



AGENDA

SOUTH THAMES GATEWAY BUILDING CONTROL JOINT COMMITTEE MEETING

Date: Thursday, 9 June 2016

Time: 10.00 am

Venue: Civic Centre, Windmill Street, Gravesend, Kent DA12 1AU

Membership:

Councillors Chitty, John Cubitt and Gerry Lewin

Quorum = 3

	Pages
1. Apologies for Absence	
2. Election of Chairman	
3. Election of Vice-Chairman	
4. Declarations of Interest	
<p>Members are invited to declare any interests in relation to any agenda item in accordance with the Code of Conduct adopted by their Authority.</p>	
5. Record of Meeting	1 - 4
<p>To approve the record of the meeting held on 17 March 2016.</p>	
6. Urgent Matters by Reason of Special Circumstances	
<p>The Chairman will announce any late items which do not appear on the main Agenda but which he/she has agreed should be considered by reason of special circumstances to be specified in the report.</p>	
7. Annual Report	5 - 14
8. Business Plan	15 - 54
9. Progress on the Business Case	55 - 88
10. Administrative Arrangements 2016/17	89 - 92

Issued on Tuesday, 31 May 2016

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Director of Corporate Services, Swale Borough Council,
Swale House, East Street, Sittingbourne, Kent, ME10 3HT

SOUTH THAMES GATEWAY BUILDING CONTROL JOINT COMMITTEE

MINUTES of the Meeting held in the Committee Room, Swale House, East Street, Sittingbourne, Kent, ME10 3HT on Thursday, 17 March 2016 from 10.00 - 10.43 am.

PRESENT: Councillors Jane Chitty, John Cubitt and Gerry Lewin (Chairman).

IN ATTENDANCE:

Andrew Barnett, Financial Services, Gravesham Borough Council
Janine Boughton, Head of Administration and Business Development
Philippa Davies, Democratic Services Officer, Swale Borough Council
Stephen Gaimster, Assistant Director, Housing and Regeneration, Medway Council
Sarah Kilkie, Assistant Director (Communities), Gravesham Borough Council
Andrew Lawson, Finance Business Partner, Medway Council
Mo Olatuja, Solicitor, Medway Council
Tony Van Veghel, Director, South Thames Gateway Building Control Partnership

1 APOLOGIES FOR ABSENCE

There were no apologies for absence.

2 RECORD OF MEETING

The record of the meeting held on 10 December 2015 was agreed as a correct record and signed by the Chairman.

3 DECLARATIONS OF INTEREST

No interests were declared.

4 URGENT MATTERS BY REASON OF SPECIAL CIRCUMSTANCES

There were no urgent matters.

5 SCHEDULE OF MEETINGS 2016/17

This report set out the proposed dates for 2016/17 in advance of the Annual General Meeting.

Resolved:

- (1) That the timetable of meetings for the 2016/17 municipal year, as set out below be agreed:***

Thursday 9 June 2016 (AGM)
Thursday 22 September 2016
Thursday 8 December 2016
Thursday 16 March 2017

- (2) *That Gravesham Borough Council provides a secretary to the joint committee for the 2016/17 municipal year.*

6 EXCLUSION OF THE PRESS AND PUBLIC

(1) That under Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Paragraphs 3 and 5 of Part 1 of Schedule 12A of the Act:

3. Information relating to the financial or business affairs of any particular person (including the authority holding that information).

5. Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.

7 MONITORING REPORT: NOVEMBER 2015 TO JANUARY 2016

The Director of the South Thames Gateway Building Control Committee introduced the report which gave an overview of the position of the budget and the progression against the objectives shown in the Business Plan 2015/18.

The Director answered Members' questions on the report.

Resolved:

- (1) *That the report be noted.*

8 PROGRESS REPORT ON CONSULTANCY COMMERCIALISATION

The Director of the South Thames Gateway Building Control Joint Committee introduced the report which updated the Committee on some of the options available through changes in legislation concerning the commercialisation of the consultancy and indicated how the Steering Group have advised to take the project further. He explained that a more detailed report would be submitted to the Committee at the Annual General Meeting in June 2016.

Members acknowledged the amount of work involved in the process and the Chairman suggested there should be some flexibility in the planned future meetings to allow for timetabling of the work involved in the commercialisation of the consultancy.

Resolved:

- (1) *That the report be noted and the respective partner authorities be recommended to allocate the necessary staff resource to deliver the objectives of the Business Plan.*

Chairman

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All Minutes are draft until agreed at the next meeting of the Committee/Panel

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SOUTH THAMES GATEWAY BUILDING CONTROL JOINT COMMITTEE

9 June 2016

SOUTH THAMES GATEWAY BUILDING CONTROL PARTNERSHIP ANNUAL REPORT

Report from: Tony Van Veghel, Director, South Thames Gateway Building Control Partnership

Summary

This report seeks to inform Members of the performance and financial information for the year 2015/16.

1. Budget and Policy Framework

1.1 The Joint Committee requires the preparation of monitoring reports to be reported to the Officer's Steering Group and Joint Committee.

2. Background

2.1 As the draft Business Plan is written in July/August with amendments up to December, Members have requested an annual report to give an overview of the Partnership's progress throughout the year.

3 Directors comments

3.1 The construction industry has taken some time to recover from the recession; however, there was clear evidence in 2015/16 the market is improving. With increases in workload throughout all our services we needed to match resources with demand in order to maintain a high level of service. The benefits of our investment in IT have also enabled us to use those resources more effectively with remote and agile working and our review of our consultancy provided innovative ways of generating additional income which all helped to balance our budget and mitigate any pressures.

3.2 Our first full year at the Foord Annexe has proven very successful with more customers opting to visit the offices and deal with enquiries on a one-to-one basis with staff. Our review of procedures and processes resulted in a far more streamlined application process which has been very well received by our partner architects and customers in general.

- 3.3 The development of remote working with surveyors using ipads to access our systems has also allowed for a 20% increase in inspections over the previous year. We have had audits carried out by Medway on operations and health and safety, an internal audit on consultancy and two BSI inspections under ISO 9001 all of which achieved the highest standards available and once again proved the professionalism of all staff and resilience of the partnership.

4 Resources

- 4.1 As demand has risen across all three of our service areas throughout the year, pressure has been placed on resources. The number of building regulation applications increased by 27% in the first quarter heralding a trend throughout the year. By October we had nearly a third more applications than the previous year before a slight fall back at the end of the year which saw an overall increase of 25% against applications received in 2014/15.
- 4.2 This significant increase in applications placed a great deal of pressure on the service which had depleted numbers of staff for a number of reasons both on the technical administration and surveying teams. Each additional application requires additional validation and processing time, an increased number of plans to be checked and additional formal and informal enquiries as well as the associated increase in numbers of inspections.
- 4.3 In order to deal with the pressure revised working practices were introduced into the processing procedure and the temporary agency staff retained. We engaged a further temporary housing surveyor to carry out work for the consultancy on decent homes surveys releasing a senior building control surveyor to develop a dedicated enforcement officer role, which was included in our Business Plan presented to Members.
- 4.4 Despite the increase in applications annual income from building regulation applications remained the same as 2014/2015. Therefore, additional income was required to mitigate this pressure. We achieved this by winning more work through the stock condition surveys and developing the range of services on offer to gain additional work in the private sector. By developing the enforcement role an increased number of regularised applications were deposited which generate an additional 20% per application. Increases in house sales were mirrored with an increased number of searches coming through and the technical assistants group maintained their high service level agreement performance generating further additional income.
- 4.5 The development of our two assistant building control surveyors continued throughout the year with both completing their probationary period and taking on increasingly complex work, under the supervision of their managing surveyors. We will be looking for them to develop further this coming year including application to the Chartered Association of Building Engineers and a graded transition to become a full building control surveyor. Progressively throughout this year they have been able to assist with planned site visits and controlled plan vetting which has proved to be a very useful resource and a successful career development.

5 IT

- 5.1 The ongoing use and development of our back-office system Tascomi is crucial to our forward planning which is included in our business plan. All surveyors now operate remotely using ipads and now with EE connectivity have improved signal coverage throughout the area. We are also working with Tascomi to develop an off-line solution and Members had agreed to invest some of last year's surplus into this development. However, given the additional pressures implementation was postponed to 2016/17.
- 5.2 The use of ipads to log and carry out inspection records has resulted in an increase of 20% on inspections carried out meeting the objectives of our business plan target. The plan also looks at moving towards onscreen plan vetting and the first stage of this was achieved by the installation of wide screen monitors on the hot desks. Further development of this project will be taken forward next year ultimately resulting in surveyors being able to check plans, annotate requirements and carry out consultations in a digital format.
- 5.3 A further improvement to customer service will be the provision of our new website. Consultation and development work took place throughout the year with full implementation planned for 2016/17.
- 5.4 Our close development of the IT system and excellent working relationship with Tascomi has resulted in us being put forward as demonstrating best practice at two conferences this year. We have also met with other groups that are now forming partnerships in Derbyshire and Hertfordshire utilising the Tascomi system.

6 Performance

- 6.1 Despite the huge increase in applications we have managed to improve our performance throughout the year exceeding our percentage targets for the last 9 months.
- 6.2 In maintaining the use of temporary staff through the summer we were able to ensure full coverage of a highly demanding inspection service and with the return of two surveyors at the beginning of this calendar year, together with the general progression of the building control assistants, we were able to focus on the plan checking and site inspection duties so as to improve performance and consistency in dealing with applications.
- 6.3 The consistency element is very important to customers. Speed of service has always been highly ranked in the customer surveys we carry out but it is closely followed by consistency of approach. The work we began in 2014/15 to improve the consistency of interpretation by surveyors has continued throughout the year and with further developments and redesigning the plan checking module to include a number of templates we are continuing to improve the product for customers.
- 6.4 We have a Service Level Agreement (SLA) with both Swale and Medway Councils for delivery of their land charges searches within three working days. By managing

resources, and despite an increase in searches, all the SLA's were achieved and income in excess of £30,000 was generated.

Quarterly Performance

	% plans checked within 10 days	% plans checked within 15 days	% determined within 5 weeks /or 2 months	No PCIs	% completion certificates sent within 5 days of completion	% Reg & Acknow within 3 days	% LC Searches - Medway within 3 days	% LC Searches - Swale within 3 days	% HIPs (within 10 working days)
2014-15	Target 70%	Target 85%	Target 100%		Target 95%	Target 95%	Target 95%	Target 95%	Target 95%
Apr	35.29	80.88	100.00	128	100.00	97.31	100.00	100.00	100.00
May	31.96	78.35	100.00	0	100.00	26.14	100.00	100.00	100.00
Jun	33.96	77.36	100.00	223	100.00	22.60	100.00	100.00	100.00
Jul	36.78	89.66	100.00	80	100.00	40.34	100.00	100.00	100.00
Aug	30.23	30.23	100.00	36	100.00	41.84	100.00	100.00	100.00
Sep	20.22	49.44	100.00	24	100.00	21.92	100.00	100.00	100.00
Oct	59.68	77.42	100.00	37	100.00	100.00	100.00	100.00	100.00
Nov	77.33	92.00	100.00	29	100.00	100.00	100.00	100.00	100.00
Dec	52.54	88.14	100.00	21	100.00	100.00	100.00	100.00	100.00
Jan	86.96	100.00	100.00	11	100.00	100.00	100.00	100.00	100.00
Feb	78.43	94.12	100.00	22	100.00	100.00	100.00	100.00	100.00
Mar	69.70	96.97	100.00	25	100.00	100.00	100.00	100.00	100.00
2015-16	Target 70%	Target 85%	Target 100%		Target 95%	Target 95%	Target 95%	Target 95%	Target 95%
Apr	55.67	76.29	100.00	12	100.00	100.00	100.00	100.00	100.00
May	77.47	93.55	100.00	24	100.00	100.00	100.00	100.00	100.00
Jun	69.39	93.88	100.00	24	100.00	98.48	100.00	100.00	100.00
Jul	89.55	97.01	100.00	13	100.00	81.07	100.00	100.00	96.97
Aug	78.26	93.48	100.00	52	91.67	77.51	100.00	100.00	100.00
Sep	83.70	95.65	100.00	17	99.08	100.00	100.00	100.00	100.00
Oct	81.13	100.00	100.00	33	100.00	100.00	100.00	100.00	100.00
Nov	100.00	0.00	100.00	42	100.00	100.00	100.00	100.00	100.00
Dec	80.33	95.08	100.00	26	100.00	100.00	100.00	100.00	100.00
Jan	90.00	100.00	100.00	28	100.00	100.00	100.00	100.00	100.00
Feb	86.59	97.56	*	15	100.00	100.00	100.00	100.00	100.00
Mar	84.87	94.12	*	42	96.80	98.96	100.00	100.00	100.00
Cummulative	81.41	86.39	100.00		98.96	96.34	100.00	100.00	99.75

* unable to provide data until 8 weeks following quarter end

7 Consultancy

7.1 Development of the consultancy into a Local Authority Trading Company (LATC) is a major objective within the business plan and in order to prepare in taking the objective forward an internal audit was carried out. The consultancy has focused in two main areas of work over the past year, energy assessments and social housing surveys, however, with the demise of the code for sustainable homes demand for the former has decreased.

7.2 The audit revealed that there were opportunities that could be exploited in both work streams but which would require a relaunch of a marketing strategy and where

possible the use of experts in the field. The quality of the end product and control of service delivery was proved to be better served by using the specialist approach. Management of the consultancy was moved to the Head of Administration and Business Development as expanding the range of services and marketing those services is key to making the consultancy a commercial success. A review of procedures and processes was also undertaken and amended as necessary to facilitate competing more effectively in the market place.

- 7.3 In September Trowers & Hamlins gave a presentation to Joint Committee on the opportunities available for local authorities to operate commercial services whilst maintaining control by the partner authorities. A number of opportunities exist as an LATC, mutual or social enterprise and Members have requested an options appraisal to determine the most suitable delivery vehicle.
- 7.4 This was the first full year of the SLA with Medway's Housing group which required 600 stock condition surveys to be carried out. It has been a very successful year in gathering the information on those properties, entering it into housing's back-office system and giving the detailed information on which they can base their asset management strategy, finance and forecasting for the following year. So successful was the project that it was completed ahead of target allowing a further 100 properties to be surveyed by the end of the year. In the last quarter of the year we were able to supply a surveyor to back-fill a vacancy in Gravesham's Private Sector Housing group and again this has proved very successful with the contract extending into 2016/17.

8 Transparency

- 8.1 The partnership has undergone three audits and two inspections from our QA auditor the BSI through 2015/16. All of these have resulted in successful outcomes and demonstrate the strength of the processes in place and the determination of staff in delivering a first-class service.
- 8.2 The health and safety audit comprised a number of meetings and an inspection of our policies and processes by Medway's Health & Safety team. Our final assessment of 93% puts us in the top percentile of groups examined by the team. Given the nature and diversity of the work we do and the reliance on lone and agile working, this was an extremely pleasing result to achieve. The construction industry is one of the most dangerous to operate in and given that surveyors have to carry out risk assessments on each site they visit, at the time of inspection, without prior knowledge of the builder/developers site practices and procedures, it is very impressive. Our use of Tascomi and its diary function to record daily visits together with our in-house controls of remote working ensures our lone working policy is robust.
- 8.3 Medway Council carried out a full operational audit on the partnership through the summer with the aim of identifying any risks in the governance, financial and performance arrangements together with questions around the provision of value for money. It was also tasked with examining whether the delivery of building control was of a high standard and satisfied all the responsibilities for the function.

- 8.4 The final report published in October gave the highest recommendation possible which is again a testament to the governance and financial arrangements in place and the policies and procedures followed by the staff.
- 8.5 The third audit was an internal audit on the consultancy. It was carried out to prepare the consultancy for a change in direction and its potential in to becoming a LATC. It was determined that the most effective delivery was through the engagement of specialists and the streamlining of services delivered. A revision of the structure was undertaken to achieve these outcomes.
- 8.6 In order to maintain our status as a quality assured company to ISO 9001:2008 we were audited twice during the year by the British Standards Institute (BSI). The objective of these inspections is to conduct a surveillance assessment and audit looking for positive evidence to ensure that: "management systems are in place to demonstrate the ability of the partnership to deliver statutory, regulatory and contractual requirements of our business plan and objectives."
- 8.7 We also have to demonstrate our forward strategy plan and potential areas of improvement in our management systems. Both the inspections were successful with us maintaining our QA accreditation and registration as a quality assured organisation.

