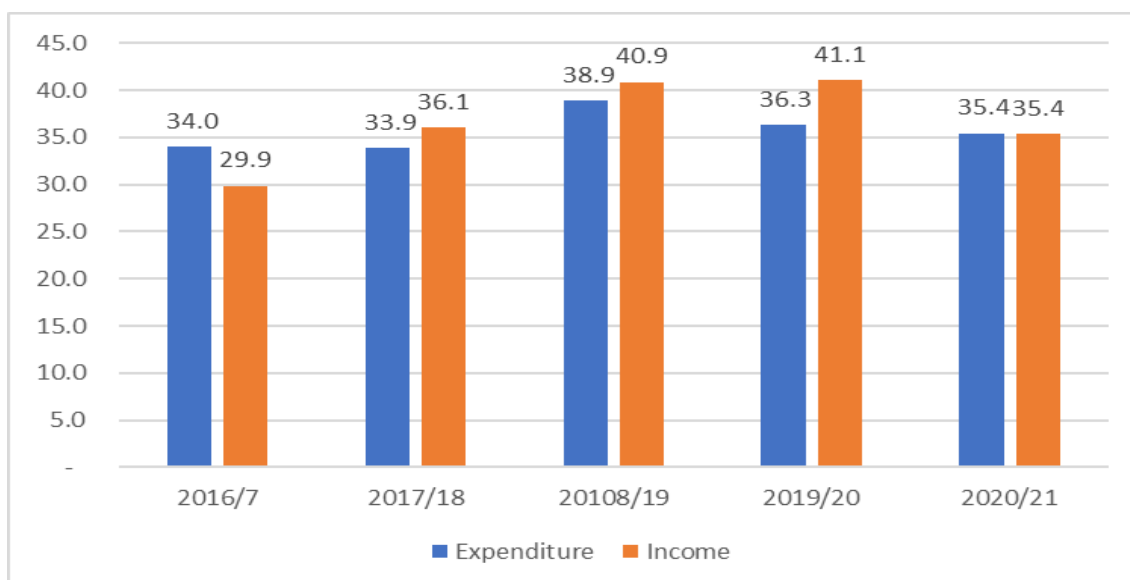


2.2.4 Figure 2.5 shows gross service income and expenditure in Scotland between 2016/17 and 2020/21. The LFRs do not provide any breakdown of income, they only show the total income an authority receives in relation to the specific service provided. The income could be from customer/client receipts or specific grants.

2.2.5 The effect of the fee increase in July 2017 is seen in the change in income between 2016/17 and 2017/18 with income increasing by over £6 million (20%) between these two years while the number of building warrants and amendments fell by 8% from 48,800 to 44,800. Further increases in income were achieved in 2018/19 and 2019/20 before income dropped back in 2020/21 as Covid 19 impacted construction activity. In 2018/19 and 2019/20 income per building warrant and amendment application was approximately 50% higher than 2016/17.

<sup>6</sup> Note that this will include all building standards services and not just verification services.

**Figure 2.5: Building Standards Income and Expenditure, Scotland, £million**



2.2.6 Expenditure on building standards has fluctuated throughout the period. Between 2016/17 and 2018/19, it increased by almost £5 million (14%) to £38.9 million but has since decreased to £35.4 million in 2020/21. Care should be taken with 2020/21 data as it is expected that there will be an impact due to the Covid Pandemic.

2.2.7 Expenditure in the LFR is broken down into three components:

- Support services: the provision of services such as IT, HR, legal etc.
- Recharge income from other services: this is included to ensure double counting caused by internal charging is eliminated within the gross expenditure calculation.
- All other expenditure: this covers employee costs, operating costs (e.g. premises, transport, supplies and services) and transfer payments.

2.2.8 Across Scotland as a whole, support services accounted for approximately 10% of total expenditure in 2020/21. This has been broadly stable at between 10% and 12% since 2017/18<sup>7</sup>.

2.2.9 “All other expenditure” accounted for 92% of building standards expenditure in 2020/21 and is a very broad category which does not allow employment costs to be identified separately from other operating costs. Gross service expenditure is also understood to include an element of central overheads but these are not shown separately. The Local Government Finance Unit have confirmed that no further breakdown is available for building standards.

---

<sup>7</sup> There is no detailed breakdown available for 2016/17 online.

## Local Authorities

2.2.10 The net position of each local authority in terms of income relative to expenditure is shown in Annex B for each of the five years of data. In 2016/17 (before the 2017 fee increase) only ten authorities returned an excess of income over expenditure. By 2018/9 and 2019/20 this had increased to 20 authorities, although there has been a decrease in this number in 2020/21.

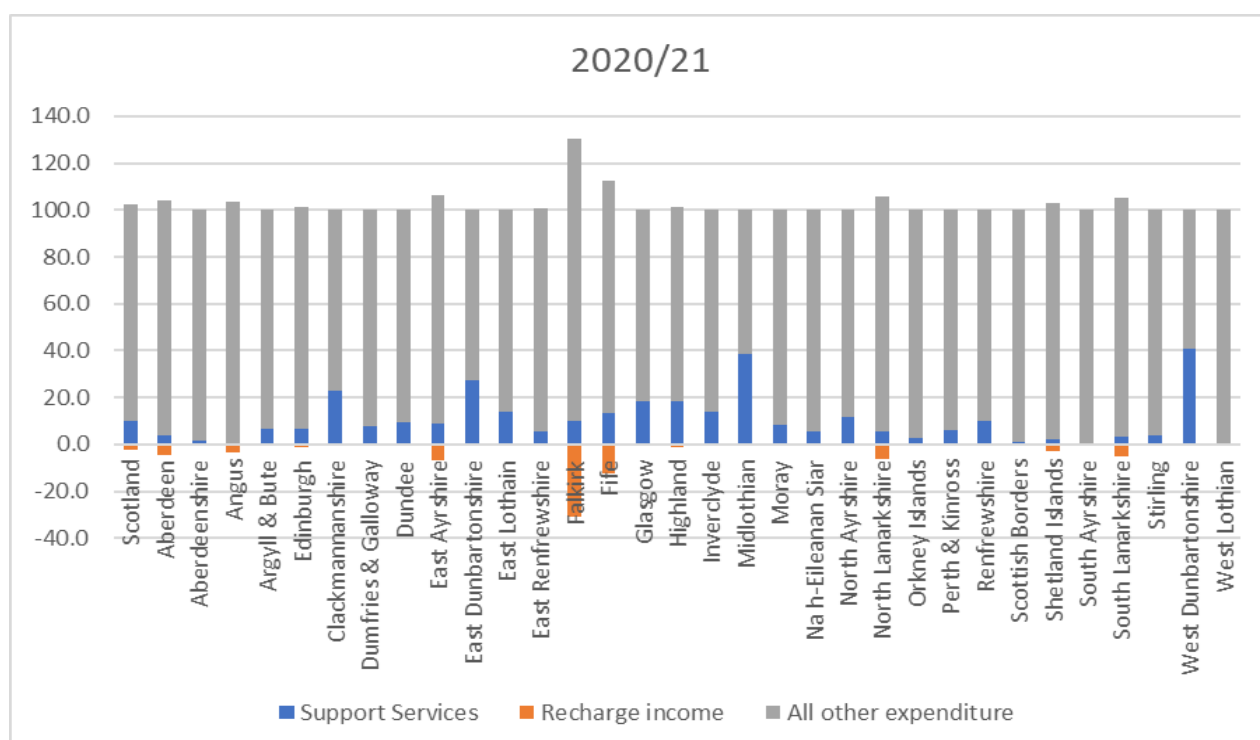
2.2.11 Throughout the period, LFR data shows that eight authorities have spent more on their whole building standards service than they have received in income – Aberdeenshire, Argyll and Bute, East Ayrshire, East Dunbartonshire, Falkirk, Na h-Eileanan Siar, Shetland Islands and South Ayrshire. Some of the authorities (Aberdeenshire, Argyll and Bute, Falkirk and Shetland Islands) have experienced a decline in their expenditure over the period, but the reduction is not sufficient to move them to surplus authorities.

2.2.12 Seven authorities have brought in more income than they have spent on building standards throughout the period – Angus, East Lothian, Glasgow, Orkney Islands, Renfrewshire, South Lanarkshire and West Lothian.

2.2.13 Figure 2.6 provides a summary of the main components of expenditure for Scotland and each local authority in 2020/21 using local financial return data. The Figure shows that there is considerable variation in the share of expenditure accounted for by support services with the share being around 40% for West Dunbartonshire and Midlothian and less than 2% for Aberdeenshire, Angus, Scottish Borders, Shetland Islands and West Lothian.

2.2.14 The substantial variation across authorities raises concerns about the consistency of the treatment of components of expenditure across authorities.

**Figure 2.6: Main Components of Expenditure on Building Standards, 2020/21**



## 2.3 Verification Income Data from BSD Returns

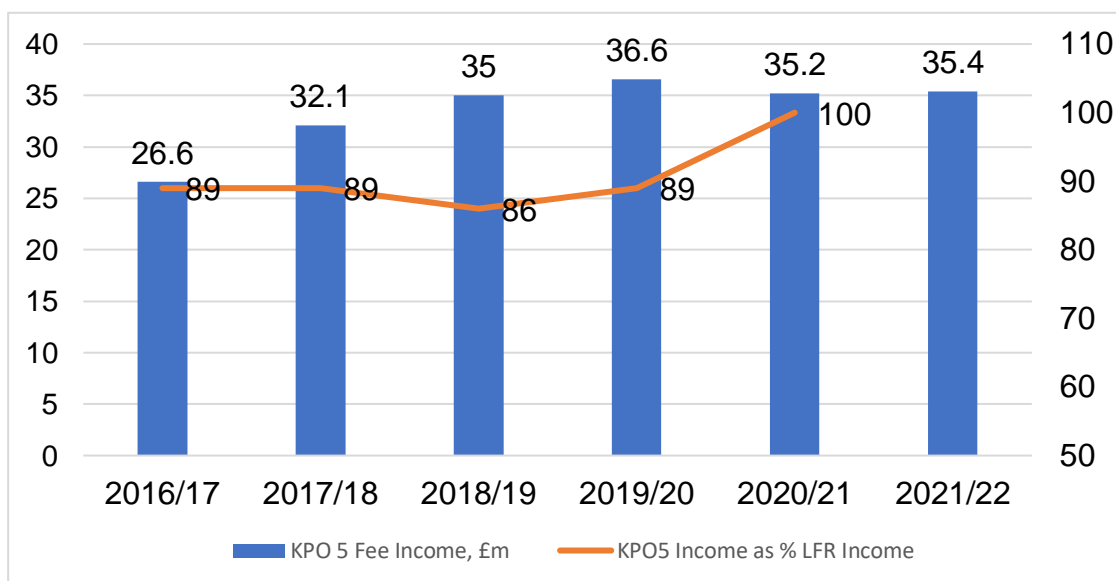
### Scotland

2.3.1 BSD collect more detailed information from building standards departments on a quarterly basis as part of the building standards performance framework. Data from the quarterly returns show building warrant related fee income increased from £26.6 million in 2016/17 to £32.1 million in 2017/18 and £35 million in 2018/19. Building warrant related fee income has remained relatively stable at around £35 million per annum since 2018/19. Details are shown in Figure 2.7.

2.3.2 Comparison of 2016/17 and 2018/19 (the first full year of the fee increase) shows there was an increase in fees of almost £8.45 million or 31.8% between these two years. Figure 2.1 above shows that building warrant applications and amendments were broadly stable between these two dates (48,784 in 2016/17 and 48,819 in 2018/19). To isolate the impact of the fees increase in 2017/18, average income per warrant application in 2016/17 has been applied to the number of applications in 2018/19 to determine 2018/19 income without the increased fees. Of the £8.45 million in additional fee income between 2016/17 and 2018/19, £8.43 million can be attributed to the fee increase.

2.3.3 The data show that the 2017 increase in fees achieved, at the Scotland level, the objective of delivering an additional £3.5 million in income.

**Figure 2.7: Building Warrant Related Fee Income, £millions**

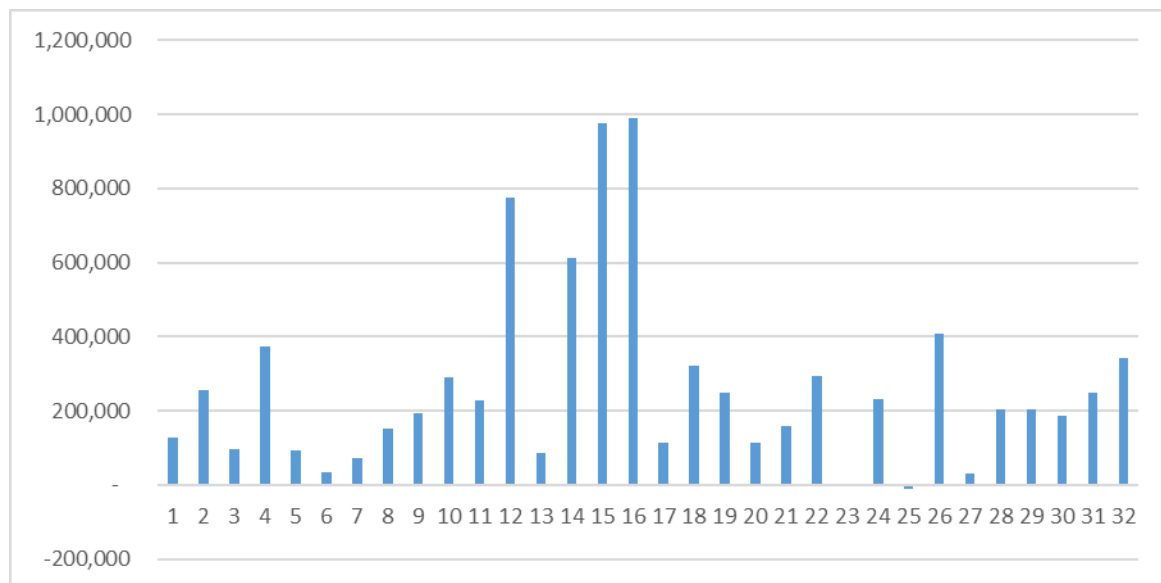


2.3.4 Comparison of building warrant related fee income with gross service income in Figure 2.5 shows that for the five years for which there are data, building warrant related fee income has averaged 90% of gross service income (although it was almost 100% in 2020/21). It is not clear why fee income is systematically lower, but it is expected that the LFR includes some income related to non-verification activity while the BSD return data is fee income related only to building warrants.

## Local Authorities

2.3.5 In general, the fees increase in 2017 led to an increase in building warrant fees in most authorities. Figure 2.8 shows the change in income in individual local authorities between 2016/17 and 2018/19. All but two authorities saw their building warrant related fee income increase between 2016/17 and 2018/19. In both authorities where there was a reduction in income, the reduction was relatively small (-0.7% and -1.5%). Not surprisingly, the largest increases in fee income were in the authorities with the largest number of building warrant applications.

**Figure 2.8: Change in Building Warrant Related Fee Income between 2016/17 and 2018/19 by Local Authority**

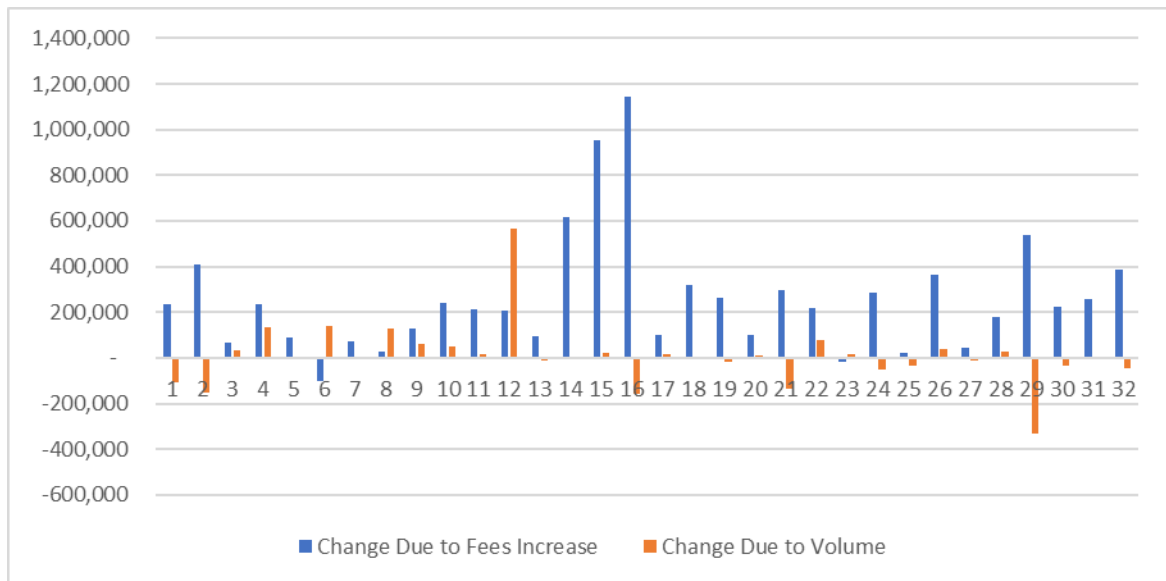


2.3.6 Figure 2.9 shows the change in fee income in each authority where the change is split between the change as a result of the fees increase and a change due to the volume of applications. In the two authorities where income did not increase, there was a reduction in applications between the two dates such that the increase in income from the change in fees was insufficient to offset the reduction in income due to a lower number of applications.

2.3.7 For most authorities, the change in income was driven by the increase in fees, although there were two authorities where the increase in income was predominantly due to an increase in the volume of applications. In one authority, the number of building warrant and amendment applications increased between the two dates, but average income per application was much lower in 2018/19 despite the increase in fees. This may suggest a lower number of “high value” projects in 2018/19.

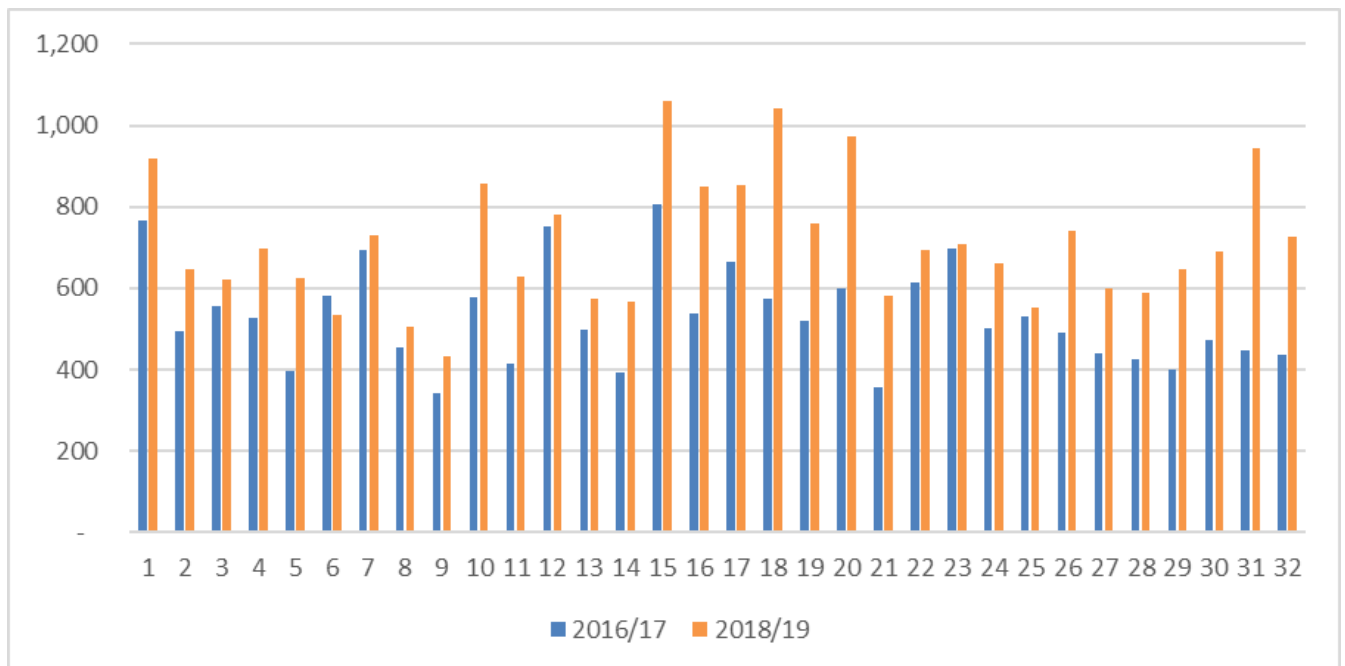


**Figure 2.9: Change in Fee Income between 2016/17 to 2018/19 Due to Fees Increase and Change Due to Volume of Applications by Local Authority**



2.3.8 For Scotland, average fee income per application (building warrants and amendments) increased from £544 in 2016/17 to £717 in 2018/19 and was £724 in 2021/22. This is an uplift of approximately 30%. In most authorities there is a clear increase in average income per application between the two years. Details are shown in Figure 2.10.

**Figure 2.10: Average Fee Income per Application by Local Authority, 2016/17 and 2018/19, £**

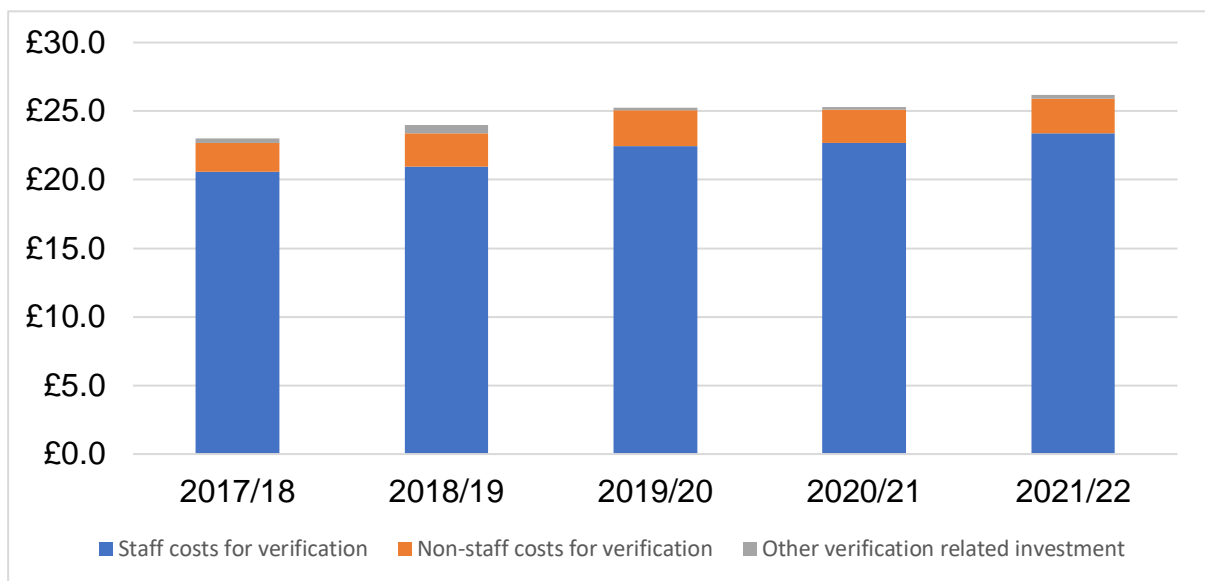


## 2.4 Verification Cost Data from BSD Returns

### Scotland

2.4.1 Since 2017/18, BSD has collected data on the cost of providing the verification service as part of KPO5. Data are available for staff costs, non-staff related costs and other verification related investment. Total direct verification costs have increased each year from £23 million in 2017/18 to £26.2 million in 2021/22. These direct verification costs do not include any allowance for general overheads in authorities attributable to the delivery of the service (e.g. office costs, many IT costs, HR etc.). Details are shown in Figure 2.11 which also shows the components of total verification costs.