9 Best Practice and Development of the Partnership

- 9.1 As mentioned earlier we have been promoted as best practice at two conferences this year and have shared our experiences in developing the partnership at a LABC meeting on shared services. We met with a Derbyshire group of five authorities in October who were looking to partner and use the Tascomi system. Similarly we have had two meetings with the seven Hertfordshire councils who are looking to set up a partnership via a LATC. This project is being taken forward by Trowers & Hamlins and an exchange of information has taken place benefiting both organisations. There may be an opportunity to assist in the project management of this venture with us selling our expertise in the field through the consultancy.

10 Conclusion

- 10.1 It has been another busy year for the partnership. The 25% overall increase in applications affects all of our work streams; processing, validating, plan vetting and site inspections. There was also an increase in customer contact through telephone calls and enquiries.
- 10.2 With the introduction of a new enforcement role through the last 6 months of the year we have been able to be pro-active in discovering unauthorised works as well as providing a dedicated service to follow up on previous cases. The opportunity is also available to convert the more recent works into regularisations, helping to protect the public and generating additional income.
- 10.3 The consultancy has also proved very busy with our housing target SLA being met by December and an additional 100 properties able to be dealt with within the financial year. The review of the consultancy has also allowed for new processes and procedures to be introduced giving greater controls over speed of delivery and

quality of end product. Additional external specialists have been engaged so that the consultancy can facilitate a greater range of services.

- 10.4 Whilst we have seen an increase in workload in all three of our work streams we are looking forward to a continuation and further increases in 2016/17. This together with the expansion and redirection of our consultancy are the objectives of our Business Plan which will take us forward over the next 3 years.

11 Finance and Legal Implications

- 11.1 The end of year monitoring statement is included in Appendix 1. There are no legal implications as a result of this report.

12 Risk Management

- 12.1 There are no risks within this report.

13 Recommendations

- 13.1 Members are asked to note the contents of the report.

14 Suggested Reasons for Decisions

- 14.1 The Constitution requires the Joint Committee to maintain a monitoring role on the progress of the partnership.

Lead officer contact

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Background papers

None

Year End Budget Monitoring Report

<u>Description</u>	<u>2015/16 Revised Budget</u>	<u>2015/16 Actuals</u>	<u>2015/16 Variance</u>
STG BLDG CONT Admin Staff	1,100,000	968,258	(131,742)
STG BLDG CONT Adm Stf Consult	0	0	0
STG BLDG CONT Adm Stf PubProt	0	0	0
STG BLDG CONT Relief&Temp St	0	45,860	45,860
STG BLDG CONT Add Lump Sum	0	0	0
STG BLDG CONT Medical Screen	0	0	0
STG BLDG CONT VDU/Eye Tests	50	34	(16)
STG BLDG CONT Medical Refera	100	365	265
STG BLDG CONT Counselling SL	0	0	0
STG BLDG CONT Advert&Int	0	0	0
STG BLDG CONT Allowances	0	0	0
STG BLDG CONT Clothing Allce	2,000	340	(1,660)
STG BLDG CONT Allow-Call Out	11,000	4,012	(6,988)
STG BLDG CONT Employee Ins	1,601	0	(1,601)
STG BLDG CONT PL Ins Staff	0	0	0
STG BLDG CONT Staff Training	7,000	3,479	(3,521)
STG BLDG CONT Trg Consultancy	7,000	0	(7,000)
STG BLDG CONT CRB Checks	0	0	0
Staffing	1,128,751	1,022,349	(106,402)
STG BLDG CONT R&M Bldgs Gen	3,000	5,530	2,530
STG BLDG CONT Electricity	4,900	1,987	(2,913)
STG BLDG CONT Gas	2,300	805	(1,495)
STG BLDG CONT Rents External	25,600	19,000	(6,600)
STG BLDG CONT Rents Internal	0	0	0
STG BLDG CONT NNDR	10,000	11,328	1,328
STG BLDG CONT Water & Sewer	700	87	(613)
STG BLDG CONT Contract Clean	800	280	(520)
STG BLDG CONT Window Clean	200	0	(200)
STG BLDG CONT Trade Refuse	400	378	(22)
STG BLDG CONT Prem Security	0	0	0
STG BLDG CONT Premises Ins	1,500	491	(1,009)
Premises	49,400	39,885	(9,515)
STG BLDG CONT Vehicle Ins	500	0	(500)
STG BLDG CONT Public Trans	300	152	(148)
STG BLDG CONT Park Fees	250	11,574	11,324
STG BLDG CONT Trv-Lsed-Mile	3,000	346	(2,654)
STG BLDG CONT Casual User	300	516	216
STG BLDG CONT Essential User	38,000	29,676	(8,324)
STG BLDG CONT Cash for Cars	0	0	0
Transport	42,350	42,264	(86)
STG BLDG CONT Equip/Furn/Mats	1,500	311	(1,189)
STG BLDG CONT Equipment Only	0	(2,000)	(2,000)
STG BLDG CONT Equipment Rent	5,500	10,499	4,999
STG BLDG CONT Equip An Mtce	2,000	276	(1,724)
STG BLDG CONT Books/Pubs/News	2,000	4,186	2,186
STG BLDG CONT Water Coolers	0	255	255
STG BLDG CONT Meetings Refr	500	410	(90)
STG BLDG CONT Refrsh Consult	0	0	0
STG BLDG CONT Compass Acc SLA	0	0	0
STG BLDG CONT Fin Strategy SLA	8,100	8,100	0
STG BLDG CONT Exchequer SLA	5,200	5,200	0
STG BLDG CONT Control SLA	0	0	0

<u>Description</u>	<u>2015/16 Revised Budget</u>	<u>2015/16 Actuals</u>	<u>2015/16 Variance</u>
STG BLDG CONT HR SLA	3,416	3,416	0
STG BLDG CONT Org Dev SLA	2,534	2,534	0
STG BLDG CONT Adv & Cons SLA	954	954	0
STG BLDG CONT HR Ops SLA	742	742	0
STG BLDG CONT HR Resource SLA	962	962	0
STG BLDG CONT H&S SLA	1,002	1,002	0
STG BLDG CONT IT Comp SLA	20,000	11,435	(8,565)
STG BLDG CONT IT Business SLA	0	0	0
STG BLDG CONT Legal SLA	10,000	2,290	(7,710)
STG BLDG CONT Print/Stat/Exp	0	342	342
STG BLDG CONT Prt Chargeable	0	28	28
STG BLDG CONT Prt N/Chargeab	0	0	0
STG BLDG CONT Printing	3,000	2,869	(131)
STG BLDG CONT Print Consult	0	0	0
STG BLDG CONT ConsultPubProt	2,000	637	(1,363)
STG BLDG CONT PrintPubProtect	500	0	(500)
STG BLDG CONT Stationery	2,000	2,869	869
STG BLDG CONT Station Consult	1,000	824	(176)
STG BLDG CONT StatPubProtect	500	49	(451)
STG BLDG CONT Gen Office Exp	100	167	67
STG BLDG CONT Microfilming	0	0	0
STG BLDG CONT Ext Audit Fees	2,100	4,000	1,900
STG BLDG CONT HR Approved Agency	0	163,789	163,789
STG BLDG CONT Age StSecurity	1,200	933	(267)
STG BLDG CONT Consult Fees	0	4,141	4,141
STG BLDG CONT C/Fees Chrgabl	6,000	0	(6,000)
STG BLDG CONT C/Fees NChrgb	3,000	(2,319)	(5,319)
STG BLDG CONT Cons PartPElec	1,000	3,780	2,780
STG BLDG CONT STGConsult Exp	6,000	8,123	2,123
STG BLDG CONT ConsultPubProt	1,000	559	(441)
STG BLDG CONT Cons-HR Approved	0	0	0
STG BLDG CONT Other Fees	0	0	0
STG BLDG CONT Land Reg Fees	1,000	433	(567)
STG BLDG CONT Telephone	0	0	0
STG BLDG CONT Mobiles	1,600	4,816	3,216
STG BLDG CONT Call Costs	100	0	(100)
STG BLDG CONT Line Rental	120	18	(102)
STG BLDG CONT Postage	5,500	8,548	3,048
STG BLDG CONT Post Consult	300	0	(300)
STG BLDG CONT Computer Hard	3,000	1,355	(1,645)
STG BLDG CONT Computer Soft	25,200	18,755	(6,445)
STG BLDG CONT Computer Net	0	0	0
STG BLDG CONT Comp S/W Dev	0	0	0
STG BLDG CONT Subsistence	0	0	0
STG BLDG CONT Subscriptions	8,000	16,838	8,838
STG BLDG CONT StatPubProtect	0	0	0
STG BLDG CONT All Risks Ins	1,500	0	(1,500)
STG BLDG CONT Indemnity Ins	750	0	(750)
STG BLDG CONT Ind XS	0	0	0
STG BLDG CONT Publicity	5,000	597	(4,404)
STG BLDG CONT Pub Consultancy	7,000	39	(6,961)
STG BLDG CONT PublicityProtec	500	0	(500)
STG BLDG CONT Misc Exps	0	0	0
STG BLDG CONT MiscEx OfficeM	0	2,749	2,749
STG BLDG CONT Advertising	500	148	(353)
STG BLDG CONT Contr to Res	0	0	0

<u>Description</u>	<u>2015/16 Revised Budget</u>	<u>2015/16 Actuals</u>	<u>2015/16 Variance</u>
STG BLDG CONT Contrib I T R	5,000	22,000	17,000
STG BLDG CONT Comp Claims	0	0	0
STG BLDG CONT ContBadDebtProv	3,000	0	(3,000)
STG BLDG CONT Prov Bad Debts	0	(18,000)	(18,000)
Supplies & Services	161,880	299,658	137,778
STG BLDG CONT Pub Bods Cont	0	0	0
STG BLDG CONT Cont from OLAs	0	(290,300)	(290,300)
STG BLDG CONT Cont from Res	0	(29,029)	(29,029)
STG BLDG CONT Non-Med Oth Bod	(290,300)	0	290,300
Contributions from Partner Authorities	(290,300)	(319,329)	(29,029)
STG BLDG CONT Fees & Chs Gen	(5,000)	(4,186)	814
STG BLDG CONT Land Chg Fees	(25,000)	(34,040)	(9,040)
STG BLDG CONT L/C Searches	0	0	0
STG BLDG CONT Bldg Cont Fees	(912,320)	(828,376)	83,944
STG BLDG CONT BldgContSentry	0	0	0
STG BLDG CONT STGConsult Inc	(85,000)	(151,992)	(66,992)
STG BLDG CONT Bldg Ctrl Reg	(55,000)	(59,205)	(4,205)
STG BLDG CONT BldgConPart P	(6,924)	(6,003)	921
STG BLDG CONT BldCtFeesPartP	(2,837)	(791)	2,046
STG BLDG CONT Lettings Ext	0	0	0
STG BLDG CONT Adv Income	0	(234)	(234)
STG BLDG CONT Misc Receipts	0	0	0
STG BLDG CONT BackDatedSuper	0	0	0
Other Income	(1,092,081)	(1,084,827)	7,254
Total Expenditure	1,382,381	1,404,156	21,775
Total Income	(1,382,381)	(1,404,156)	(21,775)
Total Recharges	0	0	0
Total Net	0	0	0

SOUTH THAMES GATEWAY BUILDING CONTROL JOINT COMMITTEE

9 JUNE 2016

SOUTH THAMES GATEWAY BUILDING CONTROL BUSINESS PLAN 2016-2019

Report from: Tony Van Veghel, Director, South Thames Gateway
Building Control Partnership

Summary

This report seeks agreement to the South Thames Gateway Building Control Partnership's Business Plan (dated 18 December 2015 Version 4) and Service Delivery Documentation for 2016-2019.

1. Budget and Policy Framework

- 1.1 The Constitution for the South Thames Gateway Building Control Joint Committee specifies that the Business Plan shall be adopted at the Annual General Meeting.
- 1.2 This is an executive function and therefore would be subject to the call-in arrangements of the partner authorities. Specific parts of the plan, such as those surrounding retention and recruitment of staff, would be carried out in line with Medway Council's Constitution and human resources policies and procedures.

2. Background

- 2.1 The Joint Committee's Constitution sets out the process for approval of the Partnership's Business Plan each year and the timing required to ensure that each Partner Authority is able to incorporate associated budget requirements into the financial planning process for the subsequent year. The stages to this process are as follows:
 - Before 1 October each year the Joint Committee is required to approve and send its draft Business Plan for the following year to each Partner Authority for comments.
 - Each Council has 35 days (from receipt) to provide comments to the Secretary of the Joint Committee on the draft Business Plan

- The Joint Committee is then required to meet to consider any comments received and agree any revisions to the draft Business Plan.
 - By no later than 5 January the Joint Committee has to send a revised draft to each Partner Authority for their final approval.
 - Each Partner Authority must advise the Secretary to the Joint Committee whether it approves or rejects the revised draft Business Plan by no later than 10 days before the Annual Meeting of the Joint Committee (The Joint Committee will formally adopt the Business Plan at its Annual meeting).
- 2.2 There are also provisions in the Constitution of the Joint Committee stipulating the process and timescales for agreeing amendments to the Business Plan during the course of each year.

3. Director's comments

- 3.1 On 23rd September 2015 the Joint Committee agreed a first draft of the STGBC Business Plan for 2016-2019 and invited each partner authority to provide its comments. The second draft of the Business Plan incorporated the comments received and was presented to Joint Committee on 10th December 2015.
- 3.2 The Business Plan (Appendix A) outlines how the building control function will be delivered on behalf of the three partnership Council's up until 2019 and indicates what the reduced contributions will be between 2016 to 2019.
- 3.3 The amended plan presented to Members for final consideration indicates the three agreed objectives:
- To improve customer service utilising IT development and increased customer interaction.
 - Increase opportunities for protecting and capturing market share.
 - Development of consultancy services with dedicated staff under separate company.

The plan also includes action plans and targets to achieve these objectives.

Our continuing key projects for 2016/17 will be:

- The improvements in IT allowing greater flexibility in the way we work.
- Improvements required to the quality and consistency of plan checking and site inspections.
- Improvements to the speed of turnaround of applications.
- Access to reliable and consistent advice through the provision of a duty surveyor.

- Enabling customer service improvements for tracking applications and carrying out searches.
 - The need to develop the consultancy as a commercial arm of STG.
- 3.4 These items will form the focal point in the year ahead and underpin the objectives in the delivery plan (Appendix B). With continued support from the three authorities these objectives will build on the reputation of delivering a first class service to customers and stakeholders.
- 3.5 Total contributions will have reduced for the partners by £36,030 between April 2015 and March 2019.
- 3.6 The next phase of the Partnership will not only consolidate the successes of the past eight years but continue the expansion of services, staff development and improved customer service which the investment of the three Partner Authorities has allowed.

4. Financial Implications

- 4.1 Appendix 1 of this report details the financial plan 2016-2019 showing expenditure, income and the reduction of contributions over the 3 year period.
- 4.2 In addition to this the constituent authorities are required to make contributions totalling £278,076 to fund non chargeable activities. These contributions are, for Gravesham £55,616, for Medway £147,380, and for Swale £75,080 and have been ratified by the acceptance of the Business Plan.

5. Legal Implications

- 5.1 Where appropriate these are set out in the report and in the Business Plan dated 18 December 2015 Version 4. The Business Plan makes provision for partnership working with private architects. This will be done under the recognised Local Authority Building Control Partnership scheme.

6. Risk Management

- 6.1 Should chargeable applications and therefore income fall below expectations and outside of any mitigating proposals put forward to enable a zero based budget there may be further calls on the contributions from each of the partner authorities. However, this would be only applied for as a last resort.

7. Recommendations

- 7.1 The Joint Committee is asked to adopt the 2016-2019 Business Plan dated 18 December 2015 Version 4 and Service Delivery Documentation.

8. Suggested Reasons for Decisions

- 8.1 The Joint Committee has a duty under the Memorandum of Agreement to formally adopt the Business Plan at the Annual General Meeting.

Lead officer contact

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Background papers

none

- Appendix 1 - Three Year Budget Build and Contribution Calculation for 2016-2019
Appendix 2 - Business Plan (dated 18 December 2015 Version 4)
Appendix 3 - Service Delivery Documentation

Appendix 1

Three year Budget Build and Contribution Calculation For 2016/2017 - 2018/2019 (including comparative 2015/2016 budget) for Three Authority Partnership

	<u>2015/16</u> <u>Budget</u>	<u>2016/17</u> <u>Budget</u>	<u>2017/18</u> <u>Budget</u>	<u>2018/19</u> <u>Budget</u>
Staffing	1,128,751	1,139,751	1,150,861	1,162,082
Premises	46,300	46,300	46,300	46,300
Transport	42,350	42,350	42,350	42,350
Supplies and Services	108,970	105,970	108,970	108,970
Support Services	52,910	52,910	52,910	52,910
Total Cost:	1,379,281	1,387,281	1,401,391	1,412,612
Contributions	-290,300	-278,076	-266,853	-254,270
Income	-1,088,981	-1,107,822	-1,134,538	-1,158,342
Total Income	-1,379,281	-1,387,281	-1,401,391	-1,412,612
Chargeable 79%	-1,088,981			
Non-Chargeable 21%	-290,300			
	-1,379,281	0	0	0
Chargeable 80%		-1,107,822		
Non-Chargeable 20%		-278,076		
	0	-1,387,281	0	0
Chargeable 81%			-1,134,538	
Non-Chargeable 19%			-266,853	
	0	0	-1,401,391	
Chargeable 82%				-1,158,342
Non-Chargeable 18%				-254,270
	0	0	0	-1,412,612
Authority and Agreed Percentage	<u>2015/16</u> <u>Budget</u>	<u>2016/17</u> <u>Budget</u>	<u>2017/18</u> <u>Budget</u>	<u>2018/19</u> <u>Budget</u>
Gravesham - 20%	58,060	55,616	53,371	50,854
Swale - 27%	78,381	75,080	72,050	68,653
Medway - 53%	153,859	147,380	141,432	134,763
	290,300	278,076	266,853	254,270

[Figure 1]

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Building Control Partnership Business Plan 2016-2019



Director
Version No.
Last updated

Tony Van Veghel
4
18 December 2015

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C O N T E N T S

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1. Executive Summary

- 1.1. The next three year Business Plan incorporates important changes to the partnerships structure to reflect a changing market and greater customer expectations.
- 1.2. The legislation which governs the processes and time frames for local authority building control is 30 years old and reflects the legislation dating back to the Public Health Acts of the 20th Century. Today's customers live in a world of immediacy and instant response. They correspond over the internet, not by post, and expect replies and responses the same way. They expect to pay for services by debit and credit cards at the time of transaction and expect a high degree of accountability and transparency. They also have choice.
- 1.3. That is why the partnership has been, and will continue to develop its services to match this changing environment and why structural change is needed in the future. We need to move to a model which reflects our three areas of activity:
 - Building regulations
 - Public protection and information
 - Consultancy services

Each needs to be resourced and that will require a development of three teams:

- Building regulation team which will need to develop resources to deliver plan vetting and site inspections with dedicated personnel so as to meet customer expectation on speed of response and consistency.
 - Public protection team which will focus on ensuring a safe environment throughout the STG area identifying unauthorised works, dangerous structures and demolitions. They would ensure remedial work is undertaken, where required, and unsafe practices or structures are dealt with to protect the public as well as backing the building regulation team where enforcement is required.
 - Consultancy services which will be delivered through a Local Authority Company operating under STG as the holding company. They would deliver complementary services to the building regulation service reflecting what is available in the competitive market and would provide a comprehensive surveying service to the social housing sector.
- 1.4. Our three objectives will continue to be:
 - Further improvements to customer service utilising IT development and customer interaction.
 - Increase income generation by increasing market share and further expansion of the partnership.

- Development of consultancy services with dedicated staff under a separate company.
- 1.5. IT development and improvement is essential in ensuring we meet these three objectives. It is not only key to allowing greater self-service and customer interaction, but will also ensure a faster and more comprehensive plan vetting and site inspection service.
 - 1.6. Our processes and procedures will be audited and amended in-line with our quality assurance certification to ensure they are both simplified and reduced to reflect the advances in technology.
 - 1.7. By freeing up more time through the intelligent use of IT, resource will be made available for improving marketing and account management so as to implement a strategy to sustain our market share.
 - 1.8. With the development of the consultancy as a separate company, specialist staff can be recruited for specific time related projects. The range of services can be extended and surpluses that are generated can be reinvested or used to reduce future partner contributions.
 - 1.9. The building control industry has changed considerably over the last five years. There are now many more Approved Inspectors and their activity, particularly in London and the SouthEast has become more prolific. Competition in the market place is now greater than ever placing us back in the position of competing for work and staff.
 - 1.10. The partnership needs to continue to develop its use of technology to provide an improved and speedier service for its customers. It needs to meet and exceed customer expectation and be able to deliver many of its processes through automated service. Therefore, through 2016/17 we will review and simplify our processes and procedures and automate where possible.
 - 1.11. We need to provide a robust and dedicated public protection service with a greater emphasis on enforcement, protecting clients and customers within our area and utilising contributions funding.
 - 1.12. We also need to expand our range of services through the consultancy as a Local Authority Company allowing for staff to be engaged as necessary and delivering the consultancy as a commercially viable company capable of operating as a separate entity and supporting the partnership through the generation of a surplus.

2. Financial Plan

2.1. Members have requested that the format of the Business Plan changes to a three year rolling programme. This will take the forecast beyond the end of the current second term which finishes in September 2017. However, Members have endorsed the progression of the partnership beyond that period and the new arrangement will allow for the agreed contributions, approved through the Business Plan, to feed into each authority's medium-term financial plan.

2.2. The financial plan in figure 1, takes into account the following pressures:

- an increase in salary costs of 1% per annum
- an average 2% annual increase in overall income generation

and allows for the following savings:

- reduced annual premises costs following our move
- continued reductions in support service costs against previous years.

2.3. Overall this has allowed for a further 1% reduction in partner contributions between 2015/16 and 2016/17. Over the past 5 years, therefore, total contributions from the partner authorities have reduced by nearly £74,000 (2012 – 2017).

2.4. In this highly competitive market the risk still remains that additional pressures will be put upon the partnership during times of low resources (holidays, sickness etc). With the lack of availability of building control staff there is only the expensive alternative of using agency staff. As this phenomenon affects all building control bodies, and in particular local authorities who have already lost staff to the private sector, inspection regimes across the country are having to be rewritten to take account of the resource crisis.

2.5. The continued development of the IT system and remote working is extremely important in the operation and functionality of alternative and complementary inspection services more reliant on on-site delivery and customer interaction.

2.6. The development of the consultancy as described under objective 3 of the Delivery Plan is continuing with its transition to a Local Authority Company. Enabling a range of services at competitive prices and having the opportunity to deliver a surplus of which can be used to reduce partner contributions in the future. A separate business case will be presented to Joint Committee and into each authorities Cabinet, as required by the Constitution to demonstrate the viability of such a transformation and how the creation of this commercial venture will strengthen and build the financial resilience within the partnership.

Three year Budget Build and Contribution Calculation For 2016/2017 - 2018/2019 (including comparative 2015/2016 budget) for Three Authority Partnership

	<u>2015/16 Budget</u>	<u>2016/17 Budget</u>	<u>2017/18 Budget</u>	<u>2018/19 Budget</u>
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	-1,379,281	0	0	0
Chargeable 80%		-1,107,822		
Non-Chargeable 20%		-278,076		
	0	-1,387,281	0	0
Chargeable 81%			-1,134,538	
Non-Chargeable 19%			-266,853	
	0	0	-1,401,391	
Chargeable 82%				-1,158,342
Non-Chargeable 18%				-254,270
	0	0	0	-1,412,612
Authority and Agreed Percentage	<u>2015/16 Budget</u>	<u>2016/17 Budget</u>	<u>2017/18 Budget</u>	<u>2018/19 Budget</u>
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Medway - 53%	153,859	147,380	141,432	134,763
	290,300	278,076	266,853	254,270

[Figure 1]

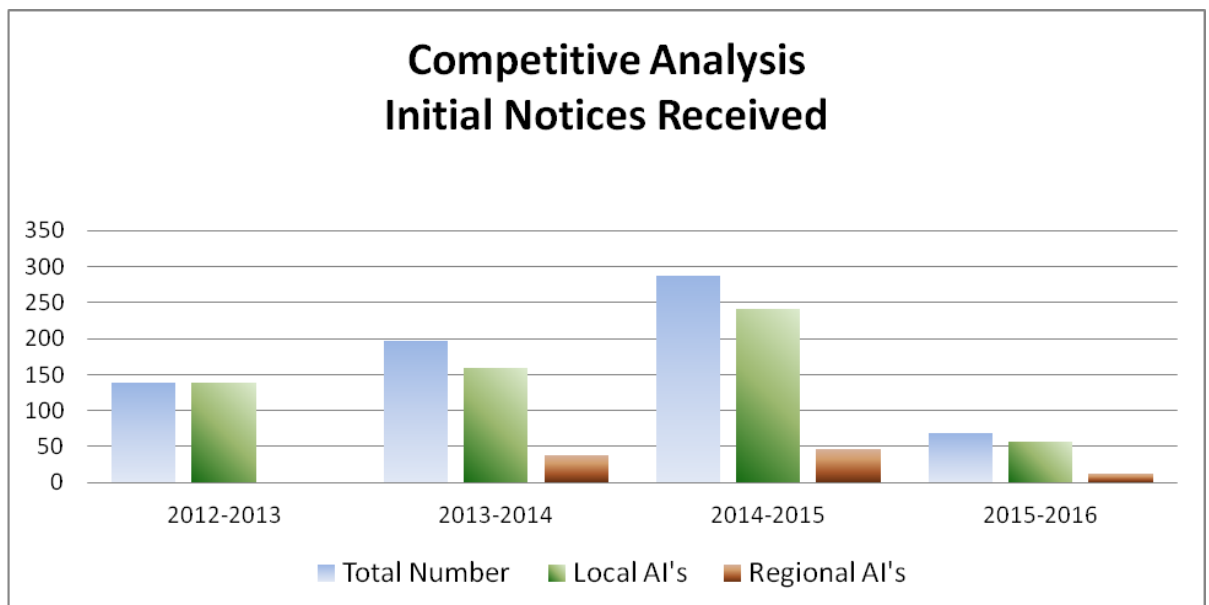
3. PARTNERSHIP OVERVIEW

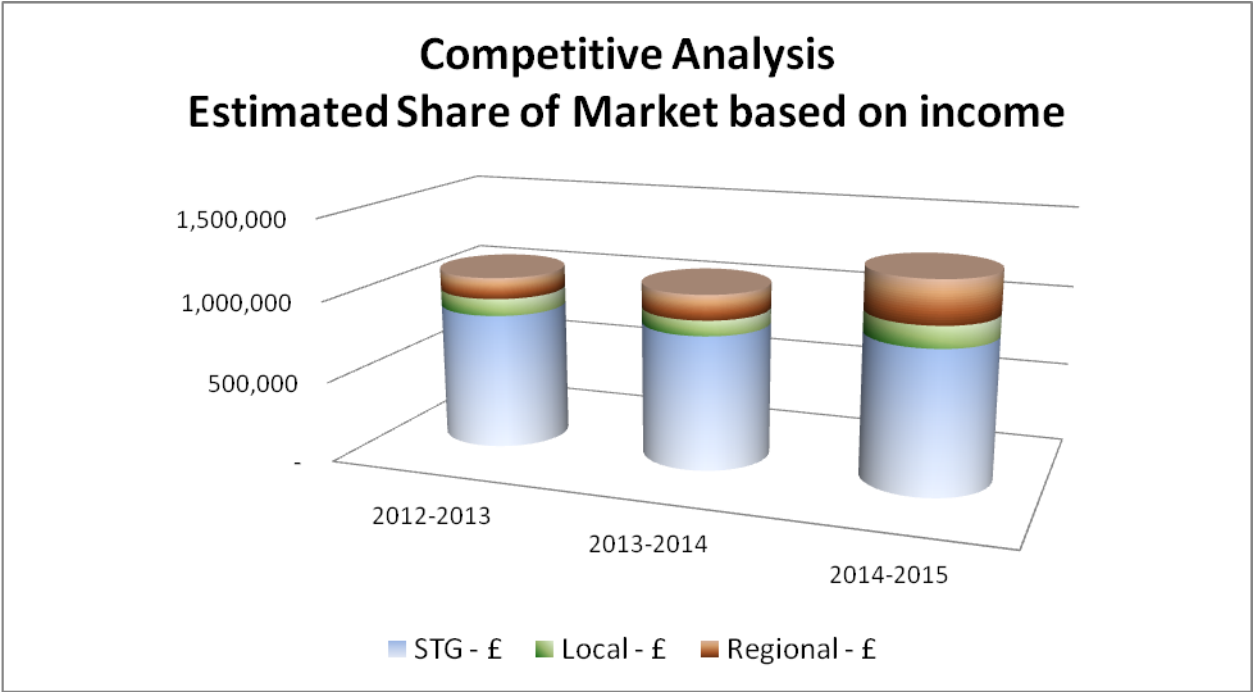
3.1. The partnership has three income streams:

- building regulation applications
- partner contributions
- consultancy services

Building Regulation Applications

3.2. The building regulation service is in direct competition with the private sector. Over the last three years there has been a major change in the work that approved inspectors undertake away from majorly commercial/residential developments towards the domestic market, including some quite minor works. There is now widespread competition for domestic extensions, loft conversions and conversions to dwellings, work which was traditionally carried out by the Local Authority. Over this period numbers of initial notices deposited with us have doubled to 34%. Changes in legislation two years ago, allowed for Approved Inspectors to sign initial notice applications on their client's behalf and this has had a significant impact on the number of applications we are receiving.





	<u>STG - £</u>	<u>Local - £</u>	<u>Regional - £</u>	<u>Total - £</u>
2012-2013	844,041	106,600	131,462	1,082,103
2013-2014	832,110	94,350	154,202	1,080,662
2014-2015	877,666	131,358	262,956	1,271,980

- 3.3. It is extremely difficult assessing market share lost to approved inspectors. There is no information available on the fees generated from the initial notices and with the market so competitive, we know that quotes for work are now often 50%-60% less than what would have been charged three years ago.
- 3.4. Also we often have a number of initial notices deposited for one site, each of these has to be registered but only one will win the contract to supervise the site so the other two have eventually to be cancelled. Since 2010 we have had 113 initial notices cancelled or withdrawn. We also receive initial notices for speculative building, shortly after they have received planning permission and again these are registered and may only be cancelled some two or three years later when the development does not go ahead.
- 3.5. The above chart show the estimated value of the initial notices over the last three years based on the percentages of registered initial notices against building regulation applications lodged with STG.
- 3.6. The partnership has itself lost staff to approved inspectors, which in turn has taken some local clients from us, however most have remained loyal and we have been able to increase our partner architects to forty seven in 2015/16. Part of our marketing strategy through the next year will be the development of account management so as to ensure a continued improved service to our

partners which will enable their retention in the busy market place. Feedback from our clients indicates the priorities in the service they receive as:

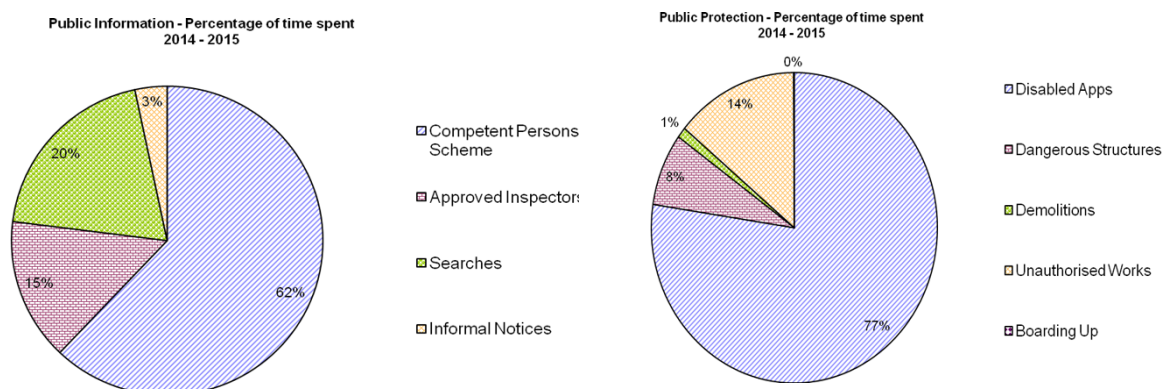
- speed of response
- consistency of approach
- availability of advice
- competitive cost

3.7. The investment in IT will allow for improvements in response times to our clients through a number of different mediums without the reliance of being in the office or viewing paper files. Processes will be refined so as to simplify procedures and remove bureaucracy allowing for a more straightforward consistent approach in dealing with applications. The additional availability of online and paper-based publications and advice will clarify complex building regulation matters which will augment the successful duty surveyor arrangement already in place.