**Figure 2.11: Cost of Building Standards Verification Service, £million**

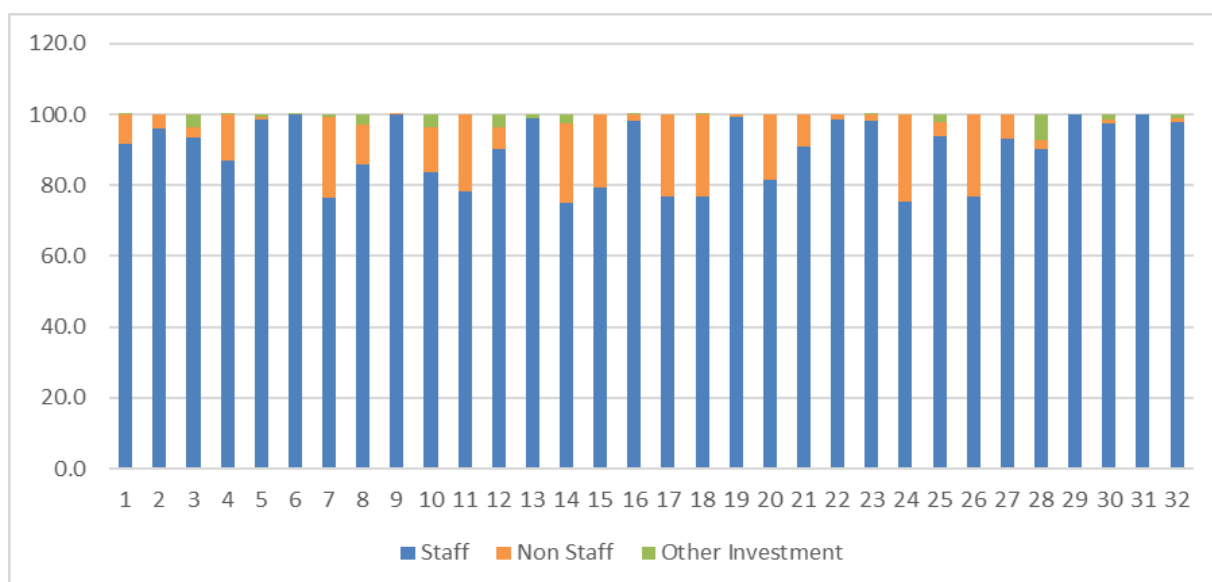


2.4.2 The direct cost of providing verification services is dominated by staff costs which at £23.4 million in 2021/22 accounted for almost 90% of the £26.2 million total direct costs. Other verification costs account for approximately 10% of costs.

### Local Authorities

2.4.3 The breakdown of verification costs by component shows quite a lot of variation across authorities. Details are shown in Figure 2.12. Three authorities have 100% of their verification expenditure allocated to staff costs while 19 authorities incurred no expenditure (or expenditure of less than £4) under other verification related investment.

**Figure 2.12: Components of Verification Costs by Local Authority, 2021/22**



2.4.4 The online survey sought to identify what was included in non-staff costs and other verification relation investment. Many of the respondents were unable to answer the question but, of those who did, the most common elements of non-staff verification costs were outsourced specialist services, recharged council services, PPE and IT. Very few survey respondents were able to provide an answer for other verification related investment. Those who did identified IT costs as the most likely cost to be included.

2.4.5 The case study discussions also sought to clarify what is included in the different components of costs. From the case studies the following points emerged:

- Verification staff costs include all costs (e.g. pension contributions, NI, etc.) and this was consistent across all the case study authorities. However, one authority did include travel and PPE costs as staff costs.
- One authority included an allowance for office accommodation<sup>8</sup> in non-staff verification costs while others included travel and the costs of specialist services.
- Training and IT costs were sometimes covered by wider corporate budgets.
- Overheads relating to the building standards share of wider authority services were not included in the KPO return data.

2.4.6 It can be concluded that staff cost is the dominant cost in verification expenditure and the most consistent across authorities in terms of what is covered by the category. There is rarely any allowance for general overheads in the figures and some inconsistency in the way authorities allocate other components of verification costs.

<sup>8</sup> This is usually part of general overheads

## 2.5 Verification Income and Expenditure Balance from BSD Returns Scotland

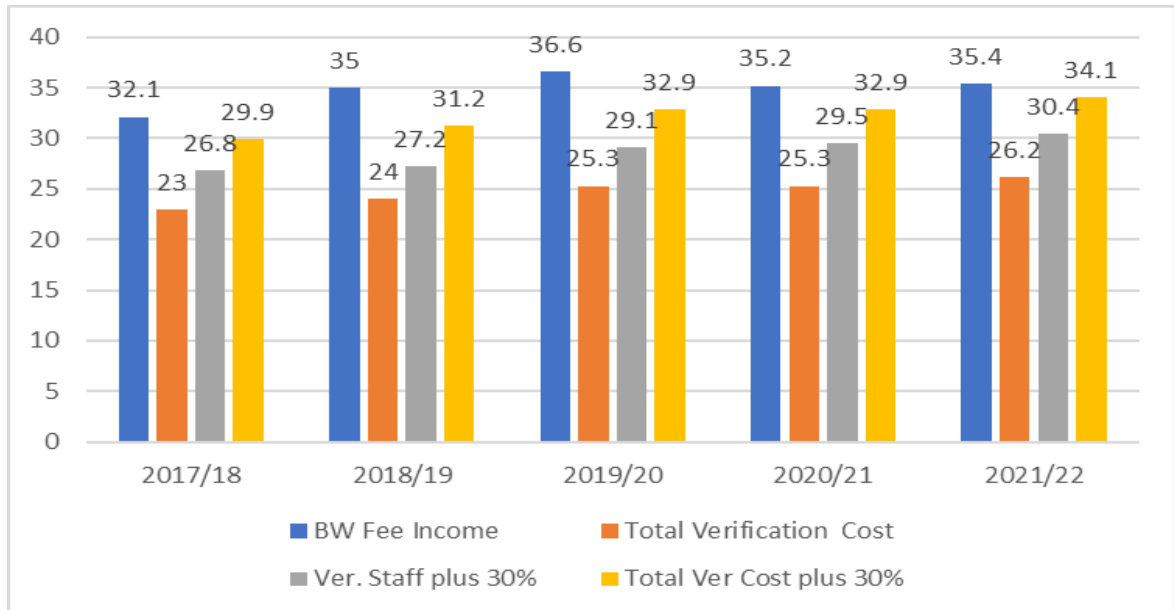
- 2.5.1 One of the objectives of the study was to determine if the current building standard fees are sufficient to support the delivery of verification services and to meet the operating and performance frameworks throughout Scotland. Combining the data from Figures 2.7 and 2.11 shows that income from building warrant fees exceeds the total cost of providing verification services in Scotland for the period 2017/18 to 2021/22. Although fee income has fluctuated over the years and verification costs have increased, there has been a surplus of building warrant fee income over total verification expenditure (excluding overheads) across Scotland. In 2021/22 the surplus of income was £9.2 million. Details are shown in Figure 2.13.
- 2.5.2 As discussed above, the verification costs do not include an allowance for general overheads. KPO5 is concerned with maintaining financial governance and the target for the KPO is for building standards fee income to cover indicative verification service costs measured as staff costs plus 30%. The 30% is a broad estimate of typical overheads and 30% of the 2020/21 verification staff costs is £6.8 million. If the LFR gross service expenditure figure for 2020/21 of £35.4 million (Figure 2.5) is compared to total verification costs plus non-verification staff<sup>9</sup> costs (£29 million), this suggests implied central overheads of £6.4 million. This is quite close to the £6.8 million derived from 30% of staff costs and suggests that 30% is a reasonable figure to use for overheads.
- 2.5.3 The evidence in Section 5 from consultations with building control departments in England suggests that 30% may be a relatively high figure in comparison to what is charged to building control departments in England at present.
- 2.5.4 If 30% is added to verification staff costs, the cost of verification increases to £30.4 million in 2021/22. Comparing building warrant fee income with verification staff costs plus 30% shows a surplus of income of £5 million in 2021/22. Adding non-staff verification costs to the £30.4 million figure for verification staff costs plus 30% overheads reduces the surplus of income over expenditure to £1.8 million. If the allowance of 30% for overheads is applied to total direct verification costs<sup>10</sup> (£26.2 million), total costs would be £34 million in 2021/22 yielding a surplus of income over expenditure of £1 million.

---

<sup>9</sup> See sub-section 2.6

<sup>10</sup> Total direct verification costs include verification staff costs, non-staff costs for verification and other verification related investment. Note that this excludes staff costs associated with non-verification activities (see Section 2.6)

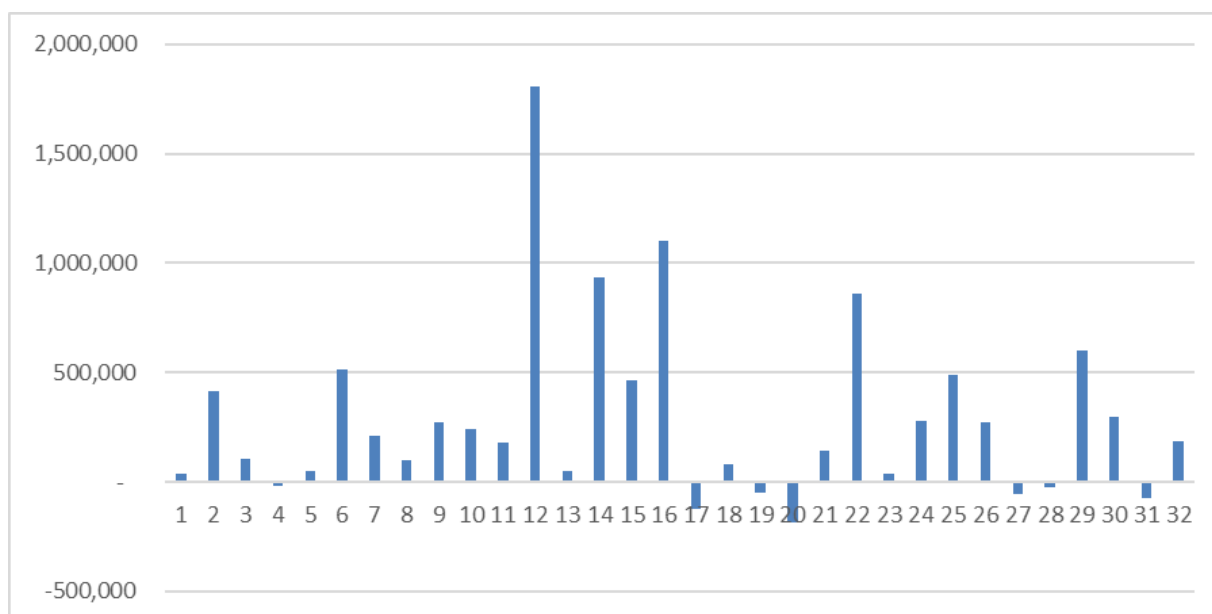
**Figure 2.13: Verification Income and Expenditure, 2017/18 to 2021/22, £millions**



### Local Authorities

2.5.5 There is considerable variation in the extent to which building warrant fee income covers the costs of delivering the verification service. Figure 2.14 provides the net position of verification income and expenditure by local authority for 2021/22. Analysis of the data since 2017/18 shows that the majority of authorities receive more building warrant fee income than they spend, but there have been several authorities per year which have run at a deficit i.e. more has been spent on verification than has been received in building warrant fee income. This includes three authorities where verification expenditure has been higher than building warrant fee income in every year since 2017/18 and one authority where verification expenditure has been higher than income in four of the last five years.

**Figure 2.14: Net Verification Income and Expenditure 2021/22, £**



2.5.6 The three authorities where building warrant fee income has never covered the costs of verification are rural authorities which can lead to higher costs of delivering the verification service (e.g. more time required for site visits and higher costs associated with these visits).

2.5.7 Analysis of total verification costs per application (warrants and amendments) shows that two authorities have average verification costs per application which are more than twice the Scottish average. One has relatively high verification costs per application (+40%) but it is understood that this authority has looked to commercialise its activities to generate additional income and help to reduce the excess expenditure over income. All these authorities receive income per application which is close to or just above the Scottish average.

2.5.8 Two authorities have higher costs per application (26% and 37% respectively) but these two authorities also have relatively low income per application (-11% and -16% respectively).

2.5.9 The survey of local authorities asked if current fees are sufficient to support the delivery of verification services. Overall, the majority of respondents (58%) felt that current fees are not sufficient to support the delivery of verification services. There was a clear difference between domestic and non-domestic work with 72%<sup>11</sup> of respondents believing that fees did not cover the cost of verification for domestic work. For non-domestic work, the majority (56%) of respondents felt that fees were sufficient to support the delivery of the verification service. Details are shown in Table 2.1.

<sup>11</sup> Percentage based on number of responses to the question

**Table 2.1: Are Current Fees Sufficient to Support the Delivery of Verification Services and the Operations and Performance Frameworks? (No. Respondents)**

<b>Verification Services</b>	<b>Yes</b>	<b>No</b>	<b>Not Answered</b>
Domestic	5	13	1
Non-Domestic	10	8	1
Overall	8	11	0
<b>Operational &amp; Performance Frameworks</b>			
Domestic	5	11	3
Non-Domestic	8	8	3
Overall	7	10	2

2.5.10 Overall, respondents stating that the current fees were not sufficient to support the delivery of verification services felt that fees are insufficient to cover inspections in line with Construction Compliance Notification Plans (CCNP). It was also suggested that more time is required for case officer training and development, detailed plan assessments and additional compliance checks. An increase in fees to support staff recruitment would also allow for a more efficient and effective service. Anticipated areas of improvement and expectations from the work of the Futures Board were felt to add to the pressures currently on the service e.g. increased compliance workload through more CCNP notices.

2.5.11 For domestic work, it was suggested that applications can often be processed at a loss to the authority given the intensive nature of the work. This is particularly the case for small domestic projects with a lower fee resulting in larger non-domestic projects effectively subsidising these smaller domestic projects. Where smaller domestic projects do not provide SER certificates and the authority does not have an in-house structural engineer, the third-party checks can, in some cases, cost more than the building warrant fee.

2.5.12 Respondents were asked if current fees are sufficient to meet requirements in the Operating Framework and Performance Framework. The results are also shown in Table 2.1. Overall, respondents did not think that fees are sufficient to enable them to meet the requirements of both the Operating and Performance Frameworks. Fees for domestic work, in particular, were felt to be insufficient.

2.5.13 Overall, it was suggested that current fee levels are insufficient to develop back-office systems or information management over the longer term and that current fees were only sufficient to meet the operational and performance frameworks because there is no performance target for KPO2 (increase the quality of compliance assessment during the construction process).

2.5.14 Regarding domestic work, one respondent highlighted that customers expect additional advice and service from a local authority that is not built into fees. The respondent felt that the fees did not allow for additional time to offer support and

have adequate staff free to answer queries. For non-domestic work, an authority suggested it was unable to fund an adequate number of case officers and ICT systems to provide business-friendly services that are able to deliver quick turnaround times and be able to react at short notice to project changes.

## 2.6 Building Standards Non-Verification Work

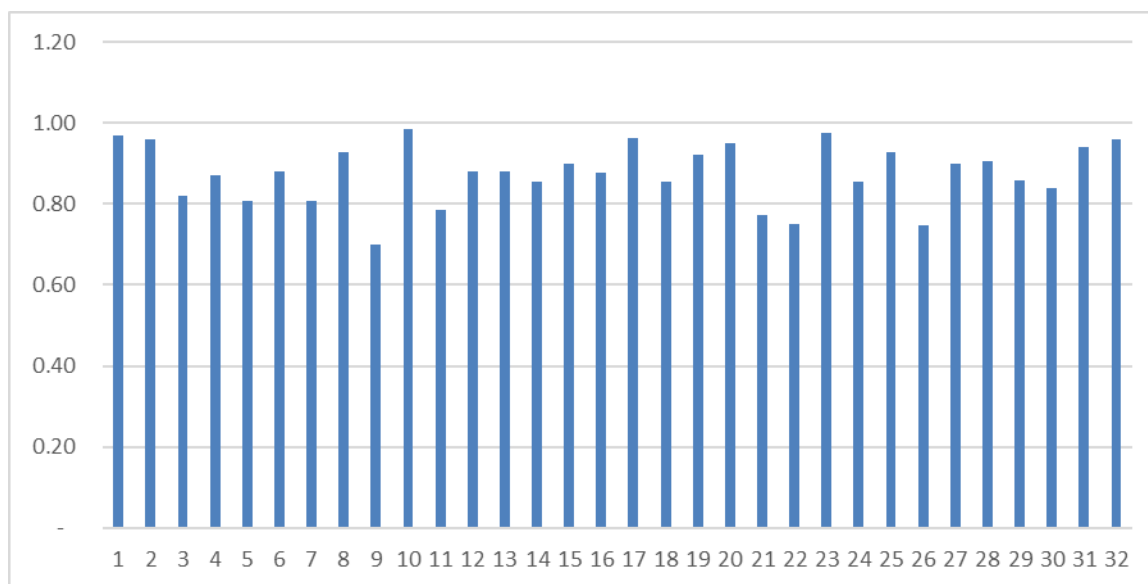
### Scotland

2.6.1 Building standards staff are also involved in statutory aspects of building standards delivery (e.g. enforcement activity) and other authority services (e.g. licensing, safety at sports grounds). The extent to which building standards staff are involved in non-verification activities can be measured by comparing total staff costs to verification staff costs. In 2021/22, total staff costs were £26.6 million with verification staff costs (at £23.4 million) suggesting the staff cost of non-verification work is £3.2 million. Over the last five years, verification staff costs average approximately 87% of total staff costs.

### Local Authorities

2.6.2 Verification staff costs as a proportion of total staff costs vary by local authority from 70% to 98%. Details of verification staff costs as a proportion of total staff costs are shown in Figure 2.15.

**Figure 2.15: Verification Staff Costs as a % of Total Staff Costs**



## 2.7 Summary

2.7.1 The main points to note from this analysis are:

- Using LFR data, the building standards service in Scotland has brought in more income from fees that it has spent on the service since the 2017 fees increase.
- BSD data show that the increase in fees achieved the objective of delivering an additional £3.5 million in income.



- The cost of providing the verification service is dominated by staff costs which is measured on a relatively consistent basis across authorities.
- For Scotland, verification income exceeds verification staff costs plus 30% (for overheads) by £5 million and total verification costs plus 30% by £1 million.
- There is substantial variation in the balance of income and expenditure across authorities with some authorities running at a deficit despite the increase in fees i.e. more has been spent on verification than has been received in building warrant fee income.

# 3. Key Performance Outcomes

## 3.1 Introduction

3.1.1 The performance framework sets out a number of verification KPOs. This section considers the performance of the authorities against three of the KPOs which have targets (KPO1, KPO4 and KPO5).

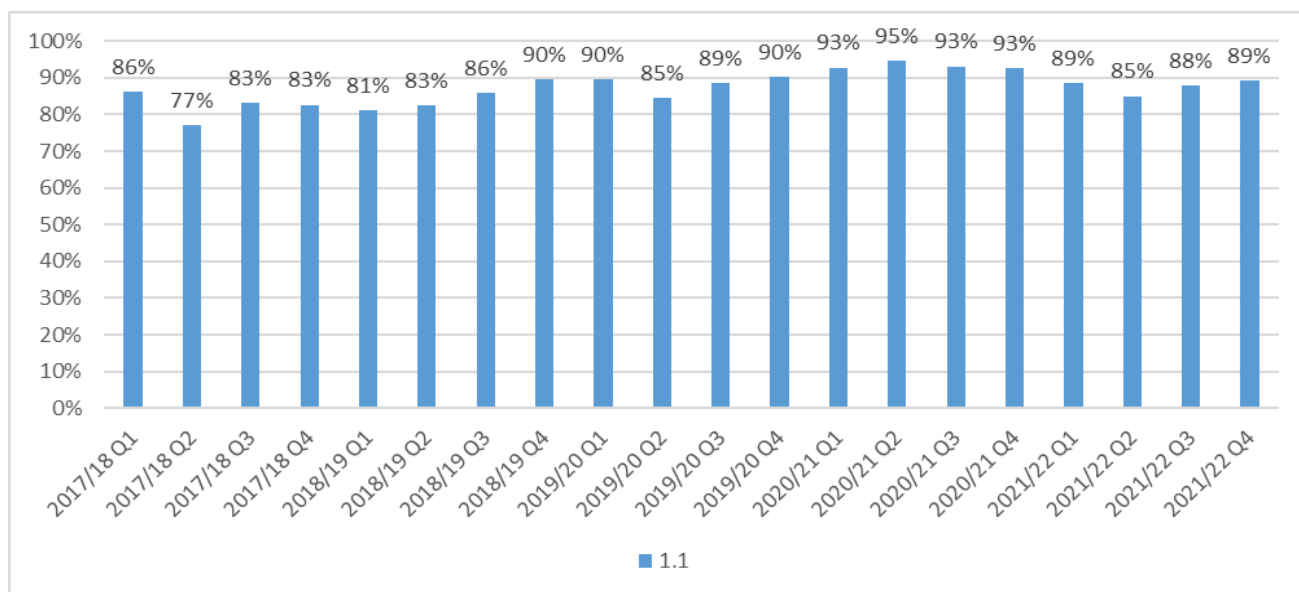
## 3.2 KPO1

3.2.1 KPO1 seeks to minimise the time taken to issue a first report or building warrant or amendment to a building warrant. The KPO is split into two parts with the following targets:

- KPO1.1: 95% of first reports (for building warrants and amendments) to be issued within 20 days.
- KPO1.2: 90% of building warrants and amendments to be issued within 10 days from receipt of all satisfactory information.