Partner Contributions (Public Protection and Information Service)

3.8. The Partner contributions pay for much of the partnership’s work in this area. Work that is often designated as a duty or responsibility on the local authority such as: disabled persons applications, dangerous structures, demolitions, unauthorised work, enforcement and the administration of Approved Inspector legislation.

3.9. The charts below show comparisons of the time spent on these non-chargeable works through both public protection and public information for 2014/15.



3.10. The time spent on dealing with disabled persons applications can be very expensive for the partnership in particular when dealing with minor works such as installations of wet rooms and walk in showers. As the charges legislation brought in an exemption for carers accommodation it is now possible to deal with both an extension for the benefit of the disabled person and a loft conversion for the benefit of the carer, for which no charge is received and which has to be paid for out of the partner contributions.

3.11. Another duty of the local authority which is extremely time consuming and can be expensive is carrying out inspections on dangerous structures and monitoring these situations. It can take a long time trying to establish ownership and where there is no proof of ownership, it is often reliant on the local authority to take action and resolve any dangerous issues. The constitution designates the authority in which the dangerous structure exists, is liable for the cost of any remedial or repair work to be carried out in emergency situations, however, even when an owner can be traced these structures are normally uninsured and again the cost of work is borne by the local authority and placed as a charge on the property for recovery at some later date. With maintenance budgets cut it is no surprise that the number and magnitude of these dangerous structures is escalating throughout the STG area placing a burden on both the partnership and the relevant local authority.

Consultancy

3.12. The consultancy delivers additional discretionary services which either complement the building control service and assist us in being competitive with the private sector or provide services to other parts of the authority requiring a building surveying skill. In this way we currently deliver energy, fire risk and code for sustainable home assessment together with SAP and Sbem calculations. The partnership also provides a clerk of works service overseeing decent homes and stock condition surveys for social housing stock.

3.13. The development of the consultancy into a Local Authority Company is one of the objectives of the Business Plan and will be taken forward over the next year so as to deliver a commercial arm to the partnership which will enable further growth.

4. Partnership Strategy

- 4.1. In order to continue to adapt to a changing market and changing demand we need to focus on customer outcomes. We need to move away from any local authority bureaucracy and ensure we make our processes and procedures as streamlined as possible simplifying them to remove barriers and make customers interaction as easy as possible.
- 4.2. We will be continuing work on our website to make it clean and easier to use, allowing for applications and payment to be made online, with the facility for online booking of inspections, reporting dangerous structures and unauthorised works etc. Continuing our development of online tracking of applications and integrating a search facility so as to determine if building regulation work has been approved at a property before purchasing. In doing this work on line we will reduce the impact on the technical administration staff allowing them more time to be spent on building control marketing and advertising of our services.
- 4.3. The development of our consultancy services needs to complement this marketing strategy. Whilst we need to improve the account management of existing customers we also need to capture new clients from the market and some of this will be achieved by offering efficient and timely complementary services which will compete with the private sector. This could include the greater use of building warranties through local authority building control, the umbrella organisation which assists all local authorities in developing a building control service to compete in the marketplace.
- 4.4. The delivery of consultancy services through a local authority company would allow us greater freedom of engaging resources as and when they were needed. It will also allow us to build in resilience into our social housing team so as to deliver the service level agreements already in place and market the services to increase demand over the next few years.
- 4.5. With the consultancy operating as an arms length organisation we would be able to generate a surplus which could be reinvested both in the consultancy and in the wider partnership as a whole. It would also provide a mechanism to generate sufficient income to help reduce partner contributions in future years.
- 4.6. Whilst we have focused on building regulation and consultancy arms of the partnership we must not forget the very important role played in public protection. This encompasses all the statutory duties that a local authority has to undertake and through which the partners pay their contributions.
- 4.7. In the same way we move to incorporate dedicated staff members to the other functions we need to deliver public protection services in much the same way the slight difference here is a need to be quickly responsive to requests be they dangerous structures, unauthorised works and demolitions etc. Some of these functions require an immediate response which is best delivered by the area surveyor in the locality but which could be later addressed through an enforcement officer .

- 4.8. An enforcement officer would be able to deliver a more consistent approach in addressing these difficult issues. With changes to the penalties that can now be handed down by the magistrate, there would be a greater possibility of taking action against any authorised works and consequently there would be a greater success in both prosecutions and the pursuance of remedial works. There would also be a greater opportunity in converting any unauthorised work into regularisation applications, which would then assist generating additional income into the partnership.
- 4.9. Any restructuring of the partnership's make up will depend heavily on the availability of staff. Replacing personnel that will be retiring and consulting with staff to ensure the most effective use of existing skills and expertise. It will also depend on the economic situation and the recovery of the construction industry.
- 4.10. The delivery plan will contain options where a number of actions can be put in place to accommodate possible changes in this strategy so as to reflect circumstances at the time. A full evaluation will take place on a move to functional teams in 2016/17, taking account of the number of resources and skills available.
- 4.11. During 2015/16 we began the transition from checking paper-based plans to those deposited electronically. This transition will continue taking on board the time to train existing staff and also the investment in both hardware and software to enable plan checking on line. Sufficient large screen monitors have been provided on each desk to enable viewing of plans, however, through 2016/17 we need to consider whether these need to be provided in surveyors homes so as to facilitate the checking of applications without travelling to the office. This would also allow for the preparation prior to site visits which is traditionally via paper-based plans within the office.

5. Business Environment

- 5.1. The market has dramatically changed over the last three to four years. The expected recovery and boom in the construction industry did not arrive. Despite the promised increase in housing development and the pressure on inward investment, major developments have not come forward as expected. The Planning departments of all three of our Partner authorities have seen significant increases in speculative planning applications but a large number of these do not progress to the construction site.
- 5.2. Over this time, with the market reduced there was a shift in emphasis by the Approved Inspectors to move from residential , commercial and industrial work into the domestic market. As their involvement grew so did their need for resources to deliver the service and over the last two years there has been a migration of qualified staff from the public to the private sector. As there has been little encouragement throughout the industry to train new staff, a greater number of gaps in both public and private sector building control bodies are being temporarily filled with agency staff. This is unsustainable and as remuneration packages are lower in the public sector our concern will be succession planning for a number of retirements over the next few years. We will continue our strategy of engaging degree qualified engineers from other sectors of the industry to develop into building control surveyors.
- 5.3. There are now over 90 approved inspectors on the Construction Industry Council's register, featuring both large corporate companies and smaller groups including some individual independents. Of these, four of the large corporate companies have been active in our area over the last 2 years, operating in both the commercial and residential areas. There are also nine smaller groups dealing with small residential, retail and commercial work together with a focus on domestic applications.
- 5.4. Competition for both work and staff has intensified over the last 3 years and with no discernible training being undertaken within the industry the future of building control in general will be looking to do more with less resource.
- 5.5. The outfall of the housing standards review will require all building control bodies to take on additional work and to liaise to a much greater extent with the relevant planning authority. As the complexity of work increases and resources decrease, new working arrangements will have to be implemented to address the issues within the partnership.
- 5.6. The increased competition in the area has restricted opportunities to increase charges and they have remained the same over the last 5 years. The current charges legislation allows some flexibility in the recovery of costs for both building regulation applications and in the design of a site inspection framework for each job. These will be examined over the next year to determine the level of service which will fulfil the needs of the building act and provide owners with a level of service commensurate with the cost.

- 5.7. The customer expectation has also changed greatly over the last few years. There is an expectation to carry out most of their transactions on line and full details to be sent to them via email to their computers or smart phones.
- 5.8. The inspection of work on site remains the most effective way of ensuring compliance with the building regulations. However the competitive nature of fees that can be charged and the diminishing number of surveyors will mean that our inspection regime will have to be change. It is no longer viable either economically or practically to try and deliver site visits on demand.
- 5.9. Over the next year we will need to risk assess sites to a much greater degree. We may need to deliver less numbers of site visits than is currently the situation but each visit needs to be more comprehensive, with greater records of what has and has not been seen and agreed, greater detail of pre-contravention interventions and the advice that has been given to both builders and owners to obviate potential future problems. More expansive literature needs to be produced for both the builder and the home owner so as to clearly indicate best building practice and to avoid issues which may be prevalent in that particular type of build, e.g. the wrong type of tile for the required pitch of the roof or ensuring the right type of insulation is used in a cavity wall and it is correctly positioned.
- 5.10. Where additional inspections are required because of poor building practice or a lack of experience or expertise, enforcement issues may arise and further inspections will have to be paid for with additional payments and an explanation of why they need to be carried out. Provision for this has been included in the charges legislation. Where enforcement is required this would need to be paid for from the partner contributions and recorded as such. In order to facilitate this shift in delivery we need to realign our resources and continue with the training and development of functional teams, discussed in the previous business plan. This will entail the delivery of the building control function through three teams comprising; plan checking, site inspection and enforcement. Within the first two of these there may be the opportunity to introduce domestic and commercial teams so that those most senior surveyors can deal quickly and comprehensively with larger and more complex schemes allowing for the opportunity to market the expertise to a wider audience. Any further expansion of the partnership which would include new resources would be beneficial to move to this operating system.
- 5.11. One of the major concerns across the industry is consistency. By developing plans checking and site inspection teams we would more easily address this issue. The regulations themselves are based around functional requirements and only ask for 'reasonable' standards. How that standard is achieved remains negotiable between the architect and building control surveyor as following the approved documents is only one way of demonstrating compliance. By focusing on functional teams, processes and procedures can be put in place to achieve a consistent approach without compromising individual integrity and the flexibility introduced by the regulations.

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Building Control Partnership Delivery Plan



Director
Version No.
Last updated

Tony Van Veghel
4
18 December 2015

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C O N T E N T S

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1. SERVICE DELIVERY PLAN – 2016-2017

1 Objective		Improve customer service utilising IT development and increased customer interactions				
Action	Output	Impact	Resources	Milestones/P.I.s	Lead Officer	
1.1 Development of on-screen plan vetting	In-house training to all surveyors	Increased plan checking within performance targets and reduced costs	Within current budget	June 2016	Plan vetting / inspection manager	
	Provision of home-based large screen monitors	Increased plan checking	Within current budget	September 2016	Plan vetting / inspection manager	
	Monthly and 3 monthly review of use and output		Within current budget	July to September 2016 monthly then 3 monthly	Plan vetting / inspection manager	
1.2 Increase the number of site inspections per surveyor	Number of inspections per surveyor increased by 20%	Achieving new target time per visit	Within current budget	Quarterly review	Plan vetting / inspection manager	
1.3 Achieving national performance indicator for plan vetting	85% plan vets within 10 working days, 100% within 15% working days	Improved turnaround time for plan vetting	Within current budget	Quarterly review, monitoring report and covalent	Phil Harris	
1.4 Improve consistency to plan vetting and site inspection with	Restructuring group to accommodate	Change in working practices	Within current budget	July 2016	Tony Van Veghel	

1 Objective		Improve customer service utilising IT development and increased customer interactions			
Action	Output	Impact	Resources	Milestones/P.I.s	Lead Officer
the development of function based teams	functional teams	for surveyors			
	Appointing dedicated team leaders to oversee consistency and quality checks	Improve consistency	Within current budget	June 2016	Tony Van Veghel / Phil Harris
	Monitoring consistency and provide training where required	Improved consistency for both plan vetting and site inspection records	Within current budget	Monthly monitoring until March 2017	Phil Harris
1.5 Increase enforcement action and monitoring	Appointment of dedicated team through restructuring of group	Change in working practices for surveyors	Within current budget	July 2016	Tony Van Veghel
1.6 Tracking of applications via website and refine self-serve search facility	Identify funding to develop new website	Web capable of delivering customer tracking	To be investigated	End April 2016	Janine Boughton
	Development of website		To be investigated	October 2016	Janine Boughton
	Testing of enabling customer viewing of current stage of	24 hour access for customers to view stage of	Within current budget	March 2017	Janine Boughton

1 Objective		Improve customer service utilising IT development and increased customer interactions			
Action	Output	Impact	Resources	Milestones/P.I.s	Lead Officer
	application	application			
	Online payment through website for new application and invoices	24 hour access for customers to make payments	To be investigated	December 2016	Janine Boughton
1.7 Improved communication with customers	Automated notification of inspection on booking	Confirmation of site booking to customer	To be investigated	End April 2016	Janine Boughton
	Greater use of email communication to customers	Faster and immediate notification	Within current budget	June 2016	Janine Boughton / Phil Harris
	Notification to customers prior to visit by surveyor	Confirmation of time of visit to customer	Within current telephone budget	August 2016	Plan vetting / inspection manager

2 Objective		Increase income generation by increasing market share and further expansion of partnership				
Action	Output	Impact	Resources	Milestones/P.I.s	Lead Officer	
2.1 Establish any further expansion opportunities	Increase resource to partnership to retain and improve resilience	Wider opportunities to generate income	Within agreed budget	September 2016	Tony Van Veghel	
2.2 Develop account management	Greater frequency in engaging with partners	Retention of partners and market share	Within current budget	Quarterly	Phil Harris	
2.3 Develop marketing strategy for 2017/2018	Strategy incorporating restructured building control and new commercial consultancy	Sustain market share and generate additional income	Within current budget	September 2016 to March 2017	Janine Boughton / Tony Van Veghel	
2.4 Provision of additional complementary services	Identify additional services and resources which can be delivered to the public and private sector	Expand consultancy services and generate additional income	Within current budget / self-financing	June 2016	Tony Van Veghel / Phil Harris	
	Market additional services		Within current budget / self-financing	July 2016 to September 2016	Tony Van Veghel / Phil Harris	
	Monitor and review consultancy	Determine performance and income	Within current budget	November 2016	Tony Van Veghel / Phil Harris	

3 Objective		Development of consultancy services with dedicated staff under separate company			
Action	Output	Impact	Resources	Milestones/P.I.s	Lead Officer
3.1 Investigate / Setting up separate company	Engage with consultants on delivery model business case	Report to be taken to Joint Committee	To be investigated	August 2016	Tony Van Veghel
	Appoint appropriate qualified and dedicated staff	Focus delivery model to customers	Invest to save / self-financial	October 2016	Tony Van Veghel / Consultancy Manager
	Increase services to a wider market (regionally and nationally)	Wider opportunities to generate income	Self-financing / return on investment	March 2017	Consultancy Manager
3.2 Determine the distribution of surpluses	Working group set up to reach agreement on the percentage split of any commercial surplus	Agreed mechanism and time period for repaying original setup costs	Within Partner Authority budget for officer time	September 2016	Joint Committee Members, Steering Group Officers, Financial Officers, Legal Officers

2. CONTRIBUTION AND SUPPORT FOR COUNCILS PRIORITIES

2.1. As STG is a Partnership of three authorities, it is important that its values reflect those of the three councils. The three partner authority priorities are:

Gravesham's priorities are:

- Safer Gravesham - 'where local residents and visitors can live, work and travel in a safe, clean and green borough'
- Stronger Gravesham - 'a healthier more cohesive community where children have the best start in life and people are proud to call home'
- Sustainable Gravesham - 'a thriving and sustainable local economy, built on the foundations of high quality regeneration and development projects'
- Sound and Self-Sufficient Council - 'a well-run and innovative council supporting its staff to realise commercial opportunities whilst transforming its services to deliver at the best possible value for money'

Medway's priorities for the next three years are:

- Safe, Clean and Green Medway
- Children and young people have the best start in Medway
- Adults maintain their independence and live healthy lives
- Everyone benefitting from regeneration

Medway Values

- Putting the customer at the centre of everything we do
- Giving value for money

Swale's priorities are:

- A borough to be proud of
- A community to be proud of
- A council to be proud of

2.2. There are clear links between the three and all revolve around regeneration and sustainability, maximising opportunities for local communities and delivering quality services. These are also encompassed in the values of putting the customer at the heart of everything we do and giving value for money.