3.2.2 Figure 3.1 shows, for Scotland, the percentage of first reports and amendments issued within 20 days for each quarter between 2017/18 and 2021/22 (KPO1.1). For Scotland, the 95% target was only met once in Q2 of 2020/21.

**Figure 3.1: KPO 1.1 - 95% of First Reports Issued within 20 Days**



3.2.3 Table 3.1 provides a summary of the average percentage achieved each year since 2017/18 by local authority. Six authorities have achieved or exceeded the target every year and two authorities were more than 10 percentage points below the target of 95% throughout the period. Most authorities (including those which have not met the 95% target) have generally seen their performance improve since 2016/17.

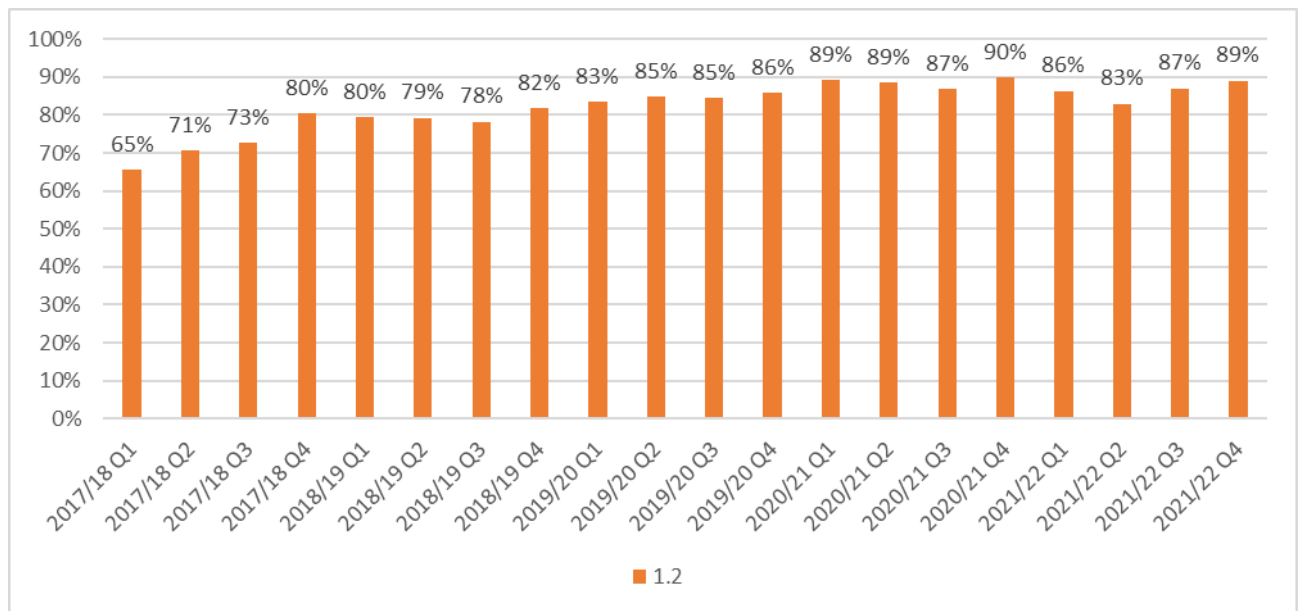
**Table 3.1: KPO1.1 Average Percentage of First Reports and Amendments Issued within 20 Days, %**

<b>Authority</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
1	84.0	91.1	98.7	98.1	97.5
2	90.8	95.4	94.1	97.6	96.2
3	92.9	86.3	97.6	95.0	81.7
4	96.5	96.5	98.0	96.6	96.0
5	98.3	96.1	98.5	96.5	96.2
6	67.8	37.0	41.8	67.6	48.9
7	87.5	86.8	85.8	87.2	55.8
8	96.3	96.0	93.1	99.5	99.8
9	77.6	58.8	41.1	97.5	88.2
10	52.9	54.1	87.8	90.3	91.5
11	61.4	80.3	84.5	91.0	78.9
12	60.9	81.7	95.9	97.7	93.7
13	98.6	98.5	92.0	94.8	95.6
14	93.8	92.9	99.1	98.3	98.9
15	95.8	97.9	97.7	95.8	95.8
16	85.4	89.0	84.9	96.4	88.3
17	96.5	94.7	94.3	95.4	92.0
18	95.8	96.1	91.7	96.6	91.9
19	86.9	98.4	99.0	97.2	98.0
20	98.5	99.9	100.0	97.4	98.5
21	99.7	98.6	80.0	91.5	96.8
22	92.7	91.2	92.1	96.8	75.9
23	97.8	99.6	99.4	97.1	97.8
24	97.8	95.9	82.9	92.6	88.9
25	32.2	48.4	52.8	42.1	48.2
26	56.0	59.6	86.8	93.2	68.4
27	90.5	72.3	94.1	97.5	97.0
28	51.5	57.1	76.1	80.7	91.9
29	82.4	73.1	89.7	95.2	79.3

30	78.8	91.6	97.4	95.2	93.2
31	72.9	70.8	71.0	82.5	89.3
32	100.0	100.0	100.0	100.0	100.0
<b>Scotland</b>	<b>82.2</b>	<b>84.8</b>	<b>88.2</b>	<b>93.3</b>	<b>87.7</b>

3.2.4 Figure 3.2 shows the percentage of building warrants and amendments issued within 10 days at the national level for each quarter between 2017/18 and 2021/22 (KPO1.2). For Scotland, the 90% target was only met once in Q4 of 2020/21. Although the target has not often been met, there has been a general improvement in performance over time.

**Figure 3.2: KPO 1.2 - 90% of Building Warrants & Amendments Issued within 10 Days**



3.2.5 Table 3.2 provides a summary of the average proportion of building warrants and amendments issued within 10 days of receipt of all satisfactory information (KPO1.2) for each year since 2017/18 by local authority. Seven authorities have achieved or exceeded the 90% target since 2017/18 while one authority was more than 10 percentage points below the 90% target throughout the period. Two authorities have seen their performance slip significantly in 2021/22 while two authorities have experienced a reduction in performance over the five years.

**Table 3.2: KPO1.2 Average Percentage of Warrants and Amendments Issued within 10 Days, %**

<b>Authority</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
1	58.6	82.2	87.2	87.6	79.2
2	93.1	94.3	94.2	97.4	95.6
3	92.1	92.4	97.2	96.2	93.2
4	96.3	97.8	98.5	98.2	98.3
5	89.9	89.4	96.7	87.0	95.0
6	34.1	78.3	62.9	89.9	86.4
7	85.9	87.0	86.8	87.3	75.6
8	89.0	92.2	89.3	92.9	97.4
9	64.1	44.0	61.7	94.2	83.1
10	94.4	73.6	81.4	87.7	89.3
11	93.1	98.6	97.7	95.6	96.4
12	43.0	63.3	83.5	94.7	92.8
13	81.7	90.9	90.0	92.2	92.7
14	71.5	72.1	84.7	87.8	83.4
15	77.5	80.9	83.1	69.5	78.4
16	0.0	74.8	83.5	90.2	89.4
17	90.4	74.6	77.9	57.3	62.7
18	84.4	84.6	78.9	85.8	79.2
19	62.0	94.4	99.0	90.4	91.6
20	91.7	95.8	92.7	95.1	93.5
21	100.0	99.7	96.0	96.9	95.2
22	85.9	78.3	94.5	92.4	77.3
23	79.1	97.9	97.4	95.1	95.3
24	94.7	88.9	81.7	91.0	87.4
25	45.6	59.6	55.6	41.7	65.3
26	61.4	77.9	85.3	73.9	74.0
27	90.6	92.3	97.2	93.6	95.9
28	68.3	54.3	46.4	86.1	92.9
29	0.0	70.1	77.4	86.5	75.5
30	0.0	48.9	98.1	96.7	93.4
31	87.9	87.6	55.7	71.7	55.8

32	83.8	98.1	99.7	99.9	99.5
<b>Scotland</b>	<b>72.2</b>	<b>81.0</b>	<b>84.6</b>	<b>88.6</b>	<b>86.3</b>

### 3.3 KPO4

3.3.1 KPO4 relates to understanding and responding to the customer experience. The target is to achieve a minimum average rating of 7.5 out of 10. Table 3.3 shows the overall satisfaction scores by local authority from 2018 to 2021 from the National Customer Satisfaction Surveys<sup>12</sup> which are undertaken to support the verification performance framework. The surveys collect feedback from customers from the preceding 12 months i.e. the 2020 return is based on customers who use the building standards system between the period 1 April 2019 and 31 March 2020.

3.3.2 The average customer satisfaction rating shown in the Table is RAG-rated as follows:

- Green – 7.5 and above.
- Amber – between 6.5 and 7.4.
- Red – 6.4 and below.

3.3.3 Table 3.3 shows that 14 authorities have consistently achieved the target of a rating of 7.5 and above. Only two authorities have consistently scored in the red range throughout the period.

3.3.4 Comparative analysis shows that the majority of authorities which met KPO1.1 and KPO1.2 targets also have good customer satisfaction scores. The one exception is an urban authority which met the KPO1.1 target but had a very poor customer satisfaction score throughout the period.

3.3.5 A primarily urban authority, which performed poorly on KPO1.1 and KPO1.2, also struggled with customer satisfaction, although there was improved performance in 2019 and 2020. A further (primarily urban authority), which had performed well on all KPOs until 2020/21, has seen performance dip over the last year.

---

<sup>12</sup> [Supporting documents - Building Standards verification performance framework - national customer satisfaction survey: survey findings 2021 - gov.scot \(www.gov.scot\)](https://www.gov.scot/resources/consultations-petitions/embedded/Supporting_documents_-_Building_Standards_verification_performance_framework_-_national_customer_satisfaction_survey_survey_findings_2021_-_gov.scot)

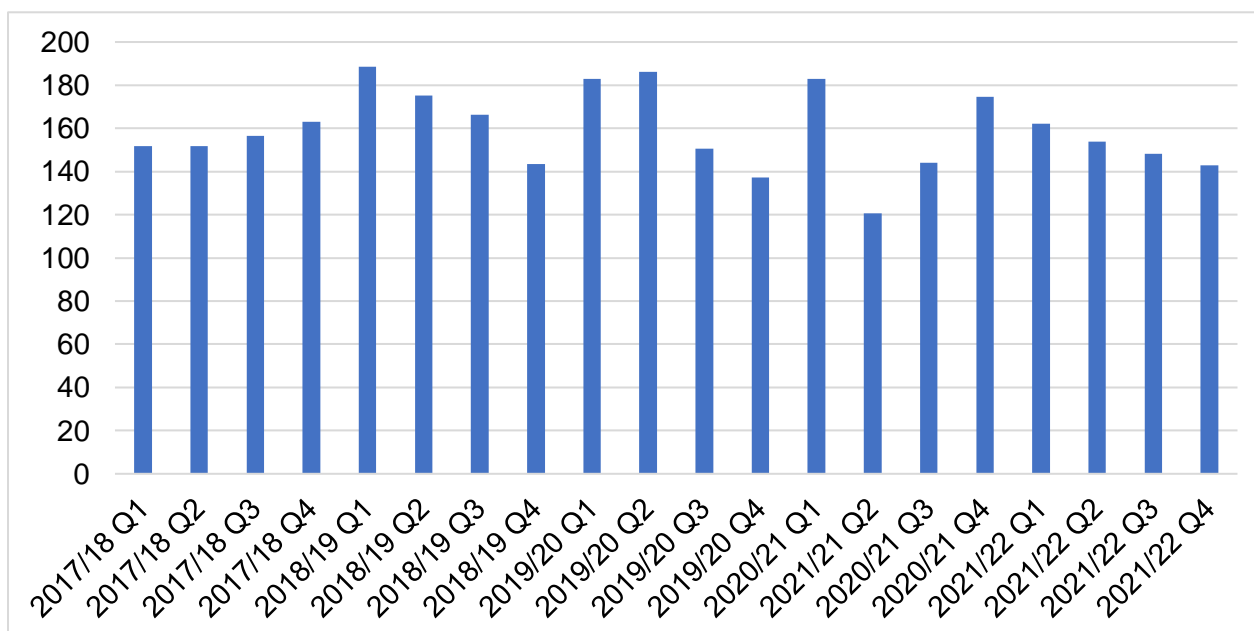
<b>Table 3.3: Overall Satisfaction with Building Standards Service by Local Authority, 2018 - 2021</b>				
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Aberdeen City	8.5	8.0	8.3	8.1
Aberdeenshire	8.4	8.6	8.3	8.2
Angus	8.3	8.9	8.5	8.0
Argyll and Bute	8.1	8.5	8.6	8.0
City of Edinburgh	4.3	5.4	6.2	5.5
Clackmannanshire	8.7	8.9	8.4	8.0
Dumfries and Galloway	6.8	7.1	7.9	8.2
Dundee City	7.7	7.6	7.4	6.5
East Ayrshire	8.4	8.2	8.7	7.9
East Dunbartonshire	6.4	4.8	6.9	6.3
East Lothian	6.7	6.9	7.4	7.4
East Renfrewshire	8.3	8.1	8	7.6
Eilean Siar	8.5	8.5	8.6	8.7
Falkirk	8.2	7.9	7.4	7.4
Fife	6.8	7.5	7.6	7.2
Glasgow City	5.3	5.4	6.2	5.7
Highland	7.4	7.7	7.6	7.3
Inverclyde	6.7	6.3	5.9	6.9
Midlothian	7.5	8.8	7.8	7.8
Moray	7.6	8.0	7.7	8.0
North Ayrshire	8.8	8.6	7.8	8.0
North Lanarkshire	7.5	7.5	7.4	6.2
Orkney	8.2	8.6	8.2	7.6
Perth and Kinross	8.2	8.3	8.1	7.4
Renfrewshire	6.2	7.2	6.7	5.9
Scottish Borders	7.4	7.4	7.5	6.7
Shetland	7.4	7.6	8.2	6.7
South Ayrshire	6.7	7.7	7.8	6.5
South Lanarkshire	7.8	8.0	8.4	8.0
Stirling	7.2	7.4	7.3	6.9
West Dunbartonshire	7.8	8.1	6.2	6.1

West Lothian	7.6	8.7	8.1	8.2
<b>SCOTLAND</b>	<b>7.0</b>	<b>7.4</b>	<b>7.5</b>	<b>7.1</b>

### 3.4 KPO5

3.4.1 KPO5 is concerned with maintaining financial governance and the target is for building standards fee income to cover indicative verification service costs (staff costs plus 30%). This KPO is not scored, but Figure 3.3 provides a summary of the percentage of building warrant related fee income compared to verification staff costs. For Scotland, the target of building standards related fee income covering verification staff costs plus 30% has been achieved in every quarter since the start of 2017/18 except for Q2 in 2020/21. Q2 in 2020/21 was the only quarter where KPO1.1 achieved.

**Figure 3.3: Building Standards Related Fee Income as % of Verification Staff Costs, 2017/18 to 2021/22**



3.4.2 Table 3.4 provides a summary of the average percentage of building standards related fee income measured against verification staff costs for each year between 2017/18 and 2021/22 by local authority. There are two rural authorities where building standards related fee income has never exceeded verification costs. For six authorities (both primarily urban and rural), building standards related fee income exceeds verification staff costs but not by more than 30%. For four authorities (from urban to rural), building standards related fee income exceeds verification staff costs by a considerable amount (e.g. income is almost twice staff costs).

3.4.3 The authorities where income is considerably greater than staff costs are authorities which tended to perform less well under KPO1. This suggests that these authorities may be under-staffed with subsequent effects on the KPO1 target.



**Table 3.4: KPO5 Building Warrant Fee Income Against Verification Staff Costs %**

<b>Authority</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
1	87.2	124.9	153.1	116.0	112.3
2	137.5	133.4	130.2	123.5	135.5
3	132.0	143.2	141.5	144.1	130.8
4	87.3	111.1	84.9	114.9	112.4
5	142.7	175.2	164.8	182.0	135.3
6	127.7	166.8	217.7	196.0	191.9
7	182.1	172.5	144.6	159.7	178.3
8	130.4	103.1	100.9	113.1	134.3
9	202.8	333.4	242.5	200.0	181.2
10	184.3	196.9	142.9	150.5	154.4
11	194.4	197.8	183.3	182.4	178.4
12	168.0	202.3	180.5	182.8	188.1
13	102.3	136.6	165.6	192.1	109.4
14	166.6	165.3	150.4	177.4	219.0
15	248.0	212.1	201.0	167.3	147.8
16	196.7	261.2	185.3	169.0	171.8
17	125.0	184.9	106.1	90.8	85.1
18	135.8	191.6	161.7	159.4	148.6
19	103.8	112.9	115.9	114.9	93.0
20	68.6	87.4	70.6	72.2	68.4
21	188.5	176.1	241.0	167.8	144.1
22	186.5	163.1	199.7	165.8	213.4
23	172.4	121.0	117.8	107.0	114.6
24	170.8	172.8	184.7	214.2	172.8
25	258.5	198.8	268	241.8	204.6
26	158.3	210.1	206.9	209.3	187.6
27	79.0	70.2	75.0	70.0	85.0
28	138.5	130.8	121.2	121.1	107.9

29	184.4	141.8	142.1	138.5	145.4
30	161.2	145.3	159.3	121.3	149.1
31	111.5	153.4	125.0	126.3	82.9
32	113.3	157.7	218.8	160.4	126.7
<b>Scotland</b>	<b>155.9</b>	<b>167.2</b>	<b>162.8</b>	<b>155.2</b>	<b>151.4</b>

### 3.5 Summary

#### 3.5.1 The main points to note include:

- For Scotland. KPO1.1 and KPO1.5 have each only been met in one quarter since 2017/18.
- There is considerable variation across authorities with some meeting the target every year and others being significantly below the target.
- KPO4 has only once been met at the Scotland level in the last four years although 14 authorities have consistently met the target.
- KPO5 has been achieved for Scotland in every quarter since 2017/18 with the exception of Q2 in 2020/21 which was probably a result of reduced applications due to Covid. This was the only quarter where KPO1.1 was achieved.
- Some authorities do not receive enough fee income to cover verification staff costs while others have fee income which is almost twice their staff costs plus 30%.
- The authorities where fee income is considerably greater than staff costs are authorities which tended to perform less well under KPO1 suggesting that these authorities may be understaffed.

## 4. Changes Arising from 2017 Fees Increase

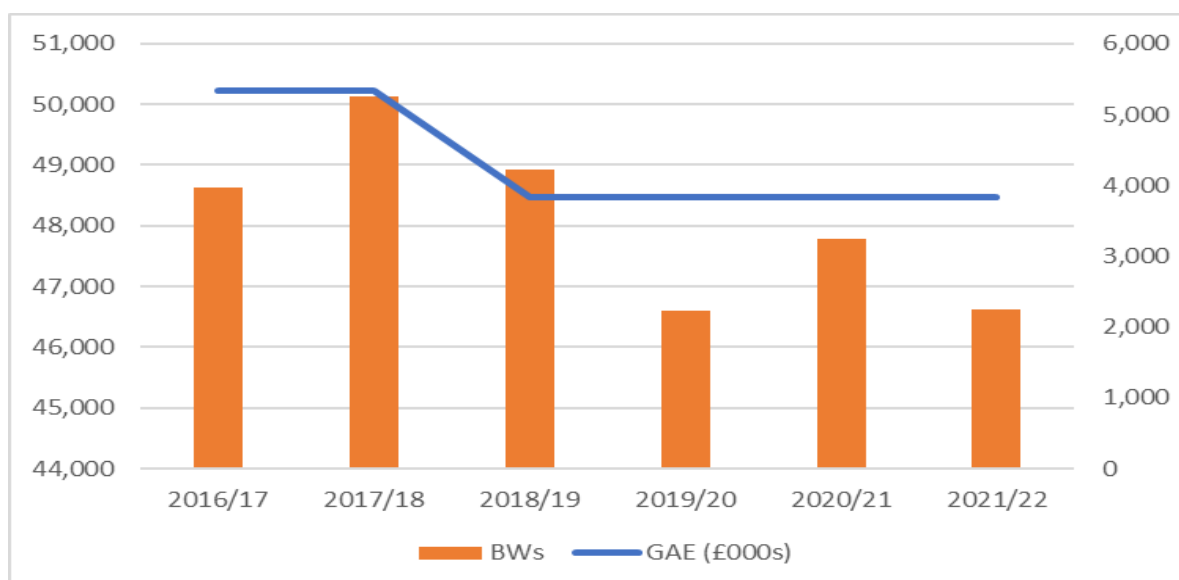
### 4.1 Introduction

- 4.1.1 The 2017 changes to fees regulations were to provide additional building warrant related fee income across Scotland. The changes were expected to provide every local authority with additional funding to help support their verification service and further improve performance. It was also proposed to provide funding for running BSD by adjusting the Local Government Finance Settlement accordingly.
- 4.1.2 At the time of the fee increase, it was recognised that the levels of fee income and verification costs vary between local authorities and as a result, some authorities may not always achieve full cost recovery.
- 4.1.3 This section considers the effect of the fees increase on the level of funding provided to local authorities through their grant settlement, the impact of the increase on local authority income and the extent to which any increased fee income has been re-invested in the service.

### 4.2 Grant Aided Expenditure

- 4.2.1 Local authorities receive a General Revenue Grant (GRG) from the Scottish Government to support their general net revenue expenditure. Grant aided expenditure (GAE) calculations determine what share of total revenue funding each local authority should receive on the basis of relative need. Each individual sub-service has its own methodology to allocate the pre-determined Spending Review total amongst local authorities, taking account of relative need.
- 4.2.2 For building standards, the GAE methodology distributes the funding using the number of building warrants in an earlier year. For example, the 2020/21 allocation across authorities is based on the distribution of building warrants across authorities for 2018/19.
- 4.2.3 In 2016/17 and 2017/18, the pre-determined allocation for building standards in Scotland was £5.3 million. In 2018/19, this was reduced by £1.5 million to £3.8 million and has remained at this level since. The £1.5 million downward adjustment to the local government finance settlement was to release £1.5 million of funding for BSD following the increase to fees in 2017.
- 4.2.4 Figure 4.1 shows the level of GAE funding for building standards and the number of building warrants used in the allocation formula in that year. While the pre-determined allocation for building standards has not changed since 2018/19, the number of building warrants varies from year-to-year. As a result, the GAE allocation for each authority varies from year to year.

**Figure 4.1: Level of GAE and Number of Building Warrants**



4.2.5 The effect of the reduction in the finance settlement was to reduce the GAE allocation from approximately £110 per building warrant in 2016/17 to approximately £80 per building warrant in the period since the change to the settlement.

4.2.6 It is important to note that the GAE allocation for building standards is not (or ever has been) a budget or spending target. It is not intended to be used by local authorities to allocate resources. The decision about the amount allocated to individual services are made by the local authority on the basis of local needs, having first fulfilled its statutory obligations and the jointly agreed set of national and local priorities. Within building standards, the key statutory functions relate to enforcement and maintenance of the building standards register.

4.2.7 The online survey asked authorities if their building standards service received its share of the GAE for the provision of other (non-verification) building standards services. Of the 16<sup>13</sup> respondents answering this question, 13 (81%) stated that that they do not receive any GAE income. Only three respondents (19%) reported receipt of this income from their authorities although two of the responses were qualified. One respondent was “not aware” of receiving the funds while the other was not able to confirm the position with the finance team. One of the case study authorities also highlighted that they were not aware they received GAE funding as GAE does not appear as an entry in the budget.

4.2.8 The one authority which confirmed they received their share of GAE used the income to support enforcement of dangerous buildings and the building standards register. The income covered the staff costs and overheads for enforcement and staff costs of the building standards register.

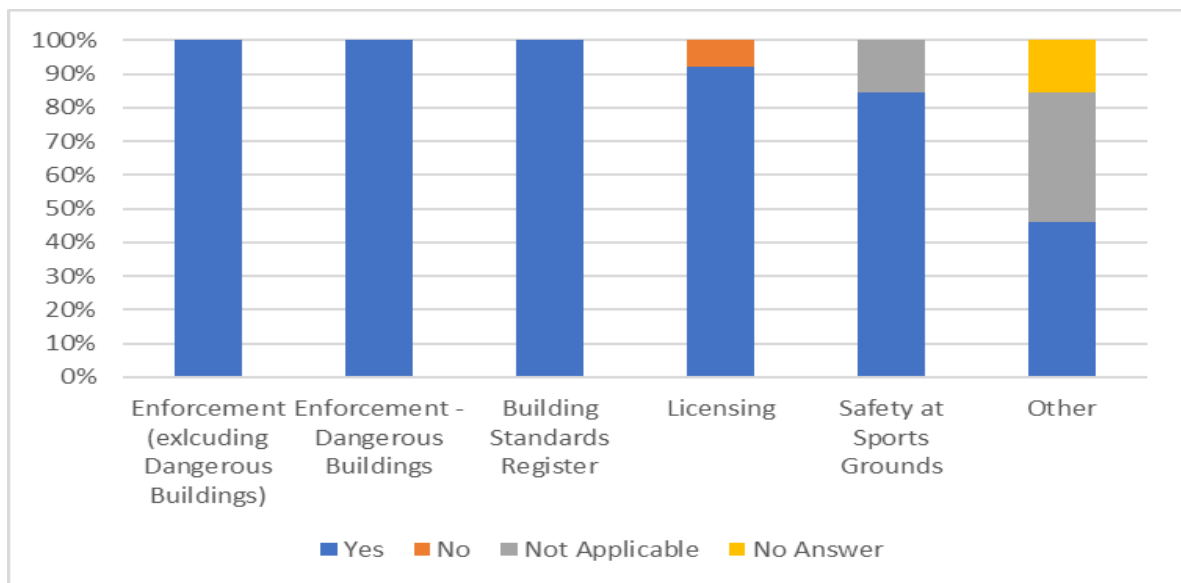
4.2.9 For the 13 authorities which did not receive a share of the GAE allocation, all are expected to fund enforcement activities and the building standards register from their building warrant fee income. The majority also have to fund licensing and

---

<sup>13</sup> Excludes 3 respondents who did not answer the question

safety at sports ground work from their building warrant fee income. Details are shown in Figure 4.2.

**Figure 4.2: Are Services Funded from Verification Fee Income where no GAE Funding is Received? %**



4.2.10 Several survey respondents suggested that GAE income should be ring-fenced to building standards. It was also suggested that the GAE funding mechanism should take into account the nature and complexity of the building standards service in the area.

4.2.11 As stated in paragraph 4.2.3 above, £1.5 million was taken from the GAE allocation to local authorities following the building standards fees increase. The survey asked if the finance department in their authority expect to receive a contribution from verification fee income to cover this reduced GAE allocation. Of the 15 respondents answering the question, seven (47%) stated their finance departments expected a contribution from fee income.

4.2.12 Two authorities provided estimates of the amounts paid to finance departments in 2021/22. Comparison of these estimates with the published GAE allocations shows that the amounts repaid were lower than the GAE allocation.

#### Other Sources of Income

4.2.13 Table 4.1 shows whether building standards departments received any other income for services provided. The most common source of income was 'other' sources including copy plans and letters of comfort (15 respondents or 88%<sup>14</sup>). Seven authorities (41%<sup>4</sup>) received income from licensing and three authorities (18%<sup>4</sup>) received income from safety at sports grounds work. The level of income from licensing and safety at sports grounds varies considerably across

<sup>14</sup> Of those respondents answering the question

authorities but, for the majority of respondents providing details, it was generally less than £15,000.

4.2.14 Income for services such as letters of comfort and copy plans was generally higher with an average<sup>15</sup> income of approximately £19,000. The range was almost £1,300 (0.4% of fee income) to £80,000 (1.8% of fee income).

<b>Table 4.1: Number of Authorities with Additional Sources of Income</b>				
	<b>Yes</b>	<b>No</b>	<b>No answer</b>	<b>Total</b>
Licensing	7	10	2	19
Safety at Sports Grounds	3	14	2	19
Other (e.g. copy plans, letters of comfort)	15	2	2	19

### **4.3 Re-Investment in the Service**

4.3.1 Figures 2.8 and 2.9 showed that change in fee income between 2016/17 and 2018/19 by local authority. For Scotland, the 2017 fees increase is estimated to have led to an increase in income of £8.43 million (paragraph 2.3.2). The extent to which additional fees have been re-invested in the service was considered in the survey of local authorities and the detailed consultations.

#### **Survey of Local Authorities**

4.3.2 The survey asked authorities if any of the additional income from the fees increase has been available to invest in building standards. Of the 13 responses to this question, eight (62%) reported that the additional income had been available to invest in building standards verification services. This investment was primarily related to staffing and for four authorities included:

- The basic cost (excluding on-costs) of an additional building standards assistant post.
- Two building inspectors in one authority and one inspector in another.
- The creation of a new assistant technician post.

4.3.3 The total cost of these investments was almost £170,000 which represents approximately 16% of the additional fee income received by these four authorities between 2016/17 and 2018/19.

4.3.4 There was some investment in training, technology and other services including:

- Two staff in one authority attending university.

---

<sup>15</sup> Based on data from 11 authorities.

- Two authorities each investing between £20,000 and £30,000 on new computers and screens to help with mobile inspection/working.
  - One authority spending £15,000 per annum on fire engineering services.
- 4.3.5 The authorities making these investments in building standards service have been able to maintain the investment since 2018/19 and, in two authorities, there has been an increase in investment including:
- An additional member of staff (technical) and investment in tablets for inspectors.
  - An additional building surveyor.
- 4.3.6 Since 2018/19, one authority has also been able to add one member of staff within the department structure and replace one surveyor post with two inspector posts.
- 4.3.7 The effect on those authorities which reported that investment in additional staff had been maintained include:
- The investment in staffing has enabled them to meet KPO targets and to provide a better verification service (two authorities).
  - There have been efficiency and productivity improvements as senior staff have been relieved from procedural checking and processing duties with a new post in place to provide dedicated support in this area.
  - Another authority has been able to grow and invest in entry level posts and to realise new workstreams as a result of investment in additional staff being maintained.
  - However, for one authority, there has been no impact on the service from the increased investment because workloads have increased.
- 4.3.8 Examples of the effects of investment in training and technology on the building standards service include:
- Recognition that the investment in training has given them the ability to provide encouragement and support to staff to develop skills and competencies (three authorities).
  - Investment in technology has enabled the upgrade of equipment to facilitate site inspections and home/out-of-office working (four authorities).
  - One authority noted that they had invested in training staff who then left to go to another local authority and while this helps the building standards service nationally, it had a detrimental effect locally.
- 4.3.9 One of the authorities which was unable to invest in staff, training or technology highlighted that income (as a measure of increased/decreased activity) is the driver for justifying additional resources and, as the authority has been unable to meet KPO5 (fee income being 130% of verification staff costs) in recent years, it has been unable to justify additional resources. However, prior to 2016/17, there had been substantial investment in the service in both staff (staff numbers

doubled between 2011/12 and 2016/17) and technology (to enable the service to become 100% digital).

4.3.10 One other authority noted “the service was considered supported by the Council and fee increases only reduced the financial support rather than lead to any additional investment”.

### Consultations

4.3.11 The issue of re-investment in the service was discussed in detail during the consultations. Table 4.2 details the level of re-investment in the building standards service in the case study authorities and the effect of this investment on their performance.

**Table 4.2: Reinvestment in Building Standards in Case Study Authorities**

**Authority 1 (Primarily Rural):** In 2021/22 expenditure on verification exceeded building warrant fee income by £30,000. This was the first year since 2017/18 that income did not cover costs. The increase in building warrant fee income in 2018/19 due to the fees increase is estimated to be £200,000. The service does not receive any funds from GAE and building warrant fee income has to be used to fund all building standards activities, including enforcement, licensing, safety at sports grounds. The service receives income for work undertaken on housing grant applications and undertaking structural calculations for neighbouring authorities. Any income from copy plans/ letters of comfort is retained by property services. Building standards are not expected to fund the “lost” GAE.

The building standards team did not receive any additional funding following the 2017 fees increase. There has also been restructuring of the team since the fees increase following eight staff retirements. This has led to some posts being reduced as part of a cost cutting exercise (e.g. some surveyor posts are now assistant surveyor posts). The authority is running with a number of vacancies as recruitment remains a challenge and it is also using three agency staff (two of which are located in Shetland and unable to work on-site). Some future multi-plot housing sites are likely to require more inspection work, which will have to be addressed. Despite the fee increase, budget constraints are a real pressure on the service and funding is most likely for posts at the lower end of the scale. The service is also finding it difficult to compete with the private sector.

Although the service has struggled to meet KPO1.1, its performance has improved since 2017/18. KPO1.2 performance has also been better in the last two financial years. At the time of the fees increase, a number of staff (now retired) were slow to adopt the e-building standards such that the service was running both electronic and paper systems which was difficult to administer and resulted in poor performance. Lockdown enforced the need to move completely to electronic processing and performance has gradually improved. Throughout the period, the service has performed well on KPO4, possibly reflecting the accessibility of the service to the customer, Poor KPO1 performance is not affecting KPO4.

The service has not received additional funding following the fees increase and it continues to deal with budget pressures and recruitment challenges.



**Authority 2 (Primarily Urban):** This authority has consistently received more building warrant related fee income than it spends on verification and the estimated increase in income in 2018/19 due to the fees increase was £160,000. The service does not receive any GAE funds, but it has the benefit of being a council service. There is no repayment of “lost” GAE to the council, but the service is expected to fund verification and statutory services from its fee income. Building standards are involved in safety and sports grounds work for which the Council charges a fee but this is a corporate fee and building standards does not receive any income for their involvement.

In recent years there has been an increase in staff of five, mainly at entry level posts (graduates and admin). However, there is no correlation between the increase in fees and the investment in staff as staffing in the authority is always determined by need. An ambitious housebuilding programme in the area (including LA builds) has helped to fund these posts. The service looks to recruit at the lower end of the scale and “grow your own” team which is felt to be a good model for recruitment. There has also been ‘digital’ investment but this has been funded centrally as the Council moved to remote/flexible working with hubs pre-Covid.

The service was quite close to achieving KPO1.1 between 2017/18 and 2020/21 but performance has dipped considerably in 2021/22. KPO1.2 and KPO4 have also achieved the target in some years but performance has dipped in 2021/22. The recent dips in performance are attributed to a senior retirement and service restructuring, particularly the building standards support team which has reduced in sized and is now part of another service area. The reduction in performance on KPO4 was attributed to portal problems e.g. inefficient and difficult to use if information is not in the correct format.

While there has been investment in the service in recent years, this investment is driven by need and not related to the fee increase.

**Authority 3 (Primarily Urban):** This Authority has consistently received more building warrant fee income than it spends on verification and the estimated increase in income in 2018/19 due to the fees increase was £30,000. The service does not receive any funds from GAE and is expected to cover verification and statutory services from its fee income. Building standards can also have input into other service areas as a consultee for which no fees are received. The service is expected to make a contribution for the “lost” GAE, but a figure was not available.

Around the time of the fee increase, the performance of the service was in decline. By 2020 staff had reduced to 10 FTEs, but this has now increased to 13 FTEs. This includes 10 new starts, two of which have already left for general practice surveying in the private sector. The authority is struggling to recruit and retain staff. The investment in staff has not been a result of the fee increase, but a response to poor performance and a change in senior management. Building standards has also had a significant investment in IT with upgrades to their case and document management systems. This was a £200,000 investment which was shared with planning. There has also been investment in a system supervisor role to develop the case management system for the building standards service. This is a temporary position for 2 years at a cost of £70,000.

The service has failed to meet all the KPO1 and KPO4 targets in the last five years. The poor performance reflected understaffing and no ability to recover from short term absences. The increase in staff is beginning to impact on the KPOs but as recruitment has been at the lower end of the scale, there is a need for more checking of work which requires senior surveyor time. It takes time to gain appropriate experience, but it is hoped that performance will start to improve in the next 12 to 18 months.

There has been investment in the service since the fees increased, but the driver for investment was poor performance. Competition from the private sector is also a key issue in attracting and retaining staff.

**Authority 4 (Mixed Urban/Rural):** This service has consistently received more building warrant related fee income than it has spent on verification and the estimated increase in income in 2018/19 due to the fees increase was £270,000. Hence, the need for GAE funding has not been an issue. The BS service has been able to fund its activities (including dangerous buildings, licensing, S89s, enforcement and safety and sports grounds) from fee income. The authority has also used another authority to help with plan checking and external consultants for structural and fire engineering. The authority has been happy to reinvest in building standards, but the problem is workforce availability. Funding is available to increase the number of posts, but the service has been unable recruit suitably qualified staff. It is looking to recruit a technician and an enforcement officer. Funding (from fees) has also been made available for laptops, large screens and degree courses for two members of staff.

This authority has had relatively poor performance on KPO1 and KPO4 since 2017/18. For both KPO1.1 and KPO 1.2 there has been an improvement in last two years, but the failure to meet the target reflects an imbalance in the team in terms of experience and the need to not overload senior staff. There have also been administration related delays as a result of building standards admin staff now being part of general services and support being provided with less understanding/knowledge of building standards. This is one of the drivers for funding the technicians post. KPO4 has always been just below the target and the failure to meet the target is felt to be related to processing errors.

The authority is happy to support reinvestment of fee income in building standards, but the key issue is the wider availability of staff which is affecting the authority's performance particularly on KPO1.

**Authority 5 (Urban):** This authority has consistently received more building warrant related fee income than it has spent on verification and the estimated increase in income in 2018/19 due to the fees increase was £150,000. The service does not receive any GAE from the authority and is expected to fund building standards statutory services from building warrant fee income. Building standards has been expected to repay the "lost" GAE to finance. The service is involved in licensing and the modest income (£15,000) building standards receives for this service covers their costs.

At the time of the fees increase, audit results were poor and the authority was on one year verification renewal. There was an Improvement Board in place, and as such expenditure was increased with around £300,000 spent on external consultants. This expenditure is no longer incurred. The authority was also paying other authorities for

plan checking to help them meet their performance criteria. There was a restructuring of the building standards service and recruitment of 7 additional junior staff (2 assistant surveyors, 3 graduate surveyors and 2 technical support staff). These posts were funded from the money being spent with other local authorities for plan checking. There was also substantial investment (£200,000) in computer hardware around the time of the fees increase to address digital transformation for which extra funding was provided. Recent software and back-up hardware upgrades have had to be financed from verification fees income.

The authority allocates budgets based on a holistic view of income, expenditure and priorities and building standards must accept that some fee income will be used to support other service areas. The proportion of fee income reinvested is based on the demands of the planning and building standards service.

There has been relatively poor performance on KPO1 and KPO4 since 2017/18. The relatively junior new staff have placed additional demands on the more experienced members of the team, but there has been some improvement in performance on KPO1 in recent years.

While fees did increase the 2017 changes, the situation regarding performance was the main driver for change.

**Authority 6 (Urban):** This authority has consistently received more building warrant related fee income than it has spent on verification and the estimated increase in income in 2018/19 due to the fees increase was £870,000. GAE is not identified in the budget for building standards so building standards are not aware that they receive any and have not been expected to reimburse finance for any lost GAE. Building warrant fee income is used across the building standards service including several activities for which the service does not seek internal reimbursement e.g. liquor and public entertainment licenses, safety advisory group. It is also recognised that a surplus of fee income over expenditure will be used for balancing departmental and council budgets.

At the time of the fees increase, performance had dipped to the extent that the service was only being appointed as verifiers for one year. This poor performance reflected a restructuring in the service which began in 2010. Building standards has recruited 10 new staff (1 manager, 6 surveyors, 1 assistant surveyor, 1 assistant structural engineer and 1 building standards officer) in recent years, but the key driver for recruitment was performance. The recruitment would have happened regardless of the fee increase, although the additional fee income was beneficial. There has also been a major computer refresh (part of corporate wide expenditure) and an increase to the training budget of £2,000 per annum which has supported training in fire engineering.

The need for awareness of the wider authority position was highlighted and the service is examining other sources of funding which could support part of the salary costs of a graduate surveyor for a couple of years.

The authority has met KPO1.1 every year for the last five years, but not met KPO1.2 or KPO 4 in any of the last five years. KPO1.1 is a priority for the service as it is the first interaction with the customer, but the target was not met in Q1 of 2022/23. This is a reflection of retirement, illness and not being able to fill vacant posts. The service has struggled with KPO1.2, in part due to the nature of applications received e.g.

larger applications take longer to process, it is more time consuming to check large plans on screens etc. Although KPO4 is still in red, the number of complaints has reduced and customer satisfaction has increased slightly.

While there has been substantial investment in staff since the fees increase, the driver for investment was the poor performance of the service and the investment would have happened regardless of the fees increase. The fees increase however, was beneficial.

**Authority 7 (Rural):** This authority has consistently received more building warrant related fee income than it has spent on verification and the estimated increase in income in 2018/19 due to the fees increase was £1.1 million. Building standards does not receive any GAE allocation and is expected to fund verification and all statutory services from its fee income. It is understood that a contribution is taken from fee income to compensate for the “lost” GAE but the amount was not confirmed.

Between 2016/17 and 2018/19 fee income increased by over £1million as a result of the change to fees and the service received some funding for two graduate apprentice posts (approx. £45,000). Some £800,000 was initially taken as service savings and a further £100,000 a few months later. The two additional posts were not maintained as when an experienced surveyor left, the post was taken as a saving. There has been a net increase in staff of one, but with very different levels of experience.

The service would like to invest in IT to support site work but this has not been possible to date. Any training has to be funded from fees, but they have approval for training to support the CAS.

While staff numbers are appropriate, the composition of the workforce can create difficulties. Approximately 30% of the workforce are at the graduate/trainee level which limits the range of work they can undertake, including site visits.

The service has not performed so well on KPO1 but better on KPO4. KPO1.1 is a priority for the service and they have introduced new ways of working to try and improve the first response. This has led to improvements in KPO1.1 but it can impact adversely on other parts of the service.

This authority has very healthy levels of fee income and has had some modest investment in staff following the fees increase. The majority of the additional income however, has been used to support council services.

**Authority 8 (Rural):** Expenditure on verification has consistently exceeded building warrant fee income. The estimated increase in income in 2018/19 due to the fees increase was £120,000. Given this situation, the department is reliant on funding from the Council. Verification expenditure exceeded fee income by approximately £190,000 in 2021/22. The 2021/22 GAE funding for building standards was £26,000. Hence, the actual funding required by the service is considerably more than the Council received for building standards from GAE.

As fee income from building standards is not sufficient to cover the costs of the department, the 2017 increase in fees was used to reduce the amount the authority has to fund building standards. It is difficult to get funding for posts and the service recently lost an experienced member of staff who was replaced with a modern apprentice, leaving the department with a slight mismatch in skills at the moment. It is

Council policy to try to “grow your own” staff as recruitment can be difficult. Recruitment of another modern apprentice would help working towards replacing staff who will retire in the not too distant future - approximately half the team are aged over 50. Building standards are paying the salary costs of the modern apprentice with Skills Development Scotland paying for the training.

The authority has performed well on KPO1 and KPO4 since 2017/18, meeting the targets every year. Meeting the targets may become more difficult as experienced staff retire. The service would like to invest in more training but financial constraints provide very little scope.

Expenditure on verification exceeds income such that the 2017 fees increase reduced the amount of funding required by the service.

4.3.12 The main conclusions to be drawn from the consultations regarding reinvestment of increased fee income include:

- The importance of understanding the wider authority context before drawing conclusions on investment and performance.
- Three authorities were struggling with performance and the recent investment in building standards staff has been to address these issues rather than being a response to the increase in fees, although the increased income was beneficial.
- Cost savings were important issues for two authorities. In one authority funding was received for two junior posts, but the majority of the additional income was taken as service savings. In the other, no additional funds were received, and team restructuring led to a downgrading of some posts.
- Two authorities have not experienced any problems in accessing funding when needed, although recruitment of suitable staff is an issue.
- One authority does not generate sufficient income to cover its costs with the 2017 increase reducing the amount of funding required from the Council.

#### **4.4 Certification**

4.4.1 When fees were increased in 2017, there were also changes made to certification discounts to better reflect the reduced verification costs incurred by verifiers and recognise the additional benefits that certification brings to building owners. The changes included:

- Certificates of design: retained at 10% with discounts for up to £100,000 value of work increased by introducing minimum fixed amounts.
- Certificates of construction: discounts increased from 1% to 3% with discounts for up to £100,000 value of work increased by introducing minimum fixed amounts.

4.4.2 Table 4.3 provides a summary of the discounts for certificates of design and construction at various value of work bands. The change in discounts was to

encourage greater use of certification and it was hoped to lead to an increase in the number of certificates submitted.

<b>Value of Work Bands</b>	<b>Certificates of Design</b>		<b>Certificates of Construction</b>	
	<b>Structures</b>	<b>Energy</b>	<b>Drainage, Heating, Plumbing</b>	<b>Electrical</b>
£0 - £5,000	30	30	15	15
£5,001 - £10,000	40	40	15	15
£10,001 - £20,000	65	65	25	25
£20,001 - £100,000	100	100	35	35
£100,001 and over	10% of fee	10% of fee	3% of fee	3% of fee

4.4.3 Figure 4.6 provides a summary of the number of certificates of design and construction by scheme between 2016/17 and 2021/22. The following points are of note:

- **Design – Structures:** this is the most frequently used certification scheme with almost 16,500 certificates in 2021/22. From a level of almost 15,900 certificates in 2016/17, the number of certificates decreased by over 8% to 14,600 in 2019/20. Numbers in 2020/21 are likely to have been affected by Covid, but there was a considerable rise in 2021/22 to just under 16,500 certificates.
- **Design – Energy (Domestic):** the two design schemes relating to energy both have relatively small numbers of certificates. After a slight drop in certificate numbers in 2017/18, the number of domestic energy certificates of design grew to a maximum of 820 in 2019/20 before falling substantially (-56%) in 2020/21. In 2021/22, the number of certificates was approximately half the number in 2019/20.
- **Design – Energy (Non-Domestic):** there have been very few non-domestic energy certificates in recent years with numbers fluctuating between 30 and 45 between 2016/17 and 2019/20 but they dropped significantly in 2020/21 to ten and increased to 16 in 2021/22.
- **Construction – Drainage, Heating, Plumbing:** between 2016/17 and 2017/18, the number of certificates doubled to almost 2,800 and substantial growth (with the exception of 2020/21) has continued to a level of almost 4,900 certificates in 2021/22.