Regeneration

Linked to Council Priorities:

- Sustainable Gravesham - 'a thriving and sustainable local economy, built on the foundations of high quality regeneration and development projects' - Gravesham priority
- Everyone benefitting from regeneration – Medway priority
- A council to be proud of – Swale priority

2.3. Our consultancy is now able to offer a range of services to the major regeneration projects in the area. Early intervention in the design process will eliminate issues that could provide conflicts with legislation at a later date. Our range of services include:

Code for sustainable home assessment, SAP calculations, SBEM calculations, Display Energy Certificates, Access Audits and Fire Risk Assessments.

We have also teamed up with colleagues LABC Services, the commercial arm of LABC, through whom we are able to offer air pressure testing, acoustic testing and have access to CDM co-ordinators together with other expertise and specialism's which we are now able to facilitate.

2.4. We work with colleagues in Private Sector Housing and Environmental Health to aid the transformation of areas through social regeneration, providing advice on bringing back into use empty and dilapidated properties, giving advice on houses in multiple occupation and the refurbishment and repair of commercial premises. We have a number of joint meetings with Registered Social Landlords (RSL's) and have shared technical updates through the seminars we have organised.

2.5. We offer the design and surveying team expertise in the design of many adaptations to Medway's schools, and have partnered with a number of architectural practices that are working through programmes of school extensions and adaptations. We work with Medway Education and Business Partnership to assist in work experience for school leavers.

Links to STG Delivery Plan Reference:

- Objective 3 (see page 8)

Sustainability

Linked to Council Priorities:

- Sustainable Gravesham - 'a thriving and sustainable local economy, built on the foundations of high quality regeneration and development projects' – Gravesham priority
- Safer Gravesham - 'where local residents and visitors can live, work and travel in a safe, clean and green borough' - Gravesham priority
- A clean and green environment – Medway priority
- A borough to be proud of – Swale priority

- 2.6. Building Control has a major part to play in ensuring the innovative designs for the regeneration of the area are still compliant with the Building Regulations. As sustainability is an important part of the Government's agenda to reduce CO₂ emissions and reduce energy costs for everyone, the adaptation and renovation of buildings within the area, together with control of new buildings will ensure the impact on the environment and energy bills are kept to a minimum.
- 2.7. The Government have stated:
- “The Energy White Paper produced by the Government acknowledged the reality of climate change and stated a commitment to putting the UK on a path to cutting carbon dioxide emission by 60% before 2050 with real progress by 2020 by cutting emissions by 34% of the 1990 levels.
- With around half of the CO₂ emissions coming from building energy use, the Building Regulations are a key part of Government efforts to tackle climate change through higher building standards. CLG recognise that Building Control professionals are at the forefront of these efforts.”
- 2.8. Following the Housing Standards Review the Government are reliant on the building regulations reducing CO₂ emissions and have introduced changes to Part L which will deliver zero carbon homes from the latter part of 2016.
- 2.9. The Infrastructure Act will provide powers to deliver allowable solutions to meet this zero carbon policy. This will be done through on-site energy efficiency to a code level 4 equivalent standard and by using off-site measures to offset 100% of the remaining regulated emissions. The allowable solutions being developed at present include:
- more energy efficiency on site
 - a national fund
 - partnering with a third party to provide off-site carbon abatement which could be a local scheme
- 2.10. The overriding factors will be cost effectiveness, certifiable and verifiable as well as delivering the off-set of the remaining emissions over a 30 year period.
- 2.11. Ministers have stated that local planning authorities will be able to set and apply policies in their local plan which require compliance with energy performance standards that exceed the energy requirements of the building regulations until commencement of amendments to the Planning and Energy Act 2008 in the Deregulation Bill 2015. This is expected to happen alongside the introduction of the zero carbon homes policy in late 2016.
- 2.12. After this energy performance requirements, in the building regulations, will be set at a level equivalent to the outgoing Code for Sustainable Homes Level 4. Until then the Government expect local planning authorities to take this statement of the Government's intention into account in applying existing policies and not set conditions with requirements above the code level 4 equivalent.

2.13. In order to support small builders all new homes will be required to meet the strengthened on-site energy performance standard but those building on small sites will not be required to support any further off-site carbon abatement measures. This applies to the size of the site not the size or type of developer. There will be an exemption for small housing sites of 10 units or fewer from the allowable solutions element of the zero carbon homes target with an overall maximum size of 1000m² of floor space for the site. Legislation will be put in place to ensure this exemption is not abused. The Government intend to review this exemption after three years. They intend to use the powers in the Building Act that not only enable Building Regulations to be made that provide an exemption based on site size, but also enable provision to prevent the sub-division of larger sites in order to abuse the exemption.

2.14. There have been key changes to the Building Regulations following the Housing Standards Review which will entail greater liaison between planning and building control bodies.

- Energy (Part L) - Code for Sustainable Homes is being wound down and building regulation used to delivery zero carbon homes
- Water (Part G) - optional higher standard of 105 litres per person per day based on planning information where the water supply is low
- Access (Part M) - two additional levels of compliance have been introduced equivalent to life-time homes and wheelchair housing. The designation of appropriate plots will be based on the planning permission.
- Security (Part Q) - a new regulation has been introduced to control minimum levels prescribed for security for doors and windows.
- Space – this is a new nationally described standard which will be controlled through planning legislation but enforced through building control.

2.15. This key message from the Government and the demand from the construction industry for pre-application advice and discussion mean it is imperative that STG invest in continually training staff to provide the lead and the service that is required. This necessary training will ensure that sufficient qualified staff are available to provide a design service through the consultancy, and a checking service through the administration of the Building Regulations without compromising the necessary checks and balances which need to be in place to ensure complete scrutiny in both the design and checking processes, similar to that which exists in private sector competition.

Links to STG Delivery Plan Reference:

- Objective 3 (see page 8)

Maximising Opportunities for local communities

Linked to Council Priorities:

- Stronger Gravesham - 'a healthier more cohesive community where children have the best start in life and people are proud to call home' – Gravesham priority

- Children and young people having the best start in life – Medway priority
- Older and vulnerable people maintaining their independence – Medway priority
- A community to be proud of – Swale priority

2.16. Through our work with the housing sections of two partner authorities we help to deliver improvements to council owned properties through the Decent Homes, condition surveys and fire risk assessments. During these surveys we also assess health and safety requirements of the occupants and impacts on the community.

2.17. With joint training, guidance and information sheets, together with builder and architect forums, the Partnership aims to support all of our customers in their building projects. Over the next three years mini guides will be developed both locally and nationally to cover general standards of construction on many projects in the domestic market such as garage conversions, small extensions and removal of load-bearing walls. This will assist in ensuring a consistent approach to the many challenges, the multitude of complex and interactive regulations now presents to every development.

2.18. Whilst plan assessments identify areas of non-compliance and contraventions within the drawing they also often identify areas where the builder, developer or owner may need to pay particular attention to an element of construction. By formulating best practice guides on domestic developments, we will create a mechanism to ensure areas of concern on site are minimised and that not only will the completed project comply with the Building Regulations, it will also satisfy good building practice in many areas that are not necessarily covered by our controls.

2.19. Inclusive design is a paramount requirement of both newbuild and refurbishment works. Advising on compliance with The Equalities Act and Part M of the Building Regulations is a major part of public protection inspection services non-chargeable work. This not only delivers a more suitable environment for disabled people, but also transfers the benefits to the greater community, i.e. young families, older people and those caring for others.

2.20. The revisions to Part M of the Building Regulations will ensure consideration is given to both life-time homes and wheelchair accessible homes for future occupants of a new residential development. These will help maintain communities and help to support older and vulnerable people to remain in the areas they know.

2.21. The majority of the work of the Partnership is concerned with protecting the community through health and safety requirements in the regulations or in other sections of the Building Act.

2.22. Important examples of health and safety requirements include fire safety (means of escape, fire spread and access for the fire service) structural safety and satisfactory drainage. In addition, the Partnership deals with dangerous

structures, demolitions, dilapidated buildings and contraventions of the Building Regulations. The Government have also introduced a new Part Q to the Building Regulations to introduce security as a measure that needs to be considered.

2.23. We assist with a number of local agents and private sector housing sections to ensure adaptations comply with the Regulations to enable older and vulnerable people to stay in their homes and maintain their independence.

Links to STG Delivery Plan Reference:

Objective 1 Action 1.5, 1.6, 1.7 (see page 5 & 6)

Objective 2: Action 2.1 & 2.4 (see page 7)

Objective 3 Action 3.1 (see page 8)

Delivering quality services

Linked to Council Priorities:

- Sound and Self-Sufficient Council - 'a well-run and innovative council supporting its staff to realise commercial opportunities whilst transforming its services to deliver at the best possible value for money' – Gravesham
- Putting the customer at the centre of everything we do - Medway
- Giving value for money - Medway
- A council to be proud of - Swale

2.24. Our customer survey revealed that the overall service provided by STG is of a very high standard with 97% of respondents rating it good to excellent. A further postal survey was carried which targeted owners of properties where works had been carried out.

2.25. Of the processes involved with delivering the service, communication and speed of delivery were seen as important by all customers in last years' survey (81% to 100% rated this as important), it is therefore encouraging to see that 93% to 95% of customers feel they have received a Good to Excellent service in this.

2.26. The development of the new back office system will improve many elements of our customer service. Through the Business Plan we will be able to deliver a better service on site with access to real time information and through further developments of the system the ability to deliver inspection notes, notices and letters on site. Customers will be able to track the progress of applications online and carry out initial surveys on their properties through the web. We will be revisiting and revising guidance documentation for owners and developers to improve consistency on site and ensure communication throughout the life of the project is improved.

2.27. Local Authorities have a duty to ensure that building work complies with the Building Regulations (Section 91 of the Building Act 1984). If our requests to rectify contraventions fail then, as a last resort, more formal action is used. There are two courses of action available:

Prosecution of the builder in the Magistrates Court under Section 35 of the Building Act 1984: in most cases, action must be started within six months of the contravention being discovered, the period of discovery being extended in 2008 to two years from the date the works were completed.

Notice under Section 36 of the Building Act 1984 requiring the owner to remove or rectify the contravening work. This Notice must be served within 12 months from the date of discovery of the contravention.

- 2.28. The Legal Aid, Sentencing and Punishment of Offenders Act 2012 (Fines on Summary Conviction) Regulations 2015 came into force in March 2015 and removed the £5,000 cap that used to limit the maximum fine Magistrates could impose. It applies to fines imposed by the Building Regulations under Sections 35 and 35A of the Building Act. Magistrates can now issue much higher penalties on offenders who have committed the most serious level 5 offenses and can now hand down prison sentences up to 6 months and be able to refer what more serious cases to a Crown Court.
- 2.29. However, most enforcement work is carried out by negotiation. Prosecutions through the courts are an exception, but every day a number of the inspections carried out involve some form of intervention to either prevent or rectify work which was in contravention of the Regulations. We have worked with our software provider to design a way of capturing this information in the form of pre-contravention inspection reports and we will monitor this monthly to reflect the number of inspections carried out that have protected consumers from building regulation contraventions during the course of their development.
- 2.30. As mentioned previously, consistency remains an important requirement identified by customers. We will be examining this area through the provision of training and shared experiences of staff and designers, the use of guidance notes and the use of comprehensive clauses, conditions and site notes.

Links to STG Delivery Plan Reference:

Objective 1 Action 1.2 – 1.5 – (see page 4 & 5)

Objective 2 Action 2.4 – (see page 7)

3. SERVICE RISKS

Risk rating key

Likelihood

- A. Very high
- B. High
- C. Significant
- D. Low
- E. Very low
- F. Almost impossible

Impact

- 1. Catastrophic (showstopper)
- 2. Critical
- 3. Marginal
- 4. Negligible

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Host Directorate: RCC			Service: STG Building Control		Manager: Tony Van Veghel		Portfolio Holder: STG Joint Committee	
Risk Title: Finance and Strategy					Description of Risk: Reduced income			
Date	Risk No	Risk Rating	Vulnerability	Trigger	Consequences if Risk Realised	Mitigation/Action Points for Risk Owners	Service Plan Ref.	
17/12/15	01	B2	Inability to recruit staff in a competitive market from a reducing pool of resource	6 qualified surveyors	Additional staff brought in from agencies which would significantly increase costs.	Continuance of market premia. Development of assistant building control surveyors and continue recruitment of assistants from other areas in the construction industry.	1.9, ,4.7, 4.9, 5.4	
17/12/15	02	C2	Current infrastructure unable to support	Inability to access back-office system	Inefficient service delivery resulting in further loss of	Development of online solution to become more cloud based and	1.4, 1.5, 1.7, 2.5,	

Host Directorate: RCC			Service: STG Building Control		Manager: Tony Van Veghel		Portfolio Holder: STG Joint Committee	
Risk Title: Finance and Strategy					Description of Risk: Reduced income			
Date	Risk No	Risk Rating	Vulnerability	Trigger	Consequences if Risk Realised	Mitigation/Action Points for Risk Owners	Service Plan Ref.	
			development of technological advancements in service delivery	and meet customer demands	market and inability to compete.	invest in both hardware and software.	3.7, 4.2	
17/12/15	03	C3	Increased demand on public protection duties	Percentage time spent exceeds contributions income	Further call on contributions from partners. Reduction in service to partners.	Close monitoring of time spent and increase in demand. Investigate recovery of some costs through insurance claims.	1.3, 3.8, 3.9, 3.11, 4.8	
10/08/15	04	C2	Highly competitive and unpredictable market. Diminishing income through lack of building regulation applications.	65% of market share	Insufficient income to cover expenditure on chargeable account resulting in an increase on the followings year's chargeable rate which may make us uncompetitive.	Reduced expenditure to limit income deficiency. Look for alternative income streams through consultancy service. Improve marketing strategy and rationale services provided.	1.9, 2.4, 3.2, 3.3, 3.4, 5.2, 5.3	
10/08/15	05	C3	Inability to sustain growth and acquire additional business.	Reduction in market share and consultancy services income	Inability to match income with expenditure resulting in increase in following year's chargeable rate. Surveyors chargeable time transfers to enforcement activity which would not be sustainable from the contributions. Consultancy losing income and not sustainable.	Invest in training and development of staff so as to diversify resources into consultancy work. Increased time allocation monitoring.	1.3, 1.4, 1.8, 1.12, 2.6, 3.12, 3.13, 4.3, 4.4, 4.5	

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Host Directorate: RCC			Service: STG Building Control		Manager: Tony Van Veghel		Portfolio Holder: STG Joint Committee	
Risk Title: Finance and Strategy					Description of Risk: Reduced income			
Date	Risk No	Risk Rating	Vulnerability	Trigger	Consequences if Risk Realised	Mitigation/Action Points for Risk Owners	Service Plan Ref.	
10/08/15	06	D3	Current economic situation leading to increased debt arising from unpaid invoices.	Increased number of applicants unable to pay invoices.	Number and value of debtors increased affecting the budgeted income figure. Unpaid invoice provision within budget would need to be increased.	Careful monitoring of debtors list. Vigorous pursuit of large debts. Database clearly marked where invoice remains unpaid so as site surveyor can pursue on inspection. Taking over the functions of invoicing and dept collection from the finance department.	2.3, figure 1	
10/08/15	07	D3	Failure to suitably develop staff to meet the needs of the business and match personal self improvement expectations.	The market is regularly changing to offer alternative services to clients which compliment building regulation work. The Partnership requires staff to be trained to deliver a more diverse service and remain competitive.	Insufficient skill base would result in customers being more attracted to the competition with a resultant loss in work.	Ensure staff are well trained and able to compete with the services offered by the private sector. Develop training matrix to ensure staff development through PDR process.	1.9, 1.10, 2.4, 3.6, 4.7, 4.8, 4.9, 5.11	

SOUTH THAMES GATEWAY BUILDING CONTROL JOINT COMMITTEE

09 June 2016

SOUTH THAMES GATEWAY BUILDING CONTROL REPORT ON PROGRESS OF THE DRAFT OUTLINE BUSINESS CASE FOR COMMERCIALISATION FUNDING

Report from: Tony Van Veghel, Director, South Thames Gateway Building Control Partnership

Summary

This report updates Members on progress of the business case for commercialisation of the consultancy and the options available.

1. Budget and Policy Framework

- 1.1 The Terms of Reference for Joint Committee require that Members make recommendations to each partner authority to provide resources as required to secure the delivery of the Business Plan and support its aims and objectives.

2. Background

- 2.1. Following Members agreement to the allocation of funding to investigate the options available in taking the consultancy forward as a commercial venture, Members asked for a progress report to be brought back to the Annual General Meeting (AGM) to demonstrate progress on the project.

3. Director's comments

- 3.1. One of the objectives of the current business plan is the commercialisation of the consultancy. The agreed delivery model may generate a profit which could then be redistributed to the partner authorities.
- 3.2. It will require a substantial 'invest to save' funding in the region of £50,000 - £60,000. In order to substantiate the use of such funding Members requested an outline business case and options appraisal be prepared to demonstrate how such funding will be used.
- 3.3. At Joint Committee on the 17th March 2016 Members requested a progress report be presented at the AGM with a view to take a full report to Joint Committee in September 2016.

- 3.4. The attached business case has been discussed at the Officer Steering Group and contains details of the options available including various structures that could be utilised for delivery of the consultancy services.
- 3.5. It should be noted that the formation of any company requires certain legal documentation including: shareholders agreement, service agreement, companies house registration forms and articles of association. Whilst it has been possible to obtain some legal advice with regards to the commercialisation of the consultancy which is reflected in the attached Outline Business Case, further work is required to provide an itemised specification, together with a fully appraised financial case which can be presented at Joint Committee in September.
- 3.6. The itemised specification would indicate the steps required in developing a full business case including an estimate cost against each item and would be broken down into legal, financial, human resources and market research components. There would also need to be an inclusion for cost of implementation.
- 3.7. To progress this project, it is essential that the three partnership authorities provide sufficient finance resource to comprehensively investigate all of the budget related issues set out in paragraph 3.5 and 3.6.
- 3.8. The attached Outline Business Case reflects the work carried out so far and may give Members the opportunity to consider which model they would prefer officers to pursue in preparation of the full report in September. The full business case will then include the relevant information and estimated costs for Members to decide the viability of the project.
- 3.9. During the financial year 2015/16 the total income from STG consultancy work was £152,000, the highest on record.

4. Financial Implications

- 4.1. There are none directly from this report.

5. Legal Implications

- 5.1. There are none directly from this report. Legal considerations are contained within the Legal Framework in Section 4 and the Risk Register at Appendix 2.

6. Risk Management

- 6.1. There are none directly from this report, however, a full risk register is contained in Appendix 2.

7. Recommendations

- 7.1. Members are asked to note the report and agree:

- 7.1.1. Continuation of the work necessary to establish a Local Authority Trading Company (LATC).

- 7.1.2. The use of the previously agreed £6,000 funding from the three partner councils (£2,000 from each) to prepare an itemised specification with indicative costs.
- 7.1.3. The preparation of an Outline Business Case to be presented to Joint Committee on 22nd September 2016, to include all necessary information for Members to decide whether to recommend to their respective Councils the necessary funding of £50k-£60k to progress the setting up of the consultancy as a LATC.

8. Suggested Reasons for Decisions

- 8.1. Within the Terms of Reference for Joint Committee, Members are required to make recommendations to each partner authority to provide resources in order to secure the delivery of an agreed Business Plan objective.

Lead officer contact

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Background Papers: None

Appendix 1 - Draft Outline Business Case for Funding

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Outline Business Case
for Funding to Convert STG Consultancy
into an Local Authority Trading Company (LATC)

Version 3 – 19 May 2016

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Appendix 1 - Examples of structure charts

Appendix 2 - Risk Register

[Glossary of terms to be added later]

1. INTRODUCTION

- 1.1. Following the presentation by Trowers & Hamblins to Joint Committee in October 2015 Members and Steering Group officers requested a report to be taken to December's meeting indicating how progress could be made in developing the Local Authority Trading Company (LATC). It was agreed that set up costs would be in the region of £50,000 to £60,000 and that the partner authorities could fund this through an invest to save type loan which could be repaid over a specified period of between three and five years.
- 1.2. In order to agree this sum of money through their respective Cabinets, they would require an outline Business Case indicating the potential income and repayment methods together identifying any associated risks. Members requested that this Business Case be brought back to the March Joint Committee. It was agreed that given the timescale and the level of expertise required a sum of £6,000 would be provided by the three authorities (£2,000 each) to fund the engagement of consultants to assist in the delivery of the Business Case.

2. BACKGROUND

- 2.1. The original concept of developing our consultancy services was to use the skills and expertise within the existing staff to provide additional and complimentary services to the building control service which would generate additional income for the partnership.
- 2.2. The original services offered related to energy assessments (SAPs, SBEMs, Trade-off calculations), access statements, fire risk assessments and party wall agreements. In 2011 the consultancy began delivering decent homes surveys for the housing department at Medway Council and from then has developed a number of additional surveys including; stock condition surveys, scoping surveys and fire risk assessments for both communal areas and individual flats. The successful collaboration with Medway's Housing department culminated in a service level agreement for the consultancy to deliver stock condition surveys over the next two years.
- 2.3. The development of this work, which began by using shared resources of existing building control staff, developed into a more appropriate use of specialised skills through the engagement of stock condition surveyors. This both enhanced the product we were able to provide to Medway and released the building control surveyors back for use in the building regulation service.
- 2.4. Over the years a number of staff have left the partnership often taking those specialised skills with them but this new model of using specialised staff to deliver these additional services has become more viable now that markets are beginning to be established. In order to maintain the resilience of the partnership it was identified, following the financial crisis in 2008/09, that additional income streams were important and investigations began into how changing the delivery model of the consultancy could achieve surpluses or profits being generated which could be repaid to the partner authorities.

- 2.5. In 2009/10 a number of exercises were carried out with KCC Commercial Services to identify how that organisation was set up and what the benefits to the partnership could be. This included several meetings with KCC's Commercial Director and advice from their legal team.
- 2.6. Whilst formation of a Local Authority Company was discussed it was felt, at that time, the partnership needed to mature and develop potential markets.
- 2.7. Since 2011 further powers have become available to Local Authorities and Central Government have encouraged spin offs into the commercial sector. A number of presentations by both Government led and private companies seeking to advocate the development of Local Authority Companies, mutual's or social enterprises were attended. Following a presentation by Trowers & Hamlins, a connection was re-established with the legal company, who previously gave advice on the original setup of the partnership.

3. OVERVIEW OF CONSULTANCY SERVICES

- 3.1. The consultancy currently provides the following services:
 - SAP & EPC assessments
 - Trade Off assessments
 - Code for Sustainable Homes Standards (report)
 - SBEMs
 - DEC's
 - Stock Condition surveys
 - Decent Homes scoping surveys
 - Decent Homes compliance surveys
 - Access Statements
- 3.2. In the main the energy assessments are carried out for applicants from the private sector and the housing surveys are provided for Local Authority Social Housing departments.
- 3.3. An excellent working relationship has now built up between Medway's Housing department and STG culminating in a Service Level Agreement for the next two years. A number of approaches have been made to Gravesham Council in respect of carrying out similar survey work but unfortunately to date nothing has been arranged. However, emergency cover for a vacancy in Private Sector Housing has been arranged for a temporary period until full appointment can be achieved.

4. LEGAL FRAMEWORK

- 4.1. Section 102 of the Local Government Act 1972 enables two or more local authorities to set up a Joint Committee (JC) to discharge their functions jointly. These arrangements must comply with the Local Authorities (Arrangements for the Discharge of Functions)

(England) Regulations 2000. JCs may be decision-making or advisory. The councils concerned set the numbers of councillors, terms of office and geographic areas of operation of joint committees. JCs have no legal status, cannot impose financial obligations on their constituent authorities, and have no powers to levy council tax. JCs would not be a separate legal entity therefore they cannot own assets, have liabilities, raise taxes, enter into contracts or employ staff. Employment of staff, entering into contacts and other operational matters would be delivered via a lead authority using a Local Government Act 1972 Section 113 agreement or an arrangement under the Local Government (Goods and Services) Act 1970. Alternatively the authorities could create a jointly owned and controlled company to perform functions.

- 4.2. Section 95 of the Local Government Act 2003 enables local authorities to provide on a commercial basis, anything that is related to a function of the authority. The powers under the Act enable Local Authorities to trade with private bodies and persons for profit (i.e. charges fixed at more than the cost recovery) through a company. Surpluses on commercial operations under the section 95 trading power would be available to individual authorities.
- 4.3. This legislation has been further strengthened by the Localism Act 2011, which expands Local Authority's trading activities to areas not related to their existing functions and removes geographical boundaries so trading can take place for a variety of service provisions and anywhere in the UK through a company.
- 4.4. A local authority must prepare a business case before embarking upon commercial trading (The Local Government (Best Value Authorities) (Power to Trade) (England) Order 2009).
- 4.5. Normally, the provision of services over certain values from a company to a local authority is subject to the public procurement regime set out in the Public Contracts Regulations 2015. There is an exception to this rule that means, in certain circumstances, a contract let by a local authority to a company it owns will not be deemed to be a contract for the purposes of the public procurement regime. This exception is known as the "Teckal" exemption and was established by a European legal case but is now set out in section 12 of the Public Contracts Regulations 2015.
- 4.6. In order to be Teckal compliant (and exempt from the procurement rules), the company would need to abide by the Teckal rules which are:
 - the company should be controlled as a department of the local authority;
 - the major part of the company's business must be with the local authority owner (80% of revenues); and
 - there is no private sector ownership of the company.
- 4.7. A local authority has statutory powers to form companies jointly with other local authorities under Section 73 of the Local Government and Housing Act 1989. Local authority regulated companies fall into 4 categories:

- controlled companies - the local authority has the ability to control a majority of votes at a general meeting or has power to appoint or remove a majority of the board of directors;
- arms length companies - a controlled company as above, which has made a resolution to be "arms length" for a particular financial year and certain conditions have been met;
- influenced companies - there is a business relationship between the company and the local authority and the authority has a least 20% of the voting rights or number of directors. A business relationship will exist if more than half of the company's turnover or funding is related to that local authority; and
- minor interest companies - all other companies where a local authority has shares/interest in.

4.8. There are statutory controls on controlled companies, arms length companies and influenced companies; the key provisions are listed below. These controls do not apply to minority interest companies:

- identify on company documents (e.g. business letters, notices) that it is a controlled or influenced company;
- limitations on director's allowances and board membership for councillors;
- must provide information to the local authority, auditor and to councillors;
- controls over the appointment of auditors;
- restrictions on publishing political material;
- public inspection of minutes (unless arms length company);
- internal financial controls and accounting required by the Chartered Institute of Public Finance and Accountancy's "Prudential Code for Capital Finance in Local Authorities (CIPFA Code). Generally, the Local Authority behind a controlled, arms length or influenced company must include the company's accounts as part of its own group accounts.

4.9. Regulated companies may also be treated as "public bodies" in relation to the following legislation:

- Freedom of Information Act and Environmental Information Regulations
- Human Rights Act
- Equality Act
- Public Contracts Regulations

4.10. Members of a jointly owned local authority company will need greater controls than the Companies Act 2006 provides so the model articles of association would need to be revised for such a company. Additional controls can be added to meet the Teckal test.

4.11. A shareholders' agreement would also provide for equal participation and control by each relevant authority in a joint venture local authority company. Through a shareholders' agreement between the partnering authorities can:

- provide for decisive influence over both strategic and significant decisions of the company;
- exercise similar control jointly;
- establish governance procedures to ensure effective joint control and show that the joint control has not been delegated

5. CASE FOR CHANGE

- 5.1. Both the chargeable and non-chargeable accounts are required to be delivered at cost without the opportunity to make surpluses. Should any surpluses arise we are unable to use them to fund cross-functional support or use it outside the building control account.
- 5.2. The development of the consultancy and its widening portfolio of services provides the opportunity to make a profit but again is prevented from doing so by the legislation it currently operates under, which prevent profit making for the provision of discretionary services to the private sector. However, both the legislation and the markets have changed since 2010 when it was introduced giving greater opportunity and freedoms to commercialise the provision of these services through a LATC.
- 5.3. Since its inception the partnership has been successful in reducing the partner authority contributions through each Business Plan. The percentage reduction has had to reduce over the years as it is based on the time spent on public protection services and information. The opportunity to further improve efficiencies in this area will become increasingly challenging, particularly given the general increase in workload currently being experienced and therefore any further significant savings could impact on the service that could be provided. Therefore, an alternative method of securing efficiencies would be preferred to bring about any further reductions in each of the partner authorities contributions.
- 5.4. The consultancy has been able to offer complimentary services to the building industry and therefore increase STG's ability to compete with the private sector. By moving the operation into a LATC there are a number of advantages including;
- Being able to trade in the wider market
 - Generate further economies of scale and provide greater efficiency
 - The ability to return revenue to the partner authorities through profitability
 - Creating a more commercial culture
 - Retaining staff knowledge and expertise within the company
 - Safe guarding jobs via diversification and contractual commitments
 - Reducing procurement costs by taking advantage of procurement exemptions available for contracts between local authorities and Teckal companies

6. THE ECONOMIC CASE

Critical Success Factors

- 6.1. The consultancy must be able to deliver quality products over a wide and expanding number of services. This is very important to maintain a good reputation in delivering what the customer wants in an agreed timescale so that expectations are met.
- 6.2. It is also important to have clear responsibilities, well documented and accepted by both parties so that both the client and the practitioner are in agreement of what can be delivered and by when.
- 6.3. Consideration must be given to improve market share but not at the cost of compromising existing services so that critically we must at least maintain market share and maximise profitability.
- 6.4. In order to take advantage of procurement exemptions in the short to medium term, it may be appropriate to initially operate as a Teckal company maintain percentage split of work carried out for the local authorities and that carried out for the private sector. This needs to be maintained as close to the optimum 80/20 split but must not provide more than 20% of work to the private sector.
- 6.5. So as to grow the business it is very important therefore to have the full support from the partner authorities so that this 80/20 split can be maintained in expanding markets generating greater total income.
- 6.6. The following options appraisal looked at a number of different ways to deliver the consultancy and concluded that the most viable options were to:
 - Option 1: stay as we currently are (do nothing);
 - Option 2: commercialising the consultancy arm of the building control partnership to enable the delivery of a profit. There are a number of ways the consultancy could be set up to deliver this and examples of these are shown in Appendix 1. Options 2a to 2d indicate how the arrangements could be developed using the setting up of a holding company, the extension of the existing partner authority arrangements or the use of an existing holding company.
 - Option 3: not providing the additional services at all but reverting to statutory duties only.

7. OPTIONS APPRAISAL

- 7.1. The following Options Appraisal was undertaken in order to narrow down the options to the three options set out above and expanded on in the table below.