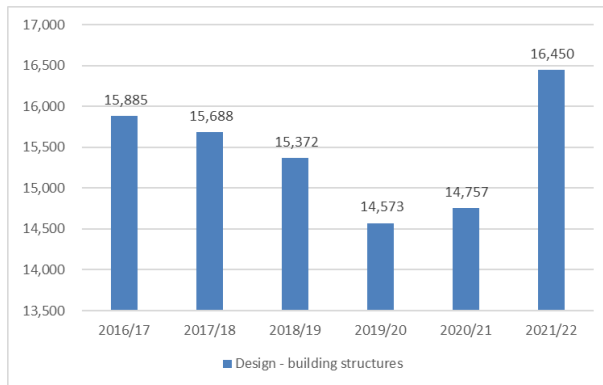
- After a slight dip in 2017/18, there was a substantial increase (79%) to over 7,800 certificates in 2019/20, but numbers have fallen to below 2016/17 levels in recent years. Covid is likely to be one factor, but the other certification schemes have seen some “pickup” of numbers in 2021/22 which has not happened with the electrical installations scheme.

4.4.4 While the effects of Covid are clear in 2020/21, the effect of the change in discounts in 2017 has been mixed for the three certificate of design schemes, with take-up of both energy schemes lower than they were before the increase. The structural scheme has seen uptake increase in 2021/22 following four years of declining numbers of certificates.

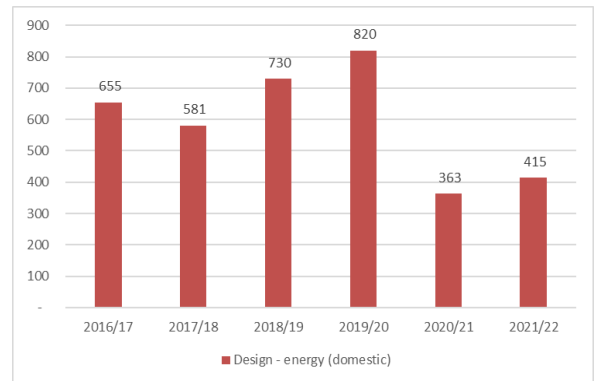
4.4.5 The effect of the 2017 fees change has been more positive on the certificates of construction schemes with both schemes experiencing an increase in certificates in the years before Covid. While the drainage, heating and plumbing scheme has recovered well from Covid, the electrical installations scheme is now (2021/22) at a lower level than 2016/17.

**Figure 4.6: Number of Certificates of Design and Construction**

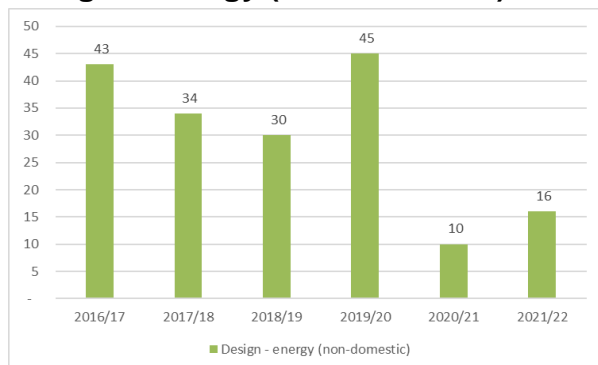
**Design - Structures**



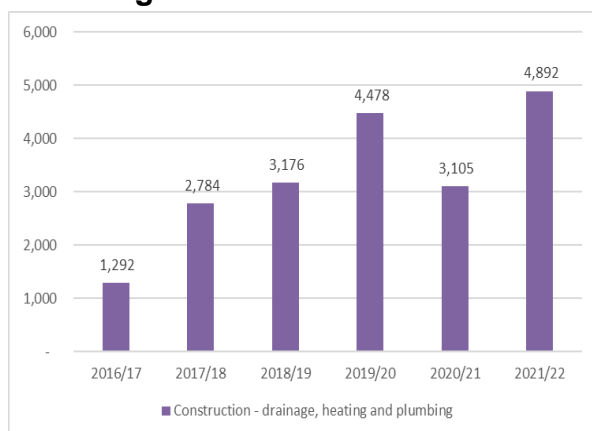
**Design - Energy (Domestic)**



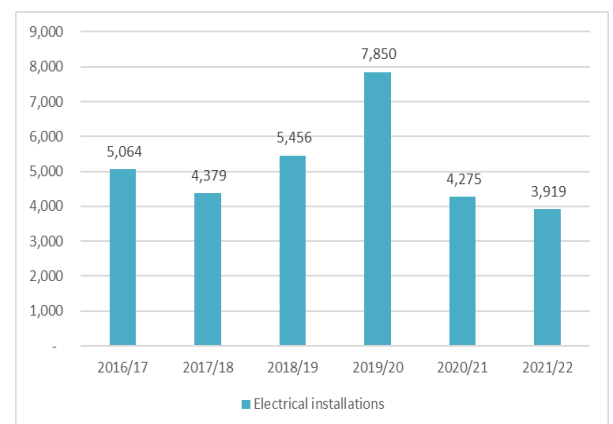
**Design – Energy (Non-Domestic)**



**Construction – Drainage, Heating Plumbing**



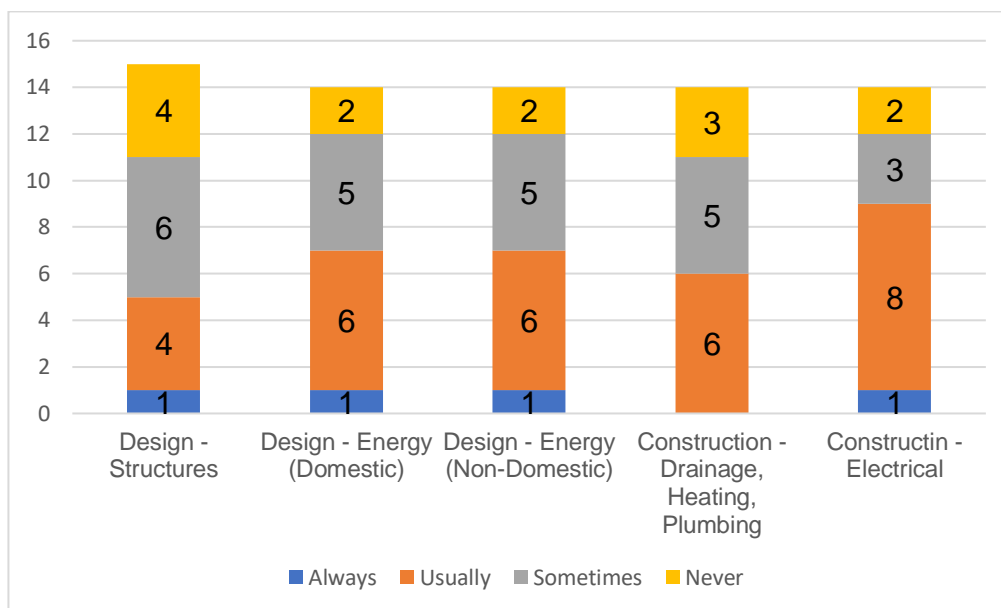
**Construction – Electrical Installations**



4.4.6 The survey sought to establish whether the value of the certification discount forgone covers the verification cost of checking work if a certificate is not provided. The certificate of construction for electrical installations is the scheme where respondents (9 or 64%) felt that the discount forgone ‘always’ or ‘usually’ covers the cost of checking work. A smaller number of respondents felt that the discount forgone ‘always’ or ‘usually’ covers the cost of verification in the other schemes. The structural scheme is the scheme where the discount forgone is least likely to cover the verification costs. Details are shown in Figure 4.7.



**Figure 4.7: Whether the Value of the Discount Forgone Covers the Verification Cost, if a Certificate is Not Provided (No. Respondents)**



4.4.7 In terms of whether the discounts offered are sufficient to encourage use of the certification schemes the majority of respondents (9 or 56% thought the discounts were not sufficient. Some 44% of respondents felt the discounts were sufficient, but one respondent qualified the answer by suggesting that the discount is sufficient “as long as the applicant/agent is clear that using a certifier scheme reduces the time for the verification process, especially for the SER and energy schemes”. While the discount might not cover the costs to a customer in obtaining a certificate of design, the overall time savings and efficiencies in obtaining a building warrant should offset the additional costs. It was suggested that the driver for customers to use design certificates was shorter processing times rather than the level of discount on the building warrant fee.

4.4.8 The survey identified that it is much cheaper for the customer to submit design calculations than a SER certificate and where third-party checks of the calculations are required, the cost can be more than the building warrant fee. This point was illustrated during the consultations with the following examples:

- Two self-build housing applications were received with warrant fees of £1,200 to £1,500. The customer submitted other forms of structural calculations – one using an overseas approach and the other using information from a DIY self-build website. In both cases the cost of the engineers to check the calculations was the same as the warrant fee. Given the nature of the calculations submitted, the engineers had to check all aspects of the work.
- A small project attracting a building warrant fee of £150 (value of work up to £5,000) was submitted with a set of calculations. The cost of the structural engineer to check the calculations was £450.

- 4.4.9 It was suggested that customers consider the cost of obtaining certificates and compare this with the value of the discount. Hence, the perceived cost of the certificate outweighs the discount on the warrant. This would suggest the wider benefits of certification are not readily understood by customers. These points are primarily related to certificates of design, particularly structures.
- 4.4.10 For construction certificates, the relatively low number of certificates received did not appear to be a major issue for authorities. The main burden of not receiving a certificate was identified as being convinced that the tradesmen are competent to undertake the work. More drainage, heating and plumbing certificates might save some time as tests do not have to be witnessed, but verifiers may be on site anyway and are combining the test with other work. A lack of electrical certificates was not felt to have a significant impact on workload.
- 4.4.11 Some of the consultations highlighted problems with refunds if the discount is given and the certificate is not provided. One authority stated that they very rarely get the money back and it is not worth the time and effort to chase payment while another would not issue the completion certificate until the additional fee had been paid.
- 4.4.12 Two authorities raised questions about the attractiveness of the schemes to members and questioned if too much information was having to be provided to issue a certificate (drainage, heating and plumbing) or if the cost of the scheme including certificate production and auditing is too much (SER).
- 4.4.13 Suggestions for encouraging the use of certification included:
- Improved publicity/communications of the scheme benefits to users e.g. time savings in processing building warrant, reassurance of compliance with the building regulations.
  - Better awareness of the certification schemes, particularly construction schemes where there is a lack of take up in terms of being registered with the certification scheme. Anecdotal evidence suggested a low percentage of SELECT and NICEIC electricians were also certifiers of construction. More awareness of the difference is required to ensure agents understand that being a SELECT or NICEIC member does make the contractor a certifier of construction.
  - Increased KPO target times for applications without a certificate.
  - A surcharge for non-certified work, such as that for late building warrants, although it was recognised this may be complicated to administer.
- 4.4.14 A number of concerns were also raised about certification including:
- Concern that any increased discount leads to reduced fee income that does not cover processing and inspections.
  - Concern that certification is being undertaken to achieve discounts and therefore removing possible checking by verifiers. Certification was considered beneficial if, as a mandatory requirement, it increases oversight by certifying bodies and hopefully increases compliance.

## **4.5 Summary**

- 4.5.1 The majority of authorities responding to the survey did not receive their share of GAE for the provision of statutory building standards services. Where fee income exceeds the cost of the verification service, authorities are expected to fund statutory and other building standards activities from their fee income.
- 4.5.2 Across Scotland, an additional £8 million in income was delivered following the 2017 fees increase but the level of reinvestment in the service has been much lower than this. Approximately 60% of authorities responding to the survey reported that additional income has been available to invest in the building standards service. The investment of four authorities was primarily related to staffing and represents approximately 16% of the additional fee income of these authorities.
- 4.5.3 This suggests that the majority of additional fee income is not reinvested in the building standards service. It is difficult to draw conclusions across all authorities as the consultations identified specific local circumstances as the key drivers for investment in the service. Three authorities made considerable investment in the service, but this was to address issues of poor performance and the investment would have occurred without the fees increase. Cost savings were key issues in two authorities where the majority of additional income was used to support savings or services elsewhere in the council. Recruitment difficulties was the key issue for two authorities who had access to the funds and where fee income does not cover verification costs, it is very difficult to access additional funds.
- 4.5.4 The analysis of the number of certificates submitted using the certification schemes suggests that the objective of revising the discounts to encourage greater use of certification has not been achieved.

# 5. Building Control in England and Wales

## 5.1 Introduction

5.1.1 Building control in England operates in a slightly different manner to Scotland with a mix of both public and private sector provision. Public sector provision is also delivered differently in some areas with local authorities working with others to deliver a shared service. In terms of fees, local authorities can set their own fees with the objective that the fees cover as closely as possible the costs incurred in delivering the service.

5.1.2 The fundamental differences in fee setting between Scotland and England and Wales include:

- First, local authority building control departments in England and Wales are subject to strong competition from Approved Inspectors (AIs). These are both national firms and organisations (e.g. NHBC) and local smaller operators (in many cases with staff recruited directly from local authority building control departments). Overall, around 60% of all building regulations work in England and Wales is carried out by local authorities and 40% by the private sector. Customers can choose to use the private sector or public sector but cannot usually choose a different local authority to the one in which the application site is located.
- Second, local authorities are required to set fees within a framework that, essentially, means they should achieve overall cost recovery and that the cost of the fees should in each case, broadly, reflect the cost of delivering the service. However, each local authority can choose exactly how it sets its fees. There is no central direction on fee charges from central government in England. Fee levels are supposed to be set at a “full cost recovery” level. Therefore, depending on the scale and complexity of the work, the fee levels will vary (as is the case in Scotland). This means for the building regulations work that is chargeable local authorities should fully cover the cost of delivering these services without funding via local ratepayers or central government grant.
- Third, the response to concerns about building safety and fire regulation (post Grenfell) has led to a different approach and response in England and Wales.

5.1.3 This, of course, means that some of the messages from England are not directly applicable to Scotland.

## 5.2 Approach to Charging in England and Wales

5.2.1 The current approach adopted by local authorities is based on:

- The Building (Local Authority Charges) Regulations 2010<sup>16</sup> were designed to “build on the principle of devolving charge setting to local authorities in order to provide more flexibility, accuracy, fairness and transparency in the charging regime and also to improve the standards and environment within

---

<sup>16</sup> The 2010 Regulations revoked and replaced the Building (Local Authority Charges) Regulations 1998

which local authorities and approved inspectors operate and compete” (as summarised in CIPFA 2010).

- CIPFA 2010 guidance<sup>17</sup> to local authorities on building control cost accounting (produced in parallel with the updated regulations and intended to support the practical implementation of the regulations). This sets out how to calculate charges in principle.
- LABC have provided more detailed guidance to local authorities.

5.2.2 The 2010 regulations did not lead to any fundamental changes and local authorities in England and Wales have been operating in the environment of setting their own charges and with private competition for many decades.

5.2.3 All local authorities set charges based on full cost recovery using:

- A hourly rate which varies from one area to another and is, for instance, much higher in London.
- The hourly rate is based on the total cost of delivering all forms of both chargeable and non-chargeable building regulations activities and other building control activities.
- The total cost is based on the direct costs of staff time and recharges of other costs across the local authority to the building control department. The direct costs of staff time vary relatively little (per hour), but the methods for recharging can vary from one local authority to another. The total costs are divided by “productive hours” to determine the productive hourly rate.
- The estimated cost of providing a service is based on the expected time spent multiplied by the average hours required. This is used to set the fee. The assumed amount of time per task does not vary much across local authorities as the levels of efficiency are fairly similar across areas.

5.2.4 Each local authority works out its own assessment of the time taken and so the fee to be charged for activities (where charges can be made) is based on a combination of area of the works, number of units (for new build) or value of works undertaken.

5.2.5 As noted above there are non-chargeable building regulations activities and other building control activities. These non-chargeable building regulation activities are set out in Table 5.1 and the other building control activities in Table 5.2.

---

<sup>17</sup> Local authority building control accounting guidance for England and Wales, Fully Revised Second Edition 2010, CIPFA

**Table 5.1: Non-Chargeable Building Regulations Activity in England and Wales**

Liaison with the fire authority and other statutory authorities on a goodwill basis.

The enforcement of those national and local acts relating to the building regulations that approved inspectors cannot undertake.

Inspections carried out to identify unauthorised building work (excluding regularisation applications).

Giving general advice on council matters to members of the public, their representatives and other council departments on any matters.

Carrying out building regulation functions in relation to work which is aimed to provide facilities designed to secure the greater health, safety, welfare or convenience for disabled people.

The first hour of officer's time in giving pre-building regulation application advice on specific chargeable functions regarding the requirements of the building regulations and associated legislation.

**Table 5.2: Examples of Other Non-Chargeable Building Control Activity in England and Wales**

Dealing with dangerous buildings.

Administration of the approved inspectors' regulations (excluding work resulting from reversions).

Issuing conditions relating to the demolition of buildings.

Street naming and numbering.

The provision of advice to other authorities.

Carrying out audits in relation to fire, energy, access for disabled people or public safety issues.

Administration/enforcement of safety at sports grounds legislation.

Work associated with the administration and enforcement of a competent persons scheme.

Providing information as part of local land charge searches.

### 5.3 Current Issues in England and Wales

5.3.1 Drawing on the discussions and a LABC recent survey<sup>18</sup> the key issues regarding the approach in England and Wales are set out below.

#### How Much Activity is Recovered in Charges?

- 5.3.2 As in Scotland, English building control departments carry out broadly two types of work. The Building (Local Authority Charges) Regulations 2010 make it clear that only certain building regulation functions may attract a charge (chargeable activities). There are also non-chargeable building regulation functions and other building control services which are both “non-chargeable”. The principle of the Building (Local Authority Charges) Regulations 2010 is that local authorities should set fees to cover chargeable activity only (and of course only charge for those activities which are chargeable).
- 5.3.3 As in Scotland, there is considerable pressure on budgets for local authorities and it was clear from the consultations that building control departments are aiming to reduce the costs and share of the overall cost of carrying out non chargeable activity. There was discussion around the overall percentage of building control activity (chargeable and non-chargeable) that is currently charged for or recovered in charges.
- 5.3.4 There is a surprising variation in the share of chargeable activity/costs in total costs. The lowest share was 63% and the highest 83%, typically averaging 75% to 80%. Most local authorities are trying to increase the percentage by, essentially, being as efficient as possible in the delivery of non-chargeable work. In one area the share had increased from 70% in 2016/16, to 75% in 2022/23 with the aim to reach 80% by 2023/24. The upwards shift has been driven by a focus on efficiency in delivery of non-chargeable work and to a limited degree by extending charges to activities that normally are not charged for (there are one or two grey areas that have been exploited).
- 5.3.5 The 2021 Survey found that taking the last three years average the most common recovery rate was 70% (41% of respondents). For 77% of respondents, the recovery rate was between 60% and 80%<sup>19</sup>. The Survey found that 72% of respondents considered that there was “*pressure internally to achieve wider cost recovery for the building control service as a whole through income from chargeable activity*”.
- 5.3.6 It is worthy of note that LABC are in discussion with the Department for Levelling Up, Housing and Communities (DLUHC) (the department responsible for local authorities and building control in England) around **extending the scope of activities** where local authorities can charge fees for building regulation functions. The LABC 2021 Survey identified that 83% of respondents would consider utilising new powers to extend charging (covering defective premises, dangerous buildings, ruinous and dilapidated buildings and neglected sites, and notices in respect of demolition). There were similar levels of support for

---

<sup>18</sup> “Draft Building Safety Bill – Local Authority Charging Schemes (Building Control) Survey” April 2021. (2021 Survey). The survey received around 90 responses.

<sup>19</sup> Surprisingly 10% of respondents had 100% of costs covered and 9% had 50% or fewer covered.

charging for administrative duties in respect of “register of all work self-certified by competent persons registered within a competent persons scheme”.

#### Recharges/Overheads

- 5.3.7 There is very considerable variation in approaches adopted by local authorities in respect of charging for central overheads to different functions/departments. The responses on the relative scale of overheads varied widely. The effective uplift on direct costs<sup>20</sup> was up to around 20% (which is equivalent to overheads being 17% of gross costs). The weighted average across this admittedly small sample is an uplift of 18% on direct costs. This is well below the 30% assumed in Scotland<sup>21</sup>.
- 5.3.8 There is a considerable degree of discussion and debate between building control department managers and local authority accountants on the basis for these charges (and if they are fair and reasonable). The trend for building inspectors to not be office based is contributing to the debate.
- 5.3.9 It would be fair to say that none of the managers consulted fully understood how such overheads were calculated and recharged. In some cases, overheads could go up by over 30% to 40% in one year for no apparent reason. This apparently, from a building control department perspective, arbitrary and opaque situation in respect of overheads appears similar to the situation in Scotland. In England the 2021 Survey identified that a significant minority (43%<sup>22</sup>) of building control departments would like to have a common national recharge factor (% uplift on direct costs) similar to the 30% used for KPO5 in Scotland.

#### Refunds and Supplements for Work

- 5.3.10 The regulations allow for local authorities to issue refunds and ask for supplements for work. However, although these powers exist, they are rarely used. Refunds are rarely provided because they tend to require administrative time and cost to implement. Regardless, LABC also advise that the first hour of any refunds should not be paid back to reflect the administrative time involved in the refund. Authorities do look hard at cases e.g. when a full fee is paid but the project does not proceed to delivery/construction phase.
- 5.3.11 A similar story applies to supplements which are only applied in exceptional circumstances. These are difficult to implement, likely to cause bad feeling and they need very specific working on fee quotes. Also, in the view of one manager, to go down this route would require more detailed contracts and terms of engagement in work which would take more time and resources. Consultees felt that it is different for AIs who often quote a low fee with many provisos and then increase their charges. Building control departments like to provide a clear and fixed price for the work.

---

<sup>20</sup> Staff costs and other direct costs including marketing.