- 7.2. **An unincorporated association** is an organisation of two or more persons, who are the members of the association - it is not a legal entity. The membership may change from time to time. The members agree, usually in a written constitution, to co-operate in furthering a common purpose. An unincorporated association would not meet the legal requirement to trade through a company so is not a viable option.
- 7.3. **Public sector or employee mutual** is an organisation, which has left the public sector (also known as a "spin out") but continues to deliver public services. Specifically, mutuals are organisations in which employee control plays a significant role. Mutuals can take the legal form of a charity, sole trader, partnership or company. An employee mutual is not a viable option as the profits of that company could not be distributed to the partnership.
- 7.4. **A registered society** under the Co-operative and Community Benefit Societies Act 2014 (i.e. a co-operative society or a community benefit society) - The Financial Conduct Authority is the registering authority for societies. A society registered with the FCA is a legal entity, which exists independently of its members. It can act, sue and be sued and own property, land and other assets in its own name. A registered society would not meet the legal requirement to trade through a company so is not a viable option.
- 7.5. **A charity** is not a type of legal form or structure; it is a status conferred on a group of individuals or an organisation because of the activities it carries out - this may be relevant where the councils have received specific funding for the creation of such an organisation or in relation to a community asset transfer. A charity can take the legal form of a company, trust or unincorporated association. A charity is not a viable option as the profits of the consultancy could not be distributed to the partnership.
- 7.6. **A trust** - A trust allows the owner of assets (the settlor) to divide the legal ownership in those assets and the beneficial ownership. The trust is created when the trust document (a trust deed) is completed; and the settlor has transferred one or more assets to the trustees or declared himself trustee of the assets. A Trust is not a viable option as there are no specific assets to be shared by the partnership.
- 7.7. **Corporate structures**
- 7.8. Local authorities have the power to set up companies in order to trade with the private sector, and can do so to raise revenue. Local authorities cannot exercise the power to trade alongside the private sector without using the vehicle of a company.
- 7.9. There are four types of corporate structure that can be used:
- A company limited by shares. A company limited by shares offers greater flexibility for a trading company, particularly in relation to the distribution of profit and raising capital.
 - A company limited by guarantee with or without a share capital. This type of vehicle is more suited to a not-for-profit company that may also be registered as a charity, so is unlikely to be used to set up a trading company.

- An unlimited company. This type of company is unlikely to offer the level of protection a local authority would want.
- Charitable corporations (Community Interest Company (CIC) and Charitable Incorporated Organisations (CIO). This model may offer a more flexible approach, which will be suitable in some circumstances but not where the purpose is raising revenue.

7.10. Advantages of a trading company:

- Allows the local authority to raise revenue.
- The taxpayer and the public purse are afforded greater protection because of limited liability.
- If it meets the Teckal test, a local authority controlled company is treated as a department of the local authority for procurement purposes, so contracts between the local authority and its controlled companies will not require a procurement exercise.

7.11. Disadvantages of a trading company:

- The formalities involved in setting up and running a company can be burdensome.
- Officers or members who become directors of a trading company may face conflicts of interest. Members must also be aware of implications for their Disclosable Pecuniary Interests and potential breaches of the Code of Conduct.
- Companies will be subject to taxation, including VAT and Corporation Tax.
- The local authority must be careful not to be seen to be providing unlawful state aid to the company, so the company must be capable of meeting its own costs and providing a return on the local authority's investment.

7.12. Using Existing Corporate Structures

7.13. **Medway Commercial Group (MCG)** - Medway Council is the sole shareholder of Medway Commercial Group Ltd, which has two subsidiary companies: Medway Public Services Ltd and Medway Commercial Services Ltd. MCG provide services and goods for Medway Council such as, CCTV, Assistive Technology, Out-of-Hours Calls handling Service, Consultancy and Lone Worker Solutions.

7.14. It may possible to either outsource a new or existing service to MCG without undertaking a new procurement or setting a new MCG subsidiary to undertake the service. A new subsidiary under MCG could also be a joint venture entity with partners, however, similar setup costs would be incurred as with any holding company.

7.15. If the private sector arm consultancy were delivered through a new MCG subsidiary, all the partnering authorities would hold equal shares in the proposed LATC. However, Medway Council's share would be held on its behalf by MCG and Medway's participation in the new company would be through its MCG directors. Which would affect the current Member participation.

Option Appraisal Criteria	Option 1: Remain as current service	Option 2: Local Authority Trading Company for the private sector arm	Option 3: Revert to Statutory Duties only
<p>1. Quality of service. The STG brand needs to be identified as delivering quality products in a timely fashion.</p>	<ul style="list-style-type: none"> • Opportunity to engage temporary staff to deal with short term contracts. • Opportunities exist to develop existing staff skills • Turn around times more difficult to predict. • Quality of end product may vary. 	<ul style="list-style-type: none"> • Opportunity to engage dedicated staff. • Greater controls over timeframes. • Flexibility in resourcing. • Production of a better quality end product. • Certainty for future services to the partnership as these would continue to be delivered as they are now. 	<ul style="list-style-type: none"> • No availability for delivering consultancy services. • Facilitation only via LAB Consultancy Services.
<p>2. Income generation. Better control on costs and recharging trading accounts will allow for maximising income opportunities to exceed the break-even position.</p>	<ul style="list-style-type: none"> • Ability to balance budget through an `at cost` service. • Inefficiencies between time cost and income generation due to lack of dedicated staff. 	<ul style="list-style-type: none"> • Opportunity to increase income through more flexible employment status. • Opportunity to make a profit. • Greater cost controls over variable cost codes between trading accounts. • Dividend to be paid to all parties from any generated surplus. 	<ul style="list-style-type: none"> • No direct income from consultancy services. • Minimal handling fee for dealing with LAB Consultancy Services.
<p>3. Commerciality. For the future sustainability of the organisation it is essential to ensure an organisation that is efficient and commercially sensitive. Strong commercial identity, able to generate income. The arrangement needs to be demand-driven, informed by wider market rates and level of service, and based on clear client</p>	<ul style="list-style-type: none"> • Close liaison with partner architects and developers. • Improved account management and potential for cross-boundary working. • Unlikely to have scale, resource or expertise to commercialise and expand the service. • Drive, determination and incentives to improve the service are unlikely to be as great as in other model options. • Under the current model there 	<ul style="list-style-type: none"> • Would likely to have scale of resource to facilitate commercialisation and expansion of service. • Performance management across a more commercial unit will produce results. • The opportunity to invest in commercial roles eg marketing • Less restricted employment and engagement regulations. • A Teckal company would be restricted to a 20% income 	<ul style="list-style-type: none"> • No opportunity to introduce commerciality.

Option Appraisal Criteria	Option 1: Remain as current service	Option 2: Local Authority Trading Company for the private sector arm	Option 3: Revert to Statutory Duties only
specifications and monitoring of performance against cost. It needs the ability to widen service offerings across the market and act commercially.	<p>is likely to be limited opportunity to realise extra income as the corporate structure restricts the ability to deal with extra capacity.</p> <ul style="list-style-type: none"> Main focus for authorities is likely to be efficiencies and reducing cost over all other services. 	<p>generation from the private sector but a non Teckal company could generate 100% of its income from the private sector.</p> <ul style="list-style-type: none"> The partnering authority's liability would be limited if the LATC failed. 	
<p>4. Competing with Approved Inspectors. In order to be competitive we need to be able to offer similar or improved services that the competition are offering.</p>	<ul style="list-style-type: none"> Delivery of a number of complimentary services. Use of remote and agile working and improvements in technology delivering an improved service. Openness and transparency required for LAs are not reflected in the private sector. Statutory requirement for publication of charges provides advantage on competitive bidding. 	<ul style="list-style-type: none"> Opportunity to deliver an increase in complimentary services. Greater controls over the quality of the product. Opportunity to operate as an Approved Inspector. Opportunity to work with other Local Authority Approved Inspectors as agents for the region. 	<ul style="list-style-type: none"> Lack of opportunity to supply complimentary services could results in work being lost to the competition.
<p>5. Diversification and staff development. As part of a recruitment and retention policy we need to encourage development of existing skills sets and look at opportunities for new development and expertise.</p>	<ul style="list-style-type: none"> Strong ethos on continued professional development and individual skill sets. Capacity issues in dealing with reactive workload impacts on opportunities for staff development. Staff development costs in fields of expertise are expensive and difficult to fund from a balanced budget. 	<ul style="list-style-type: none"> Opportunity to invest in developing individual skills. Opportunity to recover development costs through employment contracts. Investment in development tends to retain highly motivated staff. 	<ul style="list-style-type: none"> Very limited capacity to invest in training for staff due to resource issues and budget constraints.

Option Appraisal Criteria	Option 1: Remain as current service	Option 2: Local Authority Trading Company for the private sector arm	Option 3: Revert to Statutory Duties only
<p>6. Meeting client needs. Clients needs are far greater than statutory requirements these days. Customers requirements properly managed to ensure brand esteem figures highly in the market place.</p>	<ul style="list-style-type: none"> • Provision of seminars and training events for architects and developers. • Provision of duty surveyor to give general technical advice. • Development of 24/7 access to building control information. • Limited opportunity to deliver complimentary services with the ability to facilitate some alternatives. • Difficulty in managing customer requirements due to reactive use of resources. 	<ul style="list-style-type: none"> • Change from reactive to proactive service delivery. • Opportunity to acquire lost customers through improved service delivery. • Opportunity to delivery further services through better client management. 	<ul style="list-style-type: none"> • Inability to meet the range of customer requirements could result in further loss of applications.
<p>7. Adaptability. The service needs to be able to flex to meet changing demands and circumstances of clients. In a competitive market it is imperative that we can be reactive to change.</p>	<ul style="list-style-type: none"> • Continued development on processes and procedures to meets the needs of the construction industry. • Positive approach by all staff to development and expansion of the partnership. • Capacity and resource issues can restrict opportunities to be reactive to changes in the market. • Limited opportunity to buy in expertise to meet customer needs. • There are limitations on service delivery based on a fixed staff resource. 	<ul style="list-style-type: none"> • Opportunity to engage external expertise of staff on more flexible contracts. • Greater cost controls in engaging staff as required. • More opportunity to react to market changes and product demand. 	<ul style="list-style-type: none"> • A minimal opportunity to adapt to any changes in circumstances. • Inability to react to changes in the market.

Justification for preferred option

- 7.16. Whilst continuing as we are will still deliver some additional services customer require it will not provide any scope for expansion and restricts the operational budget to a break-even position with no availability to make a profit.
- 7.17. Reverting to dealing with statutory duties only would be a retrograde step as it would make the income generation for the business totally reliant on building control chargeable income. The market is extremely competitive in this area with no guarantees that market share can be maintained. It would also become more difficult to match resources with demand with increased difficulty in retaining staff. Should market share or staff resource decline, the quality of service would be affected with potential further loss of work and greater pressures on maintaining a balanced budget. Balancing the resources between chargeable and non-chargeable work would also become more difficult with the risk of reducing services to partners.
- 7.18. The preferred option would be to develop the private sector consultancy as a LATC which would allow for expansion of services, reallocation of resources as required to retain staff, the engagement of new staff on temporary contracts where necessary to deliver short term projects. Significantly, it would also make available the delivery of a profit which could be returned to the partners by way of a dividend. Initially this would repay the setup costs of the company and then be used for any nominated purpose including compensating the cost of the partners contributions.
- 7.19. A wholesale transfer of the entire consultancy to a LATC is not advised as this would require the dissolution of the partnership, joint committee and the current structures we work under, with significant work to re-establish new governance structures within the context of a corporate body. A joint approach of having the current partnership working alongside a Teckal LATC will allow both parts of the consultancy (private and public) to support each other, share resource, share services and increase opportunities for profit making.
- 7.20. If the LATC was also a Teckal company there would be an incentive for partners to ensure local authority work is put through the consultancy where possible as this would meet the 80% threshold and increase income and profitability which would be returned as increased dividend to the partners. In order to incentivise partners there may need to be a link between the value of work put through the consultancy and the dividend paid out to that authority in order to reward partners for their support. All opportunities available to the partners to put work through the partnership need to be explored as indicated in 7.24
- 7.21. It would be best to start the LATC as a Teckal company and if the market for private sector consultancy increases beyond the 20% Teckal limit, the company can be internally restructured to take advantage of that and cease to be a Teckal company. This would involve amending the company's Articles of Association to make it more independent or arms length and commercially focussed. If the company were to lose its Teckal status, it would also lose the procurement exemption and the partnering authorities would then have to undertake a competitive tender for consultancy work

rather than make a direct award to the company. The sharing of resources and services between the LATC and the partnership would also cease.

- 7.22. If the LATC were to become a successful non Teckal company, the partnering authorities would be incentivised to collect dividends in order to avoid the giving of unlawful state aid which could if unchecked, give the company an unfair advantage in the market place against competitors who were not backed or funded by local authorities. A non Teckal company would also provide opportunities for joint ventures with the private sector as third party participation would become possible.
- 7.23. The dividend payout from the company for profits would be to the partnering authorities who would own the company in equal shares. The partnership, providing the authorities with services, would continue to be funded as it is now. The benefits derived social value combined with benchmarking pricing will ensure that the joint venture company provides the authorities with best value services.
- 7.24. Further research will need to be undertaken as part of the overall business model to identify opportunities within each authority. Expertise within the partnership can currently deliver the following services:
- Decent Homes surveys
 - Stock Condition surveys
 - General surveying work
 - Support for partners in-house services (eg, private sector housing)
 - Energy assessments (eg, SAP, SBEMS, Trade-Offs)
 - Display Energy Certificates for Public Buildings
 - Access audits and statements
 - Fire Risk assessments
 - Asbestos surveys
 - Flood risk assessments
 - Provision of surveyors to sign off planning conditions
- 7.25. Each authority will recognise that the engagement of these services through the consultancy would ensure some return on their outlay to carry out a programme of works, whereas engaging outside agencies would not return any funds to the partner authority.
- 7.26. In examining other opportunities within the Local Authorities remit we are aware of some building control sections who visit sites to monitor planning conditions, even though the site is being administered by an AI. It is believed the cost for this is paid for from the developer so as to ensure a quality product at the end of the build which members of the planning committee are happy to sign off.
- 7.27. Another opportunity may exist where contract quality issues are not currently addressed. This in particular would apply to such things as: schools, libraries, contact hubs and other public buildings.

- 7.28. There is potential to pursue an alternative building control service in the same way that Birmingham City Council has engaged in. One issue that is often criticised about the current LABC partner authority scheme is that partner authorities cannot carry out inspections in cross-boundary situations and this can affect the relationship between the authority and the company they are partnered with. Birmingham and others have circumvented this problem by forming their own company as an Approved Inspector. This they have been able to do as a subsidiary of the LATC and it is an area we may wish to consider. This has come to light as Aldi distribution centre is being built on the Isle of Grain and Acivico (Birmingham City Council Building Control) have served an Initial Notice on us. In discussion, it has transpired that had we been an AI, as opposed to a Local Authority we could have carried out the inspections on the distribution centre on their behalf and therefore generated an income stream which could be expanded in the future.
- 7.29. In considering the Acivico (Birmingham City Council) model, it does offer an alternative option which we can consider in the formal Business Case, in that Medway Council has recently created its own Trading Company (Medway Commercial Group Ltd (MCG)) through which the consultancy could be a subsidiary company. This option would have to be fully investigated to ensure it protects the partnership in maintaining its own independence and governance structures, but could offer an alternative at reduced costs as much of the initial setup costs would have already been dealt with.