<sup>21</sup> Assumed level of overheads on direct staff costs

<sup>22</sup> Only 17% were against this idea and 40% were don't knows



## Costing Services - Hourly Rates for Chargeable Services

5.3.12 The LABC 2021 Survey noted that across the sample of 90 local authority building control departments, the average hourly rate was £70.5 with the range being as low as £45 and up to £120 an hour in 2021. Our small survey also found a surprisingly wide range from £50 to £92 per hour.

5.3.13 The setting of hourly rates is in part based on the LABC/CIPFA guidance but in reality it is less sophisticated. Once an hourly rate is set then it tends to be adjusted to reflect costs, but also to some degree the competition for building control work locally. The variation reflects the underlying costs (staff costs) which tend to be higher in larger cities and London and other local factors.

### How Specific Charges are Set for Specific Services

5.3.14 There was discussion on how authorities assess the time taken to deliver specific services and then work out the charges and whether this is done on an annual basis.

5.3.15 In 2011 LABC produced a model set of charges which many local authorities have used and updated subsequently. There are considerable similarities across local authorities in the specific items for which charges are set that relate back to the model schemes (albeit with different local charges for the works described). This is quite detailed and complicated and for some published charges schedules can run to three or more pages. In England the charging schedules are further complicated as separate fees are quoted for assessing plans and then for inspections. Smaller domestic work tends to have fixed fees (such as for small extensions, garage conversions or loft conversions).

5.3.16 Fee schedules can be based on different parameters: specific activity (e.g. number of windows replaced), floor areas, or value of work. Even where there are full published schedules, most fee regimes state that it is a case of “an individually assessed fee” (e.g. for works over £75,000 in the case of Carlisle or £100,000 in the case of Newcastle). There tend to be standard per dwelling fees for new build domestic dwellings, but with the charge per unit falling as the size of the development increases.

5.3.17 Once the schedules have been created they are not reviewed in totality each year and tend to be all uprated in the same way.

5.3.18 The LABC 2021 survey identified that a slight majority of building control departments were in favour of “national fee calculator for each project type where the only variable would be the individual local authority’s hourly rate” (46% for, 42% against and 12% don’t know).

### Updating Charges

5.3.19 The frequency with which the hourly rate used and fees/charges are updated varies. Some authorities increase charges every year in line with the Consumer Price Index (CPI), while others review charges periodically, but not every year. One authority interviewed has increased charges in 2022/23 by 17% but this is after a two year freeze.

## Publication of Charges

- 5.3.20 There were different opinions and views as to the precise legal requirement on local authorities in respect of publication of fee schedules (one interviewee was of the view that local authorities simply need to publicise that fees have changed not how they have changed). Many local authorities have very accessible and detailed schedules. However, others adopt a less transparent approach and the schedule might be somewhere on the local authority's website but not in a very visible position. Several authorities have no published schedule or only keep it on the local authority website for a short time (a few weeks only).
- 5.3.21 However, if potential customers contact the local authority building control department then the team members will provide a quote for the specific work required from the schedule. A competitor (AI) could find out the cost if they wanted. Many local authorities using a LABC service have an online quotation system.
- 5.3.22 Building control department managers recognise that there is a balance in terms of time to work out fees in response to requests (although increasingly that is being done online) versus publishing charges so that competitors can see.
- 5.3.23 In the 2021 LABC Survey 38% stated that one of disadvantages of the current system is that "the requirement to publish charges places a local authority at a commercial disadvantage". This was a point made strongly in the interviews carried out.

### What are the Main Areas of Competition from Approved Inspectors (AIs)?

- 5.3.24 The competition faced from AIs is across the board. The market share of local authority building control activity varies but is often 50% to 60% of the market by number of approvals<sup>23</sup>. The share has, however, been falling. NHBC dominates the market for large scale new housing which links to their guarantee. The 2021 Survey by LABC highlighted that 76% of responding building control departments thought that "approved inspectors be required to publish charges as well". This is however not a realistic proposition.
- 5.3.25 AIs can be set up and/or staffed by locally based ex-local authority building control staff. It was suggested that the general view of local authority departments and their services can be coloured by a bad experiences in another part of the country. Some of the consultees had reservations about the standard of work of some AIs and the 2021 LABC Survey reflected this theme about quality and standards. Only 8% of respondents considered that "existing Building Control Performance Standards ensure that competition in building control does not drive down standards".
- 5.3.26 The LABC 2021 Survey showed a large majority in favour of a clear national standard applying across local authority departments and AIs to ensure a level playing field. Overall, 82% supported "clear standards for plan checking and site

---

<sup>23</sup> Building control departments see all approvals from AIs and issue the building control notices but of course do not see the value of fees charged by AIs

inspection for all building control bodies through Building Control Performance Standards to help promote a level playing field”.

### Main Challenges of the Current System

5.3.27 Consultees raised several challenges in the operation of the system in England. The most significant being:

- Competition from AIs (seen as not entirely fair as a result of the need for local authorities to publish charges) and the quality of work of some AIs.
- Serious issues with loss of staff and understaffing of roles within building control departments (arising from a lack of training, retirement and poaching of staff for much better pay rates in private sector).
- Pressure on delivery costs.

## 5.4 Building Safety Regulator

5.4.1 The new Building Safety Act (post Grenfell) is creating, for certain works, a new “Building Safety Regulator” (BSR) which will be housed within the Health and Safety Executive (HSE). This will apply to residential buildings over seven stories or 18 metres high. There will be a transition phase to October 2023 when the new regime comes into place.

5.4.2 The introduction of the role for the new Building Safety Regulator is complex and is currently work in progress. Funding for work carried out by the regulator will be from fees charged to applicants. The regulator will then approach the local authority building control department to see if they can undertake the work. There will be a need to demonstrate competence/experience on the part of the authority, but authorities will be paid for their work. The details are still being finalised and authorities are not yet clear if there will be a central standard hourly rate for the work or if it will vary by authority. The strong preference is that local (or at least regionally) hourly rates will apply.

# 6. Future Changes to the Building Standards System

## 6.1 Introduction

- 6.1.1 There are several potential changes to the delivery of the building standards service emerging from the work of the Futures Board. These include the establishment of a central building standards Hub and changes to compliance. The potential compliance changes from the Compliance Plan Approach work stream are expected to impact on the resources of building standards departments. Recommendations from the Cole Report which, with respect to high-risk buildings, includes the need for a site inspection when a staged building warrant is submitted to check if work without approval was underway will also impact on resources. There will also be a need to proactively monitor approved projects to ensure projects are not underway without notification of start of works and that compliance plan inspection/checks and completion certificate submissions are all being notified in line with the details recorded in the compliance plan. This monitoring and, if necessary, enforcing of procedural compliance combined with the expected greater notification of all the planned inspection and checks will lead to increased workload including within the related back-office processes
- 6.1.2 This study must consider the additional cost of delivering these changes and the potential impact these costs would have on fee income.

## 6.2 Potential Impact on Workload of Authorities

- 6.2.1 The online survey sought to gauge the potential impact of changes on workloads from the emerging changes to the delivery of the building standards service. Table 6.1 provides a summary of respondents estimate of the likely increase or decrease in workload for each change.

	Decrease >50%	Decrease 10-50%	Up to 10% Increase or Decrease	Increase 10-50%	Increase >50%
Central Hub	-	-	10	3	-
CP Manager	-	2	4	9	-
More CCNPs	-	2	1	12	1
Pro-Act. Enfor.	1	-	1	12	2
Pre-App Discus.	1	-	3	11	1
Monitor HRBs	1	-	4	10	1

- 6.2.2 A majority of respondents felt that all changes (excluding the central hub) would lead to an increase in workload of between 10% and 50%. Points raised about the changes to the service in the survey and case studies are summarised below.
- 6.2.3 **Central hub:** this was generally supported and seen as a much-needed resource for both local authorities and the Scottish Government. The extent to which authorities felt they would use it, was very much reflective of their own position in relation to the availability of specialist services. The benefits of the hub taking on some LABSS services were identified (e.g. dispute resolution) and it was felt the hub could be an asset for training, discussions and networking. The financing of the hub is seen as a crucial element of its success, with some respondents suggesting it could be funded through building standards fees and others through central funding. In general, it was not anticipated to have a major impact on workloads.
- 6.2.4 **Pre-application discussions:** the extent to which authorities already engage in pre-application discussions varies. Some authorities are involved in these for major projects, some are very rarely involved and one focused on pre-application discussions as an investment in the process. For major projects, they are felt to be valuable and the costs in helping applicants to “get it right first time” can be offset by reduced non-compliances activity and a smoother application process. None of the authorities charge for the discussions and most were not supportive of charging in general. The exception to this was HRBs where it was felt that charging could be appropriate as there would be additional work involved. A number of authorities also felt there should be a means to recover charges if a building warrant application was not made following a series of pre-application discussions. This is expected to add to workload.
- 6.2.5 **Compliance plan:** this is an area of work which could potentially have a significant impact on workload, but in advance of its introduction, authorities found it difficult to estimate what could be required in terms of additional workload. Some authorities already undertake more site work on some types of HRBs (e.g. schools) but a concern was raised that the compliance plan manager may want to include more site-work than a verifier would usually undertake under reasonable inquiry. In rural areas, such as Highland, Argyll and Bute or Island councils, the location of the projects is an issue for site work. The extent of work is also influenced by the contractor overseeing the work and the use of other technologies as alternatives to site visits (e.g. remote verification, video submissions). It was also suggested that larger projects tend to be better managed which could counter some of the potential additional workload.
- 6.2.6 There was substantial variation in the number of CCNP returns received. One authority estimated very low levels of fully satisfied returns (20-30%) while another estimated 60-70%. There was uncertainty as to whether the compliance plan for HRB projects would add more to what is already covered by the CCNP. However, it was felt that more CCNP notices and stricter compliance procedures will lead to increased workload not only directly from carrying out increased checks but also following up the number of defects found by the case officers. There will be a requirement for ‘more boots on the ground’ and site visits.
- 6.2.7 **Compliance Plan Manager:** some authorities feel that the compliance plan manager role will have minimal impact on workload as it is the responsibility of

the applicant while others see the potential for increased workload for verifiers in liaising with the compliance plan manager on HRB projects.

6.2.8 **Pro-active enforcement:** the current mechanisms and penalties are not strong and not really a deterrent to a large developer. Most authorities don't go looking for enforcement work, but there can be a lot of work (reacting to letters/calls from the police, MSPs, members of the public) which doesn't actually lead to a formal enforcement notice. One authority provides 365 day on-call cover at a cost of approximately £5,000 per annum. One authority is looking to recruit an enforcement officer as they believe there is a significant amount of unauthorised works which they would like to take action on. Another authority suggested that the incentive for enforcement is better compliance and more power to ensure compliance and penalties related to the offence are required. A suggestion was made of introducing a fee for unauthorised works where the application has already been submitted, but not approved i.e. work has commenced prior to approval. This situation does not qualify for the late application fee of 200% and it was felt that there were quite a number of projects in this situation. This could involve additional workload.

6.2.9 Respondents recognised that verification fees do not cover the enforcement function and that enforcement should be covered by the GAE allocation. However, as highlighted in paragraphs 4.2.7 and 4.2.9, the majority of survey respondents (81%) indicated that they do not receive this income from their authorities and that they are expected to fund enforcement activities from their building warrant fee income. Should a more proactive approach towards enforcement be required, it was suggested that there would need to be another funding mechanism introduced.

6.2.10 **Monitoring HRBs:** it was generally felt that this could lead to increased workload, although it would be tied into the compliance plan and checks may be done anyway.

6.2.11 **Post Completion Enforcement:** a few authorities raised the issue of post completion enforcement which was felt could lead to a major impact on workload.

### 6.3 Costs Associated with Potential Changes to Building Standards Delivery

6.3.1 The future needs of the building standard service fall into two main delivery categories:

- Central: Building Standards Hub.
- Local:
  - Pre-application discussions for high-risk buildings (HRBs).
  - Monitoring procedural compliance including the introduction of the compliance plan and compliance plan manager.
  - Monitoring HRBs.
  - A more proactive approach to enforcement.

6.3.2 All the changes described in paragraph 6.3.1 under local are expected to lead to an increased workload for building standards teams. As they are directly related to verification, they should be paid for through a change in fees.

- 6.3.3 There are likely to be costs associated with additional training needs arising from the implementation of the competency assessment system (CAS). As this is already being implemented, this analysis does not include the additional costs associated with training delivery.
- 6.3.4 There is also an identified workforce gap of 46<sup>24</sup> as at July 2021 which, if filled, would represent an increase in the current workforce of 8%. Using average staff costs per authority would imply that the cost of the additional staff to fill the “gap” would be £2.3 million. This cost would increase total verification costs (£26.2 million in 2021/22)m by almost 9% to £28.5 million. The analysis assumes that as this cost is not related to a change in the delivery of the building standards service, it would not need to be met from any future fee increase.

### **Central: Building Standards Hub**

- 6.3.5 The building standards Hub - Pilot has recently started with 2 FTE seconded staff and a 0.5 FTE technical assistant. The Hub - Pilot will run for 18 months at a cost of approximately £250,000 per annum. The Hub - Pilot is essentially an administrative hub, but it is hoped that it will develop the role of the hub to include a range of activities including education and training, digital support and expert support on specialist services such as fire engineering, structures and energy.
- 6.3.6 For this analysis, it is assumed that the annual costs of the hub would be £750,000, allowing for 5.5 FTE senior staff<sup>25</sup>, 2 FTE admin staff and a project/research budget of approximately £200,000. Hence, as a working assumption, it is assumed that the cost of the hub will be £750,000.
- 6.3.7 A key issue is whether the work carried out by the hub will be fully additional to the existing local authority funded work. In advance of the hub, the following points can be made:
- Administrative/LABSS services: some of the current LABSS services are likely to transfer to the hub (e.g. STAS, dispute resolution process) and therefore are activities currently undertaken by LABSS. These activities may therefore remove some work from the workload of authorities.
  - Education/training services: the workforce strategy and new CAS framework will generate new opportunities for the coordination and delivery of training. While authorities are currently involved in training, the hub should be able to provide a more co-ordinated and tailored approach to training delivery. Much of this work is expected to be additional.
  - Digital services: the digital strategy is exploring how technology can support and enhance building standards. Much of this work is expected to be additional.

---

<sup>24</sup> Optimal Economics analysis of BSD workforce data

<sup>25</sup> Including 2 existing FTE managers, 1 education/training FTE manger, 1 digital support FTE manager, 3 specialist services posts, each 0.5 FTE.

- Specialist services: should the hub provide access to specialist services, it will enable authorities without specialist services to use the hub instead of other local authorities or the private sector. This could reduce the cost of specialist services to some authorities and reduce income and workload for some authorities who undertake work for others. It is too early in the hub development process to know whether/how these services would attract a fee for use, so this analysis assumes that the cost will be met by the hub although it is expected that local authorities would pay to use the services.

6.3.8 There are detailed points to address for the development of the hub, but this analysis assumes that £750,000 of funding will be required per annum and it will need to be raised through fees. An additional £750,000 to be raised by fees alone, would imply an increase on overall current fee income of just over 2%. It is expected that the funding for the hub would be “top sliced” from the General Revenue Grant received by local authorities from the Scottish Government.

### **Local Delivery Changes**

6.3.9 The changes described in paragraph 6.3.1 under local are expected to lead to an increased workload for building standards teams which should be paid for through a change in fees. Table 6.2 above shows that there are a range of potential impacts, but for most changes (excluding the central hub) the majority of respondents anticipate an increase in current workload of 10 to 50%.

6.3.10 From the evidence gathered and, as a central case, an uplift of 30% of workload is assumed to cover all of the proposed changes.

6.3.11 One of the key considerations is what unit of cost the 30% uplift should be applied to. Options include:

- Verification staff costs only (from KPO5) - £23.36 million in 2021/22.
- Verification staff costs plus other verification costs from KPO5 - £26.2 million in 2021/22.
- Total building standards costs (all verification costs<sup>26</sup> from KPO5 plus staff costs for non-verification work) - £29.43 million in 2021/22.
- Verification staff costs plus 30% contribution to overheads - £30.37 million in 2021/22.

6.3.12 Table 6.2 provides a summary of the additional cost associated with various percentage uplifts in workload. For consistency with KPO5, the preferred unit cost measure is verification staff costs plus 30% contribution to overheads.

---

<sup>26</sup> Staff costs for verification, non-staff verification costs and other verification related investment from KPO5



<b>Table 6.2: Cost of Extra Workload at Various % Uplifts, £m</b>						
	<b>2021/22 £m</b>	<b>10%</b>	<b>20%</b>	<b>30%</b>	<b>40%</b>	<b>50%</b>
Ver. Staff Costs	23.36	2.34	4.67	7.01	9.34	11.68
Total Ver. Costs	26.2	2.62	5.24	7.86	10.48	13.10
All BS Costs	29.43	2.92	5.89	8.83	11.77	14.72
Ver. Staff + 30% o'heads	30.37	3.04	6.07	9.11	12.15	15.18

6.3.13 Table 6.3 provides a summary of the implied percentage increase in fees to achieve the additional costs identified in Table 6.2 above at the different percentage uplift levels.

<b>Table 6.3: Implied Increase in Fees at Various % Uplifts, %</b>					
	<b>10%</b>	<b>20%</b>	<b>30%</b>	<b>40%</b>	<b>50%</b>
Ver. Staff Costs	6.6	13.2	19.8	26.4	33.0
Total Ver. Costs	7.4	14.8	22.2	29.6	37.0
All BS Costs	8.3	16.6	25.0	33.3	41.6
Ver. Staff + 30% overheads	8.6	17.2	25.8	34.3	42.9

6.3.14 Given that KPO5 targets building warrant fee income to be 130% of verification staff costs, we have adopted this as the cost base to apply the 30% workload uplift. This yields an increase in cost of £9.11 million (Table 6.2). This level of additional cost would imply an increase in fees of almost 26% (Table 6.3).

## **6.4 Total Additional Funding Required**

6.4.1 Combining the central (£750,000) and local (£9.11 million) proposed changes yields an additional funding total of £9.86 million. This is equivalent to an increase in fees of almost 28%.

# 7. Options for Raising Fee Income

## 7.1 Introduction

7.1.1 Section 6 identified that an increase in income from fees of almost £10 million (28%) could be required to deliver the proposed changes to building standards. This section discusses a number of options for raising additional fee income, but before discussing the options, the section begins with the views of authorities on a number of issues related to fees.

## 7.2 Authority Views on Fees

7.2.1 The online survey sought opinion on whether there should be separate fees for specific services. There was majority support for separate fees for enforcement of dangerous and non-dangerous buildings, monitoring high risk buildings and pre-application discussions. The majority of respondents were not supportive of separate fees for inspections/reasonable inquiry and plan checking. Details are provided in Table 7.1.

**Table 7.1: Whether there should be Separate Fees for Specific Services, No. Respondents**

	Yes	No
Enforcement – Dangerous Buildings	12	4
Enforcement (excluding Dangerous Buildings)	11	5
Monitoring HRBs	12	4
Pre-Application Discussions	12	4
Inspection/Reasonable Inquiry	4	12
Plan Checking	4	12

7.2.2 Further comments relating to the issue of separate fees for specific services included:

- Several respondents felt that the system should be kept as simple as possible and that there should be a single fee to cover plan checking and inspection.
- There is some support for introducing a fee for pre-application discussions as per the planning model in recognition that not all applications will proceed to the warrant stage. Three authorities suggested that any fee could be discounted from the warrant fee at the application stage. However, two authorities felt that a fee would act as a disincentive to using the service.
- As enforcement is seen as a service to the community, it should be funded via GAE.

- 7.2.3 Views were sought on whether local authorities should be able to set their own fees to ensure full cost recovery rather than having to use the fee structure set by the Scottish Government. Respondents were not supportive of this option with the majority (15) believing that local authorities should not have this power. Only one respondent supported this option. Overall, there is strong feeling that local authority fee setting would create regional disparities and inconsistencies for service users. It is felt that it could lead to competition between authorities where fees are lowered with the quality of the service suffering.
- 7.2.4 In terms of whether the building warrant fee should have a component to cover the statutory local authority functions (e.g. enforcement, maintaining the building standards register), respondents were split on the issue. Nine respondents felt there should not be a component to cover statutory functions while eight felt there should.
- 7.2.5 Those in favour of a component to cover statutory functions feel that any costs to the authority should be covered in the fees received and feel that there is an over-reliance on the verification fees paying for the statutory side of the building standards service as the GAE is often not filtering through to building standards departments. Those against see the statutory functions as distinct from verification and would like to see them kept apart in terms of funding. It was suggested that it is unfair on those following the correct procedure to have to pay a penalty to subsidise those who are not.
- 7.2.6 When asked if they would prefer to receive all their building warrant income up-front or in stages, the respondents were mostly in favour of up-front income (12 respondents) with only three respondents preferring staged payments.
- 7.2.7 Those preferring staged payments argue that it would allow for more efficient financial management where projects run for a prolonged period. The income is allocated in one financial year with activity in the following years effectively being undertaken against no fee on that year. Generally, it was suggested that up-front payments are suitable for the majority of warrant applications, but there could be staged payments for large projects.

### **7.3 Options for Raising Fee Income**

- 7.3.1 Figure 7.1 provides a summary of the potential options for raising additional income through fees that were identified in this study.

**Figure 7.1: Options for Raising Fee Income**

### Option 1: Simple

- Option 1: simple pro-rata increase
- Option 1a: simple with extended range of charges
- Option 1b: simple but with greater increase at lower value of work levels

### Option 2: Bespoke

- Option 2: different fee rates for HRBs

### Option 3: Project Types

- Option 3: create a range of specific fees for types of work

### Option 4: English Model

- Option 4: delegate fee setting to local authorities

## 7.4 Option 1: Simple

7.4.1 This option would involve a pro-rata increase in current fee rates for each fee band by a specific percentage. The analysis in paragraph 6.4.1 suggests that an uplift of 28% would be appropriate, but with this option, a range of uplift levels can be easily tested.

7.4.2 The advantages of this option include:

- It is easy to implement.
- It maintains a relatively simple approach to fees. The consultations have highlighted the need to keep any changes to the fee structure as simple as possible.
- Proportionately, all fee bands are treated the same.
- It continues with a system which is understood by customers i.e. based on the value of work.

7.4.3 The disadvantages of this option include:

- There may still be an element of cross-subsidy of low value projects by higher value projects.
- While some of the proposed changes to the delivery of building standards are focused on HRBs (e.g. compliance plan, pre-application discussions), this option would mean that HRB projects with the same value of work as a non-HRBs pay the same fees as non-HRB projects.

7.4.4 Modelling this option is relatively easy.

## 7.5 Option 1A: Simple Plus Activities

7.5.1 This is a variant of option 1 which retains the pro-rata approach to the fees increase but allows authorities to charge for certain activities e.g. pre-application discussions, cost of checking structural calculations/fire engineering reports, soft enforcement, maintaining the building standards register. Whether to charge for a limited number of additional activities would be the decision of the authority.

7.5.2 The advantages of this option include:

- The opportunity for an authority to charge for specific activities, if they want to.

7.5.3 The disadvantages include:

- The potential for different fees for similar applications in different authorities depending on the decisions of the authorities. However, variation across authorities could be minimised if a standard “national” rate was published for chargeable activities.
- A charge for pre-application discussions may discourage applicants for non-HRB projects from approaching authorities for discussions which could ultimately lead to poorer quality applications and increased workload. HRB projects would have to participate in pre-application discussions.
- A standard charge for structural calculations/fire engineering reports may not cover all costs in some authorities, but it could help to offset the additional costs incurred.
- It would add to the complexity of fees for users.

7.5.4 Modelling this option would require several assumptions:

- For each additional activity, assumptions would be required on the number of applications which would be subject to the charge and fee to be charged. For example:
  - Pre-application discussions:
    - 1%<sup>24</sup> of all applications would request a meeting.
    - Assume a cost of £80<sup>27</sup> (2 hours @ £40).
  - Checking of structural calculations:
    - 20% of applications up to a value of £250,000.

---

<sup>27</sup> This is assumed to apply to non-HRB applications which might seek some pre-application advice.

- Assume cost/contribution to cost of £150<sup>28</sup>.
- Maintain building standards register:
  - Would apply to all applications.
  - Assume a flat rate cost e.g. £25.

## 7.6 Option 1B: Simple with Focus on Lower Value Work

7.6.1 This option retains the simple percentage uplifts to fees but changes the entry minimum fee and 'slope' of fee rates to increase loading on smaller, lower value projects. Fixed fees and fees for low value of work bands would increase by a higher percentage than the high value of work bands.

7.6.2 The advantages of this option include:

- A greater contribution to actual cost recovery. Feedback from authorities suggests that minimum fee and lower value of work projects do not cover their costs. This would contribute to reducing this position.
- This would benefit all authorities as all authorities receive a relatively high proportion of lower value work.

6.4.3 The disadvantages of this option include:

- A move away from current position which acknowledges there is cross subsidy of low value of projects.
- It may discourage applications for building warrants for low value work.

7.6.3 Modelling this option would require assumptions on:

- The additional uplift for all fixed fee rates (a higher percentage than that used in Option 1).
- The different percentage uplifts across the different value of work bands.

## 7.7 Option 2: Bespoke

7.7.1 This is the introduction of different fee rates for HRBs where compliance plans are required.

7.7.2 The advantages of this option include:

- Tailoring the increase in fees to buildings where the requirements for building standards will be more onerous.
- Allowing authorities to recover some of the additional costs associated with the introduction of the compliance plan e.g. pre-application discussions,

---

<sup>28</sup> Based on information in BSD "Research Project – Delivery Model Verification Services – Shared/Collaborative Services"

greater on-site presence, greater communications with the compliance plan manager.

- The change in fees can be related to the change in workload.
- Allowing authorities to recover the costs of soft enforcement.
- An option could be included to enable authorities to recover the pre-application discussion costs if the project does not proceed. The discussions highlighted that time can be spent on pre-application discussions which never lead to a warrant application.

7.7.3 The disadvantage of this option includes:

- Some HRBs may already pay a relatively high fee.

7.7.4 Modelling this option requires several assumptions including:

- The number of HRBs which is assumed to be 5% of BW applications excluding fixed fee applications.
- How additional work associated with HRBs should be costed:
  - Pre-application discussions: It is assumed that these would be more involved than non-HRB applications in terms of number and length. A cost of £300 is assumed (6 hours at £50 per hour).
  - Additional on-site presence: this will be based on the 30% uplift in workload.
- Assumptions for the uplift for non-HRBs depends on the results of modelling the fee income for HRBs. An uplift of 22.5% has been applied.

## 7.8 Option 3: Project Types

7.8.1 This option would introduce fees for specific types of work to better reflect delivery cost. This would be similar to the situation in England and Wales where some authorities specify the cost of warrants for different types of work e.g. attic or garage conversions, extensions of different sizes. The charges separate plan checking and inspections and the number of inspections are clearly set out.

7.8.2 The advantages of this option include:

- The potential for fees to better reflect the actual cost of the work.
- It would remove any potential issues over the value of work as project types are defined by type and area, rather than value. Problems over agreeing values of work has been highlighted in discussions by some authorities.

6.6.4 The disadvantages of this option include:

- The project types tend to focus on projects at the lower end of the value of work scale.

- It is not “inflation proofed” which would necessitate regular review and more administrative work.
- A standard template for the level of inspection work by project type would probably be required which may reduce the flexibility of authorities to tailor work to specific project requirements.
- This would be a major change from the existing approach where value of work is the determinant of building warrant fees.

7.8.3 Modelling this option is beyond the scope of this study and would require:

- Agreement on the different project types.
- Assumptions on the proportion of BW applications accounted for by the different project types.
- A template for verification of each project type.

## **7.9 Option 4: English Model**

7.9.1 This option would delegate fee setting to each local authority.

7.9.2 The advantages of this option would include:

- Allowing authorities to set their own fees to cover their costs and reflect local circumstances. General guidance and legislation would be required on matters such as overheads and what can actually be recovered e.g. full cost of verification service only.

7.9.3 The disadvantages of this option include:

- Local authorities could all adopt different approaches to fee setting.
- Determining the actual cost could be complicated. Issues relating to overheads and the number of inspections per project etc would have to be resolved.
- It could lead to varying fees across authorities for similar projects which, in turn, could lead to customer service problems where applicants work across authorities.
- Comparisons are likely to be made across authorities, perhaps drawing wrong/misinterpreted conclusions.
- Oversight (in addition to the current KPOs) would be required to ensure authorities were only achieving full cost recovery and no more. With no competition in the delivery of the service, fees could be seen as a lucrative source of income if there was no oversight/regulation.
- Introduction of a new system would require substantial explanation to users.



7.9.4 Detailed modelling of this option would be difficult, but some basic analysis can be undertaken to determine the average fee for a building warrant in each authority in 2021/22 if the fee had been based on cost recovery. Comparisons can be made to the actual average fee obtained per authority. The analysis can be based on a number of “costs” depending on the assumptions made regarding whether the costs should include non-verification costs and overheads at 30%.

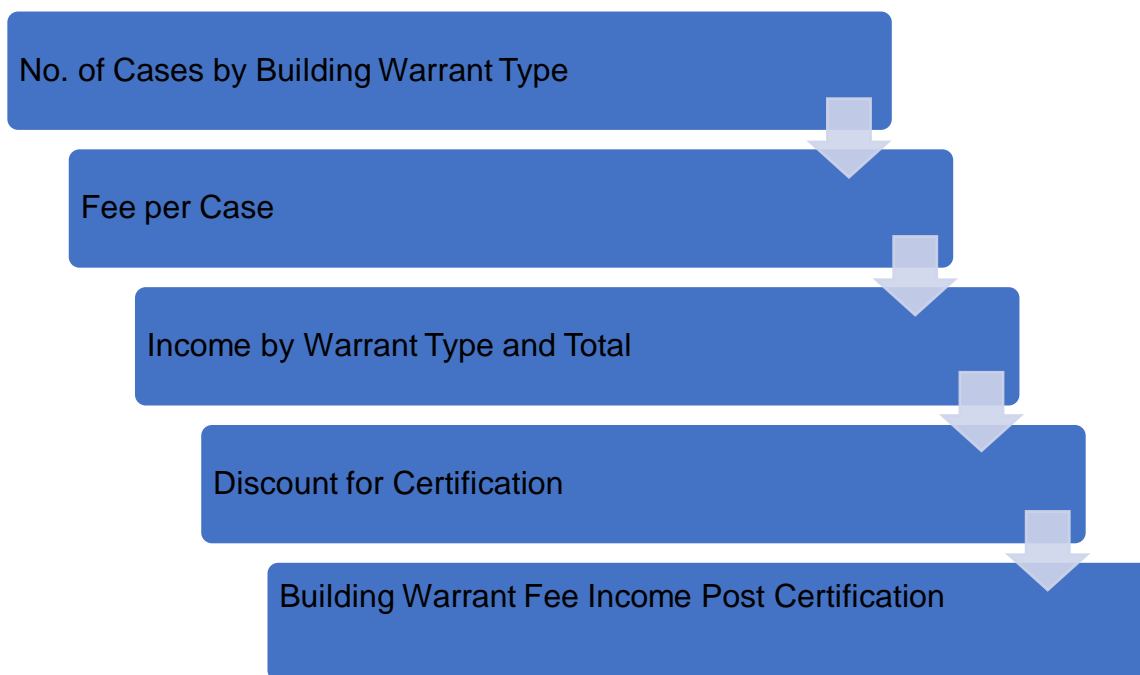
# 8. Modelling and Results

## 8.1 Introduction

8.1.1 A spreadsheet model has been developed which can provide projections of fee income under alternative fee structures and scenarios. The model can be used to project fee income at the Scottish level, but it can also be applied at the local authority level.

8.1.2 The structure of the model is shown in Figure 8.1. The core model estimates fee income from building warrant applications by type and value of work bands. It then makes an allowance for discounts provided for certification to determine total building warrant fee income net of certification discounts.

**Figure 8.1: Structure of Building Warrant Fee Income Model**



8.1.3 Income in the model was determined by the following parameters:

- The number of building warrants by type:
  - Building warrant applications: zero fee, conversions, demolitions, other applications by 9 value of work bands.
  - Building warrant amendments: split by 2 value of work bands.
  - Extensions to building warrants.
- Average fee for each warrant type and value of work band.
- Number of certificates by scheme: design and construction.
- Average value of discount per scheme.

- 8.1.4 Table 1 in Annex C sets out the key parameters, the assumptions underpinning each parameter and the source of the data/assumption. The total number of building warrant applications and amendments is taken from BSD data returns along with the distribution of applications across five value of work bands.
- 8.1.5 Information gathered through the survey of local authorities has been used to fine-tune the information in some of the value of work bands including estimates of the number of zero fee applications, conversion and demolition applications. Survey information has also been used to provide a more detailed breakdown of applications in the over £1 million value of work bank. Table 2 (Annex C) provides a summary of the assumptions relating to building warrant fees.
- 8.1.6 Modelling the certification discounts is more complicated as there is less information available on the distribution of certificates by value of work band or the proportion of applications (by value of work band) which have a certificate. A simpler approach to modelling certification has been adopted and is based on the total number of certificates by scheme and an average discount. The average discount is assumed to be £100 for certificates of design and £35 for certificates of construction<sup>29</sup>.
- 8.1.7 The model was developed using data from 2021/22 and tested on data representing a five-year average (2017/18 to 2021/22). Table 3 (Annex D) provides a summary of the estimated fee income in 2021/22 using the model and the estimated fee income using the five-year average data. The results confirm that the model is “fit for purpose” for examining the effects of different changes in fees.

## **8.2 Results from Modelling**

- 8.2.1 All options have been modelled on the average number of warrants over the last five years.
- 8.2.2 Table 8.1 sets out the results for Option 1, 1a and 1b. The Table shows the base level of fee income using the current fee rates by value of work band and type of application. For each Option, the additional income is shown which is then added to the base income to derive total fee income by Option.
- 8.2.3 The Table shows:
- Option 1 (a flat increase of 28% across all values of work and type of application) yields additional income of £10.2 million.
  - Option 1a (Option 1 but with the potential to charge for specific services) yields additional income of £12.1 million. This comprises £10.2 million from Option 1 with optional additional income of £2 million. Charging for checking structural calculations and the building standards register add

---

<sup>29</sup> The average building warrant fee per application (warrants and amendments) for Scotland is £724. This suggests an average value of work for between £40,000 and £60,000. The discount for a certificate of design in the £50,000 to £60,000 value of work band is £100 and the discount for a certificate of construction in the same value of work band is £35.

approximately £1m each in additional fees. These additional charges are assumed to be discretionary.

- Option 1b (varying the percentage uplift<sup>30</sup> by value of work) yields an additional £10.3 million

8.2.4 Table 8.2 provides a summary of the results for Option 2 which is the introduction of a different fee scale of HRBs. Once the additional income from HRBs was known, an uplift (21.5%) was applied to non-HRB projects to generate a total uplift of £10.3m. Overall, an additional £10.3 million can be raised by the separate fee structures with almost £2.9 million from HRB projects and £7.4 million from non-HRBs.

8.2.5 Table 8.3 provides a summary of the average cost of a building warrant application or amendment using different measures of total costs. This is provided to illustrate potential warrant costs if authorities were allowed to set their own fees to recover their costs. (Option 4). The Table illustrates (using a very simple approach) the average costs if an individual authority was to set its own fees to cover costs. The average cost per building warrant and amendment application is based on total verification costs and the KPO5 measure of costs (verification staff costs plus 30%). The Table groups authorities on an urban/rural classification<sup>31</sup>.

8.2.6 The Table shows that using total verification costs, the average cost would exceed current income per application in seven authorities – three rural, two primarily rural and two primarily urban. In most of these authorities, average costs per warrant exceeds average income per warrant by a few hundred pounds.

8.2.7 Using KPO5 as the measure of average costs, the average cost would exceed average income per application in eleven authorities – all authorities listed in paragraph 8.2.6 plus one urban, two primarily urban and one rural.

---

<sup>30</sup> All fixed fees, amendments, extensions and value of work up to £10,000 is a 45% uplift, work between £10,001 and £250,000 is a 35% uplift, work between £250,001 and £1m is a 25% uplift, work over £1m is a 15% uplift.

<sup>31</sup> Optimal Economics analysis of population density (population/sq.km)

**Table 8.1: Modelling Results for Options 1, 1a, 1b, £m**

		Option 1 – Simple		Option 1a		Option 1b	
Value of Work Band	Base Fee Income	Additional Fee Income	Total	Additional Fee Income	Total	Additional Fee Income	Total
£0 - £10,000	3.531	0.989	4.519	0.989	4.519	1.589	5.119
£10,001 - £50,000	6.685	1.872	8.557	1.872	8.557	2.234	9.025
£50,001 - £250,000	6.815	1.908	8.723	1.908	8.723	2.385	9.200
£250,001 - £1m	4.419	1.237	5.657	1.237	5.657	1.105	5.524
Over £1m	12.539	3.511	16.050	3.511	16.050	2.881	14.420
<b>Total BW Applications</b>	<b>33.989</b>	<b>9.517</b>	<b>43.506</b>	<b>9.517</b>	<b>43.506</b>	<b>9.300</b>	<b>43.289</b>
BW Amendments	1.715	0.480	2.196	0.480	2.196	0.772	2.487
Extensions to BWs	0.569	0.159	0.728	0.159	0.728	0.256	0.824
Additional Charges:							
- Pre-app Discussions				0.030	0.030		
- Charge Structural Calcs				1.057	1.057		
- BSR				0.948	0.948		
<b>All Fee Income</b>	<b>36.273</b>	<b>10.157</b>	<b>46.430</b>	<b>12.191</b>	<b>48.465</b>	<b>10.327</b>	<b>46.601</b>
Certification Discount				1.908			
<b>Net Fee Income</b>	<b>34.365</b>	<b>10.157</b>	<b>44.522</b>	<b>12.191</b>	<b>46.465</b>	<b>10.327</b>	<b>44.693</b>

**Table 8.2: Modelling Results for Option 2 – New HRB Fee Scale, £m**

		<b>Non-HRBs</b>	<b>HRBs</b>	
<b>Value of Work Band</b>	<b>Base Fee Income</b>	<b>Additional Fee Income</b>	<b>Additional Fee Income</b>	<b>Grand Total</b>
£0 - £10,000	3.531	0.710	0.575 <sup>1</sup>	4.816
£10,001 - £50,000	6.685	1.364	0.613	8.662
£50,001 - £250,000	6.815	1.392	0.525	8.732
£250,001 - £1m	4.419	0.903	0.312	5.635
Over £1m	12.539	2.561	0.826	15.926
Total BW Applications	33.990	6.930	2.851	43.772
BW Amendments	1.715	0.369		2.084
Extensions to BWs	0.569	0.122		0.691
<b>All Fee Income</b>	<b>36.274</b>	<b>7.421</b>	<b>2.851</b>	<b>46.564</b>
Certification Discount	1.908			
<b>Net Fee Income</b>	<b>34.365</b>	<b>7.421</b>	<b>2.851</b>	<b>44.639</b>

Notes: 1 – alterations and extensions to HRBs

**Table 8.3: Average Cost per BW Application using Different Measures of Cost and Average Income per BW and Amendment Application, 2021/22, £**

	<b>Av. Cost per BW using Total Ver. Cost</b>	<b>Av. Cost per BW using Ver. Staff Cost + 30% (KPO5 Measure)</b>	<b>Average Income per BW</b>
<b>Urban Authorities</b>			
1	800	950	820
2	540	540	740
3	510	600	870
4	750	780	880
<b>Primarily Urban Authorities</b>			
1	230	300	420
2	380	390	540
3	510	650	550
4	730	730	480
5	340	430	710
6	410	510	800
7	920	1,200	770
8	510	640	630
<b>Mixed Authorities</b>			
1	430	560	580
2	710	780	920
3	440	430	730
4	690	690	790
5	460	540	600
6	520	670	750
<b>Primarily Rural</b>			
1	510	640	660
2	480	580	590
3	680	760	780
4	670	870	620
5	680	800	660

6	520	660	760
---	-----	-----	-----



	<b>Av. Cost per BW using Total Ver. Cost</b>	<b>Av. Cost per BW using Ver. Staff Cost + 30% (KPO5 Measure)</b>	<b>Average Income per BW</b>
<b>Rural</b>			
1	750	850	730
2	320	410	610
3	440	560	740
4	1,300	1,380	730
5	900	1,160	1,020
6	530	520	690
7	450	450	640
8	1,120	1,350	890
<b>Scotland</b>	<b>540</b>	<b>620</b>	<b>720</b>

# Annex A: Online Survey Questionnaire

## Online Survey of Local Authorities

### Introduction

Optimal Economics has been appointed by the Building Standards Division (BSD) of the Scottish Government to undertake a review of building standards fee income and the level of reinvestment in service delivery. The broad objectives of the research are to review building warrant fee income in Scotland and to consider how fees are used to support the delivery of the verification service and how verifiers invest in their service to meet the requirements of the Operating Framework and Performance Frameworks. The research must also determine how the future requirements for building standards verification can be delivered through increases to the fee structure.

The purpose of this survey is to seek information and views on how building standards departments used any additional income arising from the 2017 fees increase and to consider a number of factors relating to the potential changes to building standards procedures from the work of the Futures Board.

As the research must also model future fee levels, the survey concludes with some points of clarification regarding the number and type of building warrants and the component of fees and cost data in the annual return made to BSD.

If you have any questions regarding the research, please contact Edith McDowall by either email or phone ([edith.mcdowall@optimaleconomics.co.uk](mailto:edith.mcdowall@optimaleconomics.co.uk) or 07974 392693).

### Background

1. Name:
2. Local Authority:

### Current Fee, GAE and Other Income

3. Overall, and by type of work, do you think that current fees are sufficient to support the delivery of verification services?

	Yes/No
Overall	
Domestic	
Non-domestic	

4. Please explain your answer to Q3 above.

Overall	
Domestic	

Non-domestic	
--------------	--

5. Overall, and by type of work, do you think that current fees are sufficient to meet the operational performance framework?

	Yes/No
Overall	
Domestic	
Non-domestic	

6. Please explain your answer to Q5 above.

Overall	
Domestic	
Non-domestic	

7. As part of the finance settlement from the Scottish Government, all local authorities receive part of the £3.8 million Grant Aided Expenditure (GAE) allocation for building standards. This is not a budget or target and local authorities can spend the allocation as they feel appropriate. Does your building standards service receive any income from your authority for the provision of other (non-verification) building standards services? Yes/No (£)

8. If yes, can you provide details of the amount received in 2021/22? (£)

--

9. What services did this income support and to what extent did it cover the cost of providing the service?

	Did income cover cost? Yes/no	Drop down menu with choices: - only part of staff costs; staff costs; staff costs plus costs related to the activity (e.g. travel); staff costs plus all overheads
Enforcement (excluding Dangerous Buildings)		
Enforcement – Dangerous Buildings		

Building Standards Register		
Licensing		
Safety at Sports Grounds		
Other (please specify)		

10. If no to Q7, are you expected to fund these services from your verification fee income?

	Yes/No/Not applicable
Enforcement ( <b>excluding</b> Dangerous Buildings)	
Enforcement – Dangerous Buildings	
Building Standards Register	
Licensing	
Safety at Sports Grounds	
Other (please specify)	

11. Are there any other comments you would like to make on GAE allocations of funding to building standards?
12. When the building standards fees increased in 2017, £1.5 million was taken from the GAE allocation to local authorities. Does the finance department in your authority expect to receive a contribution from your verification fee income to cover this reduced GAE allocation? Yes/No
13. If yes, can you provide details of the amount paid to the finance department in 2021/22?

£	
---	--

14. Do you receive any other income for services provided?

Income Source	Yes/No
Licensing	
Safety at Sports Grounds	

Other (e.g. copy plans, letters of comfort)	
---	--

15. If Yes, how much would you receive for these services in a typical year? (£)

Licensing	
Safety at Sports Grounds	
Other (copy plans, letters of comfort)	

### Re-Investment of Fee Income

Analysis of the BSD annual return data allows the change in fee income to be analysed over time. The email which provided the link to this survey compares 2016/17 (pre fee increase) fee income with 2018/19 (first full year post increase) fee income and sets out our estimates of the changes to your income which have arisen as a result of a change in the volume of applications and the change as a result of the fee increase.

16. Where your income increased as a result of the fee increase between 2016/17 and 2018/19, was this additional income available to invest in your building standards services or has it been used to fund other council services?

	Yes/No
Building Standards – Verification Services	
Building Standards – Enforcement Work	
Building Standards – other non-verification services	
Other Council Services	
Other (please specify)	

17. Where your income has increased as a result of the fee increase between 2016/17 and 2018/19, can you describe how this additional fee income has been re-invested? (Please provide the level of investment (£) and a brief description of the investment)

	£	Description
Additional Staff (no., grade)		
Training		

Technology		
Other (please describe)		

18. Have you been able to maintain the investment since 2018/19?

	<b>Yes, maintained investment;</b> <b>No, not maintained investment;</b> <b>Increase Investment</b>
Additional Staff	
Training	
Technology	
Other (please describe)	

19. Please comment on your answer to Q18.

Additional Staff (no., grade)	
Training	
Technology	
Other (please describe)	

20. Can you describe the effect this investment has had on the building standards service? (e.g. contribute to specific KPOs)

Additional Staff	
Training	
Technology	
Other (please describe)	

### **Expenditure on Verification and Building Standards**

21. In the 2021/22 annual return under KPO 5 you provided details of your verification staff costs, non-staff costs for verification and other verification related investment. These costs were provided in the email which contained the link to this survey. Are you able to clarify what is included in the non-staff verification costs and other verification related investment?

	<b>Non-Staff Verification Yes/No/Don't Know options</b>	<b>Other Verification Related Investment Yes/No/Don't/Know options</b>
Travel & subsistence		
Training		
Accommodation		
Office Costs		
IT		
Personal Protection Equipment		
Recharged Council Services		
Outsourced Specialist Services		
Other (please specify)		

22. Can you provide an estimate of the total expenditure of your building standards department in 2021/22?
23. Does this expenditure include overheads (e.g. office costs, HR etc)?
24. To what extent is your building standards team involved in the following activities?

	<b>Dropdown menu with options:</b> <b>Complete responsibility for activity</b> <b>Mainly responsible but there can be input from other teams</b> <b>Some input but the main responsibility of other teams</b> <b>No responsibility or input</b>
Enforcement	
Licensing	
Other (please specify)	

## Certification

25. For each certification scheme, does the value of the discount forgone cover the verification cost of checking the work, if a certificate is not provided?

	<b>Dropdown box with: Always; Usually; Sometimes; Never</b>
Design – Structures	
Design –Energy	
Design – Non-Domestic Energy	
Construction – Drainage, Heating, Plumbing	
Construction - Electrical	

26. Do you think the discounts are sufficient to encourage use? Yes/No
27. Please explain your answer to Q26.
28. What do you think could be done to encourage the use of certification and can you provide any examples where there has been an incentive to use certification?

## Future Changes to the Verification Delivery Model

The planned future delivery model for verification services is expected to impact on the resources of the building standards teams. This will include the requirements from the Cole Report which, with respect to high risk buildings, includes a site inspection when a staged building warrant is submitted to check if work without approval was underway. There will also be a need to establish if notification of start of site, compliance plan inspection/checks and completion certificate submissions are being notified in line with the details recorded in the compliance plan.

29. Can you describe what you believe the following changes will have on the workload of delivering your building standards service?

	<b>Dropdown box with choices: Increase; no significant change; decrease</b>
Central hub	
Compliance plan manager role	
Increased compliance workload through more CCNP notices and stricter compliance procedures	



A more pro-active approach towards enforcement	
Pre-application discussions	
Monitoring high risk buildings to check work has not started without a warrant or there is no unauthorised occupation	
Other (please specify)	

30. Are there any comments you would like to make regarding fees and the potential future changes to the verification delivery model?

Central Hub	
Compliance Plan manager role	
Increased compliance workload through more CCNP notices and stricter compliance procedures	
A more proactive approach towards enforcement	
Pre-application discussions	
Monitoring high risk buildings to check work has not started without a warrant or there is no authorised occupants	
Other (please specify)	

31. Do you think there should be separate fees for specific services?

	Yes/No
Plan Checking	
Inspection/Reasonable Inquiry	
Pre-application discussions	
Monitoring high risk buildings	
Enforcement ( <b>excluding</b> Dangerous Buildings)	
Enforcement – Dangerous Buildings	

Other (please specify)	
------------------------	--

32. Please comment on your answer to Q31.

Plan Checking	
Inspection/Reasonable Inquiry	
Pre-application discussions	
Monitoring high risk buildings	
Enforcement ( <b>excluding</b> Dangerous Buildings)	
Enforcement – Dangerous Buildings	
Other (please specify)	

33. Do you think local authorities should be able to set their own fees to ensure full cost recovery rather than having to use the fee structure set by the Scottish Government? Yes/No

34. Please explain your answer to Q33.

35. Do you think the building warrant fee should have a component to cover the statutory local authority functions (e.g. enforcement, maintain the building standards register)? Yes/No

36. Please explain your answer to Q35.

37. Would you prefer to receive all your building warrant income up-front or in stages?

38. Please explain your answer to Q37.

39. In principle, how do you think the overall cost of delivering a future building standards central hub should be funded?

	Yes/No
Increased fees with a reduction in the GAE allocation	
Subscription by LAs – based no. building warrants	
Subscription by LAs – based on population	
Pay as you go use of services	

Combination of approaches (please specify)	
Other (please specify)	

40. Please comment on your answer to Q39.

Increased fees with a reduction in the GAE allocation	
Subscription by LAs – based no. building warrants	
Subscription by LAs – based on population	
Pay as you go use of services	
Combination of approaches (please specify)	
Other (please specify)	

**Points of Clarification: Number of Warrants**

BSD has supplied the number of building warrants for the five value of work bands set out in the performance framework and our fee modelling will be based on these value of work bands. Income will be modelled using mid-points from each range, but it would be helpful to know the number applications which are zero, fixed fee and in the over £1million value of work band.

41. Can you provide the number of applications which were zero fee applications in 2021/22?

<£10,000	
£10,001 to £50,000	
£50,001 to £250,000	
£250,001 to £1million	
>£1million	

42. Can you indicate if this number of zero fee applications is typical of the number of this type of applications in a year?

<b>Value of Work Band</b>	<b>Dropdown menu of:</b>
---------------------------	--------------------------

	<b>Yes; No – usually less; No – usually more</b>
<£10,000	
£10,001 to £50,000	
£50,001 to £250,000	
£250,001 to £1million	
>£1million	

43. Can you provide the number of fixed fee applications received in 2021/22 in the following categories?

<b>Type of Application</b>	<b>No. of Applications</b>
Conversion only (£150)	
Demolition only (£150)	
Extension of warrant (£100)	

44. Can you indicate if this number of fixed fee applications is typical of the number of this type of application in a year?

<b>Type of Application</b>	<b>Dropdown menu of: Yes; No – usually less; No – usually more</b>
Conversion only (£150)	
Demolition only (£150)	
Extension of warrant (£100)	

45. Can you provide a breakdown of the number of applications received in 2021/22 which were for work with a value of over £1million?

<b>Value of Work</b>	<b>No. of Applications</b>
£1 to £5 million	
£5 to £10	
£10 to £25 million	

£25 to £50 million	
>£50 million	

46. Can you indicate if this is typical of the number of projects per annum in these value of work bands?

<b>Value of Work</b>	<b>Dropdown menu of: Yes; No – usually less; No – usually more</b>
£1 to £5 million	
£5 to £10	
£10 to £25 million	
£25 to £50 million	
>£50 million	

47. Can you provide the number and total fee income from late applications which incur the 200% and 300% fees in 2021/22?

<b>Type of Application</b>	
Completion Certificates where no building warrant (300% fee) – no. of applications	
Completion Certificates where no building warrants (300% fee) – Total fee received, £	
Late applications where work has started (200% fee) – No. of applications	
Late applications where work has started (200% fee) – Total fee received, £	

48. Can you indicate if this is typical of the number of these applications in a year?

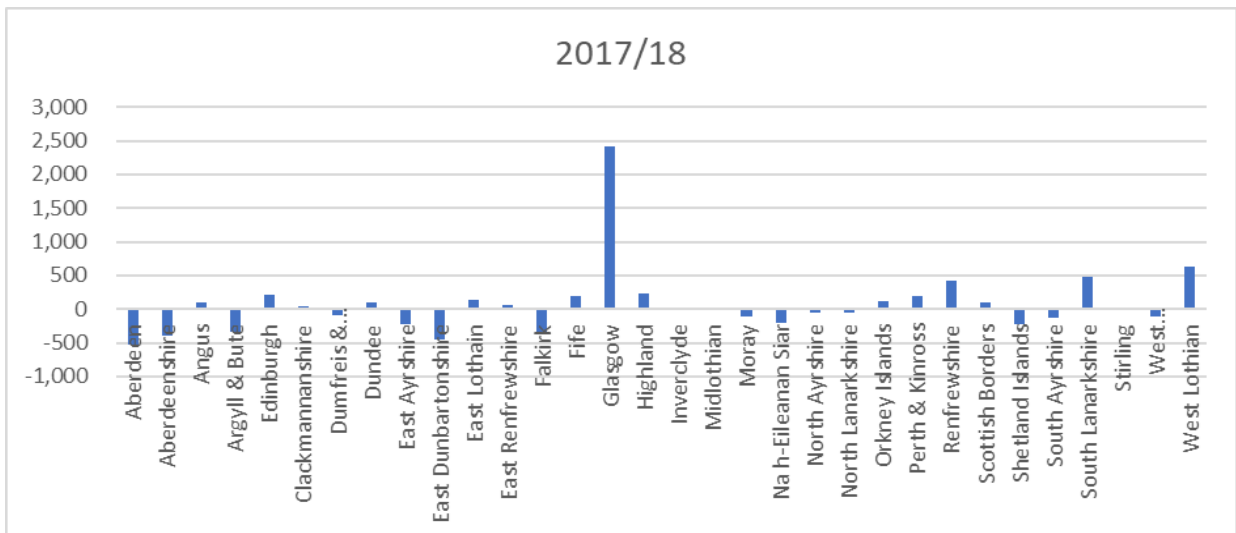
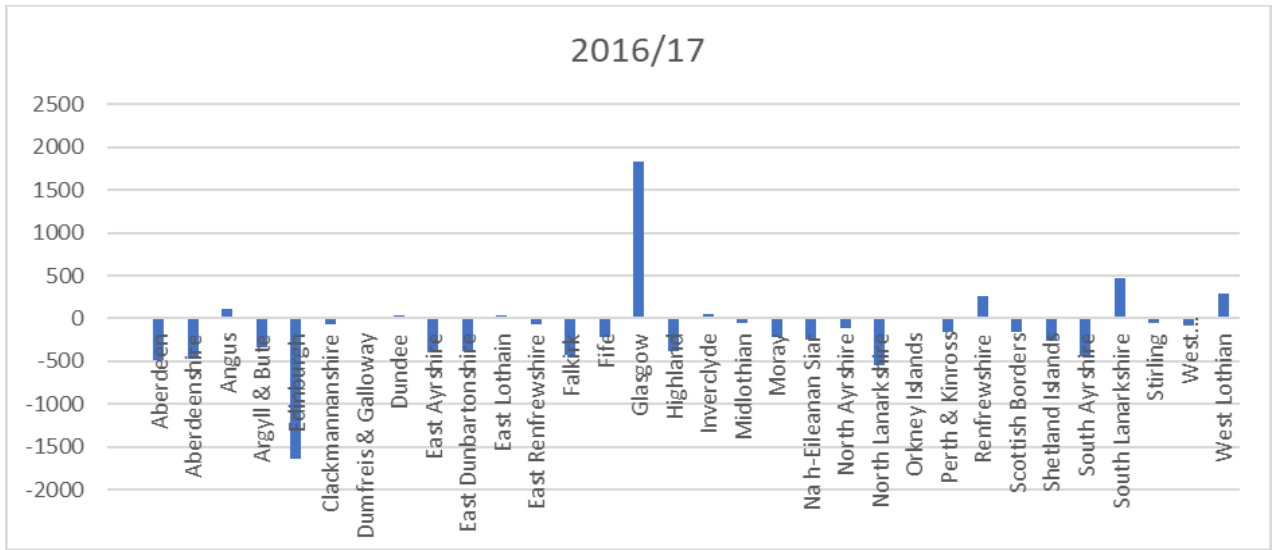
<b>Type of Application</b>	<b>Dropdown menu of: Yes; No – usually less;</b>

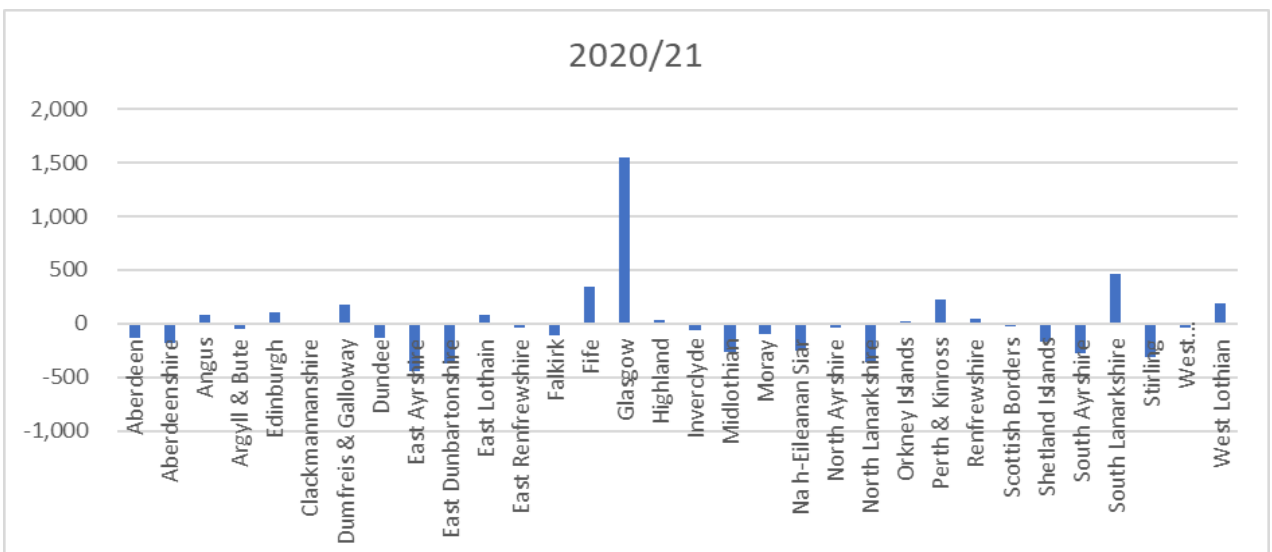
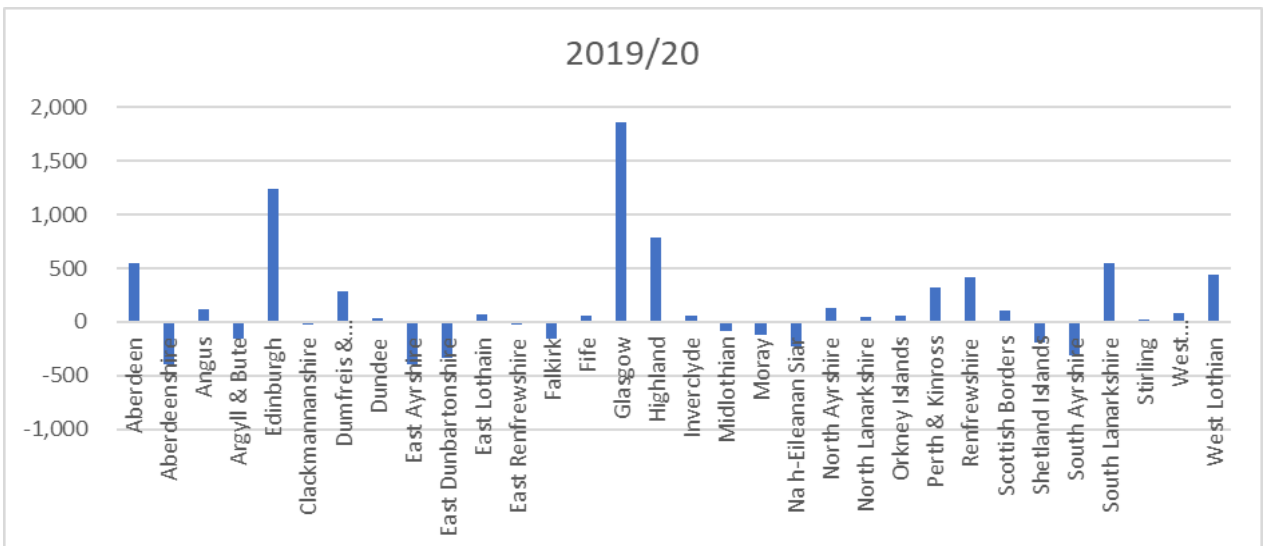
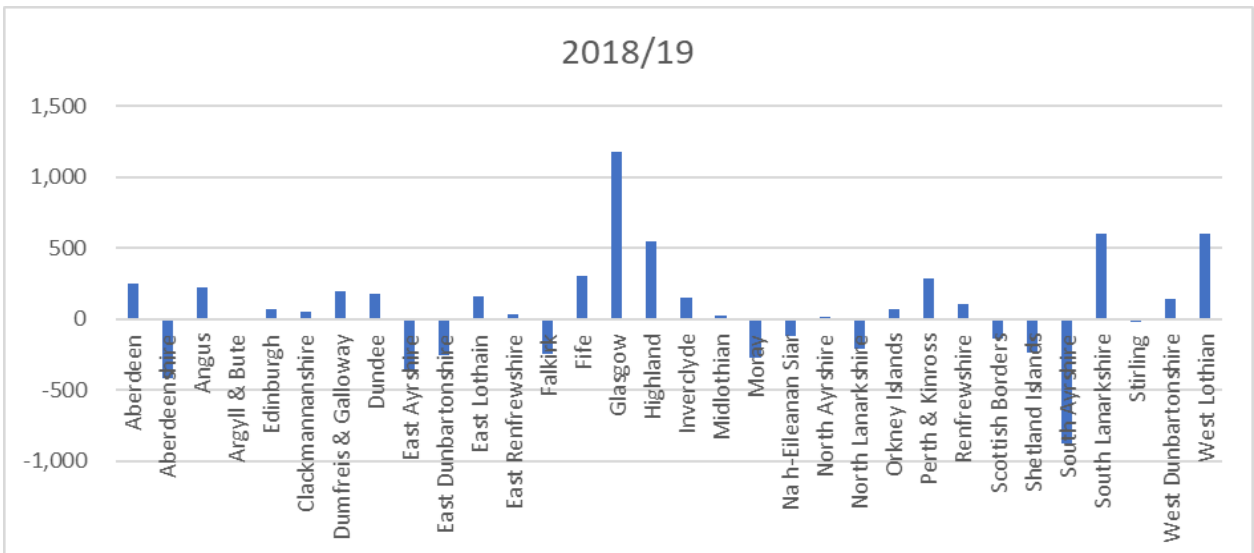
	<b>No – usually more</b>
Completion Certificates where no building warrant (300% fee) – no. of applications	
Completion Certificates where no building warrants (300% fee) – Total fee received, £	
Late applications where work has started (200% fee) – No. of applications	
Late applications where work has started (200% fee) – Total fee received, £	

49. Do you have any other comments you would like to make on building standards fees?

Thank you for your help with the research.

## Annex B: Income and Expenditure Position of Local Authorities from LFR Data, 2016/17 to 2020/21, £000s







## Annex C: Data for Model and Assumptions

Table 1: Key Data and Assumptions		
BW Type	Data (2021/22) or Assumption	Source of Data/Assumption
Total number BW applications	39,400	BSD return
Distribution of applications by value of work bands: <ul style="list-style-type: none"> <li>- £0 - £10,000</li> <li>- £10,001 - £50,000</li> <li>- £50,001 - £250,000</li> <li>- £250,001 - £1 million</li> <li>- &gt;£1 million</li> </ul>	<ul style="list-style-type: none"> <li>48.4%</li> <li>30.9%</li> <li>14.6%</li> <li>4.3%</li> <li>1.8%</li> </ul>	BSD data on BW issued by value of work band
Distribution of applications over £1m: <ul style="list-style-type: none"> <li>- £1 - £5 million</li> <li>- £5 - £10 million</li> <li>- £10 - £25 million</li> <li>- £25 - £50 million</li> <li>- &gt;£50 million</li> </ul>	<ul style="list-style-type: none"> <li>70.2%</li> <li>14.5%</li> <li>10.2%</li> <li>2.8%</li> <li>2.5%</li> </ul>	Based on information supplied by local authorities during survey
Number of applications by type: £0 - £10,000: <ul style="list-style-type: none"> <li>- Zero fee</li> <li>- Conversion</li> <li>- Demolition</li> <li>- &lt;£5,000</li> <li>- &gt;£5,000</li> </ul> £10,001 - £50,000: <ul style="list-style-type: none"> <li>- Zero fee</li> </ul>	<ul style="list-style-type: none"> <li>3.5% of BW apps &lt;£10,000</li> <li>0.1% of BW apps &lt; £10,000</li> <li>1.5% of BW apps &lt; £10,000</li> <li>50% of BW apps &lt;£10,000</li> <li>50% of BW apps &gt;£10,000</li> <li>1.5% of BW apps £10k to £50k</li> </ul>	Based on information supplied by local authorities during survey
Amendments to warrants: <ul style="list-style-type: none"> <li>- Total</li> <li>- &lt;£5,000</li> <li>- &gt;£5,000</li> </ul>	<ul style="list-style-type: none"> <li>9,479</li> <li>75% of amendment apps</li> <li>25% amendment apps</li> </ul>	BSD data Based on discussions from case studies/previous research

Extensions to warrants	15% of BW apps	Based on information supplied by local authorities during survey
Number of Certificates:		BSD data
- Design – structures	16,450	
- Design – energy (domestic)	415	
- Design – energy (non-dom)	16	
- Construction – plumbing	4,892	
- Construction - electrical	3,919	

**Table 2: Building Warrant Fee Assumptions**

BW Type	Value of Work Band	Fee, £
£0 - £10,000:		
- Conversions <sup>1</sup>	Fixed	150
- Demolitions	Fixed	150
- Zero fee	Fixed	0
- <£5,000	Fixed	150
- >£5,000	£7,000 - £7,500	245
£10,001 - £50,000:		
- Zero fee	Fixed	0
- All others	£20,001 - £50,000	593
£50,001 - £250,000	£120,001 - £140,000	1,240
£250,001 - £1 million	£400,001 - £420,000	2,682
>£1 million:		
- £1 - £5 million	£2.2 million	7,910
- £5 - £10 million	£6.5 million	18,789
- £10 - £25 million	£12.5 million	33,970
- £25 - £50 million	£30.5 million	79,509
->£50 million	£55 million	142,759
Extensions to warrants	Fixed	100

Notes: 1 – only if there is no construction work. Fee scale applies if there is construction work

**Table 3: Estimates of Fee Income Using Model, £**

	<b>2021/22</b>	<b>5 Year Average</b>
Income from:		
- BW applications	35.050	33.989
- BW amendments	1.742	1.715
- Extensions	0.591	0.568
<b>Total</b>	<b>37.383</b>	<b>36.273</b>
Certification discount	-1.996	-1.908
Income less certification (modelled)	35.386	34.365
Actual income	35.383	34.849
% difference	0.01	1.4



© Crown copyright 2023



This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit [nationalarchives.gov.uk/doc/open-government-licence/version/3](https://nationalarchives.gov.uk/doc/open-government-licence/version/3) or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email: [psi@nationalarchives.gsi.gov.uk](mailto:psi@nationalarchives.gsi.gov.uk).

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available at [www.gov.scot](http://www.gov.scot)

Any enquiries regarding this publication should be sent to us at

The Scottish Government  
St Andrew's House  
Edinburgh  
EH1 3DG

ISBN: 978-1-80525-653-3 (web only)

Published by The Scottish Government, June 2023

Produced for The Scottish Government by APS Group Scotland, 21 Tennant Street, Edinburgh EH6 5NA  
PPDAS1265522 (06/23)

W W W . g o v . s c o t