8. COMMERCIAL CASE

- 8.1. In order to develop a full commercial case for the LATC a number of aspects need to be determined which will include engagement of outside consultants. This will look at:
- Legal documentation and specialist advice on other matters such as taxation
 - Determining an Implementation Strategy for the new venture
 - Full Risk Assessment and Management Proposals
 - Governance and Charging/Re-Charging Mechanisms
 - Performance Management and Accountability arrangements
- 8.2. Within these elements further consideration needs to be given to the following:
- Capacity/Capability of existing resources
 - A quantitative as well as qualitative evaluation of operation and resources need to fulfil the operation objectives of the business, these would include; premises, transport, ICT systems, other plant and equipment and information (including market intelligence, databases and proprietary knowledge).
 - What functions can be delegated
 - Any third party involvement, although this will not be relevant for a Teckal company
 - Relevant powers, presidents etc
 - What is the governance model and how can this be made effective and efficient
 - Risk identification/allocation/apportionment/mitigation – which parties could bear which risks

- How will the cost of implementation and ongoing administration be covered
 - What incentivises performance – organisational and individual level
 - Market assessment – market opportunity identification/quantification
- 8.3. The full commercial case will need to include a description of what the business will deliver and produce and to what standard. It will need to determine what skills and processes are involved. These processes will include performance and quality management, including success criteria and protective measures such as copyrights, licence rights and insurances.
- 8.4. A full market analysis will need to be undertaken determining who are the current and potential customers and what is the level of competition. Consideration needs to be given to marketing, how will the business promote itself and marketing strategies, how will the business develop. The results of this work would inform the company's business plan should we proceed with this option.
- 8.5. The process will need to be project managed with an action programme for the development of the business detailing what needs to be done to ensure the Business Plans objectives are met together with an action programme to meet the requirements of clients, reflect economy, demographic or other trends. The Commercial Case will need to describe how the business may need to develop so as to respond effectively to a changing business environment e.g., organisational structure, systems and skills. It is also important to consider addressing intangible issues such as, image and reputation.
- 8.6. A risk register has been produced at Appendix 2, however, a full risk assessment and sensitivity analysis needs to be undertaken as all businesses are inevitably subject to uncertainty and a degree of risk, e.g., inflation, fluctuations in demand etc. It is therefore essential to build a risk management assessment into the financial projections. Risk and uncertainty can never be fully eliminated and so any assessment should also identify the planned management responses with dealing with each of the main risk factors. Sensitivity analysis will help to determine the most robust options. By identifying the main variables and uncertainties in a project, assessing their cost implications, including any losses of income and reviewing the potential range of feasible outcomes, the sensitivity analysis should establish which options offer the flexibility to cope with change whilst still retaining the ability to deliver the required option.
- 8.7. Systems for monitoring progress against the plan, comparing performance against targets and success criteria are essential elements in reviewing the plan itself. There are various types of review and revision including frequent monitoring and running adjustments, reactions to unpredicted occurrences and a comprehensive annual review and revision. Systems may be described to monitor expenditure, income and other budgetary control, output returns, non-productive time, employ absence and turnover and analysis of customer complaints and customer opinion surveys. There would need to be frequent reporting to Joint Committee and consideration might be

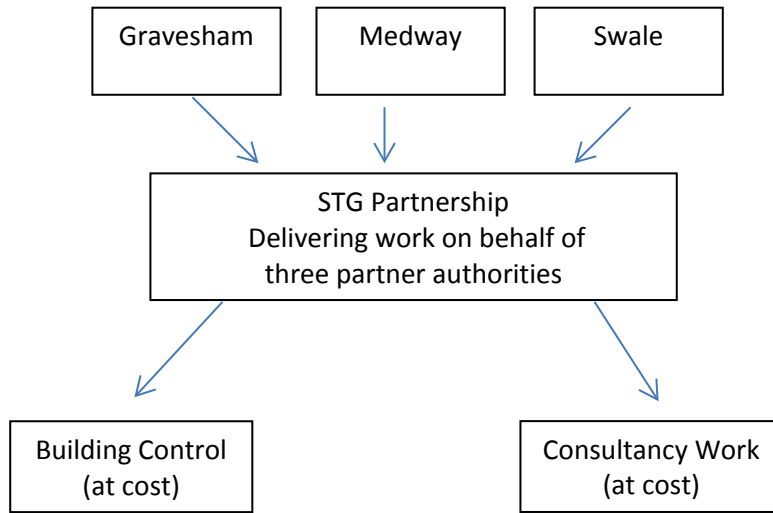
given to the appointment of independent directors with careful consideration of how to prevent conflicts for council appointed directors.

- 8.8. To enable the engagement of consultants to deliver a full business case and to include all of the above issues we are advised that a figure of £50,000 would be required. Whilst some financial, legal and staffing advice will be able to be purchased from the three partners much of the development of the business case will be reliant on consultants input who have expertise in this field.
- 8.9. The financial case below demonstrates how the investment of these funds should be able to be repaid over a three year period with the fourth and ongoing years returning a dividend for the partners and the partnership.

9. FINANCIAL CASE

- 9.1. To be advised in consultation with the partnerships accountants on future opportunities and following investigation into current contracts that could be delivered through the partnership on corporate workstreams.
- 9.2. Market research into existing demand of services and potential diversification into other avenues.

Option: 1 - Stay as we are

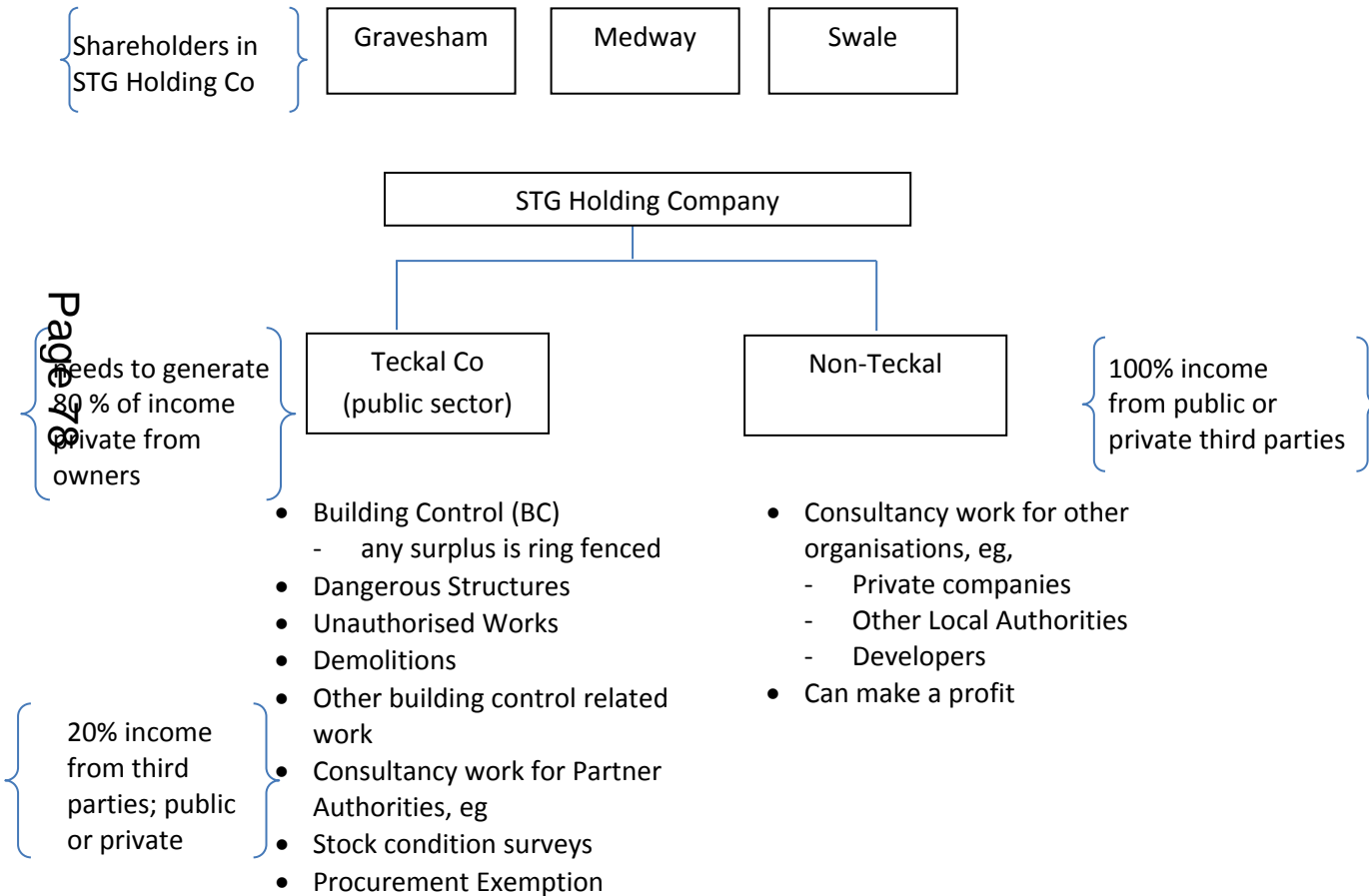


- No documents required to be produced

- Any surplus is ring fenced for Building Control only

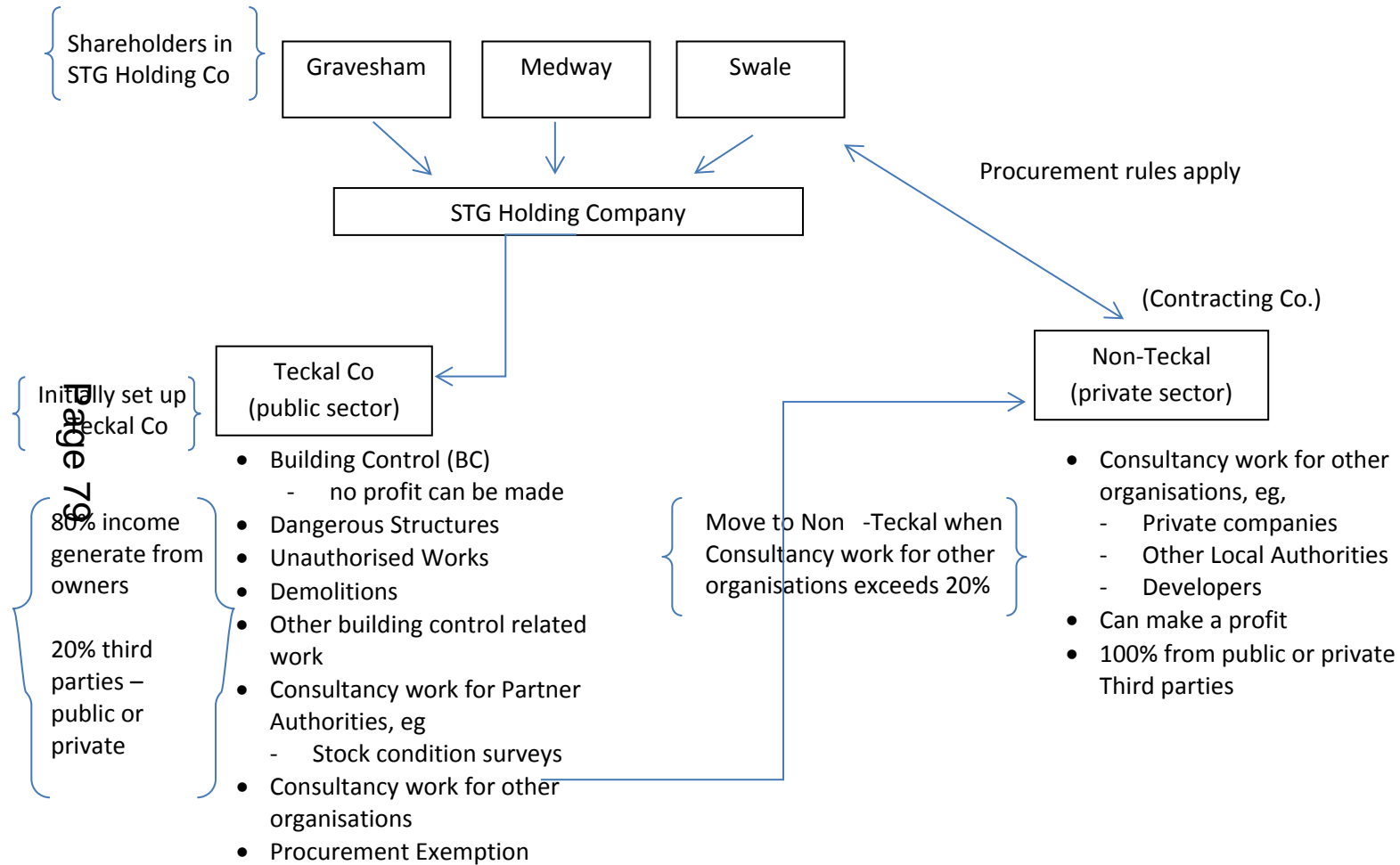
- Not permitted to make a profit

Option: 2a - Local Authority Trading Company (LATC)



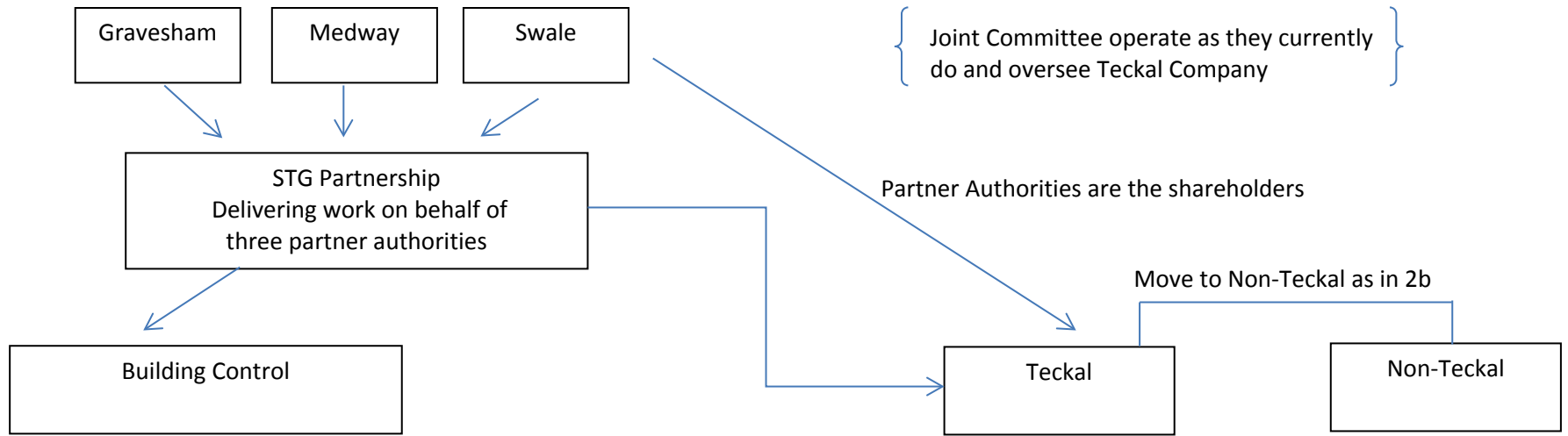
- Teckal Co would do current partnership activities so no need for partnership
- Joint Committee could be dissolved. Would lose brand and relationships.
- Legal Documents required:
 - Shareholders Agreement
 - Service Agreement
 - Companies House Registration Forms
 - Articles of Association
 - Directors' Terms of Appointment

Option: 2b - Local Authority Trading Company (LATC) moving consultancy to a Non-Teckal when demand exceeds 20%



- Teckal Co would do current partnership activities so no need for partnership
- Joint Committee could be dissolved. Would lose brand and relationships.
- Legal Documents required:
 - Shareholders Agreement
 - Service Agreement
 - Companies House Registration Forms
 - Articles of Association
- Directors' Terms of Appointment

Option: 2c - Maintain Partner Authority Arrangements but deliver consultancy through Teckal initially

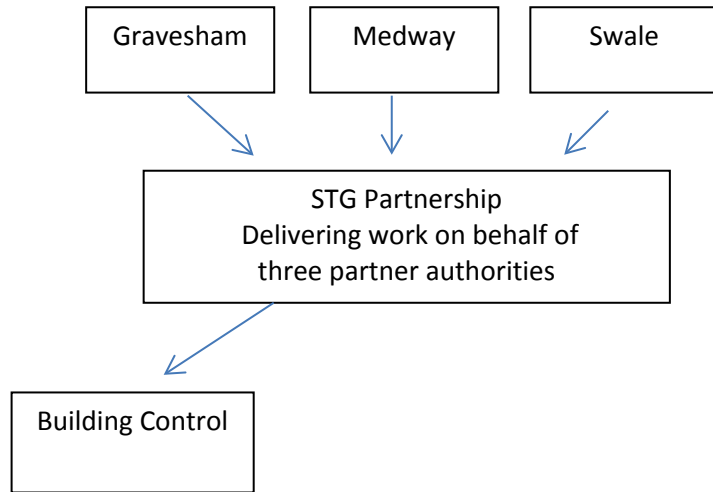


- Building Control (BC)
- Dangerous Structures
- Unauthorised Works
- Demolitions
- Other building control related work
- Any surplus is ring fenced for building control

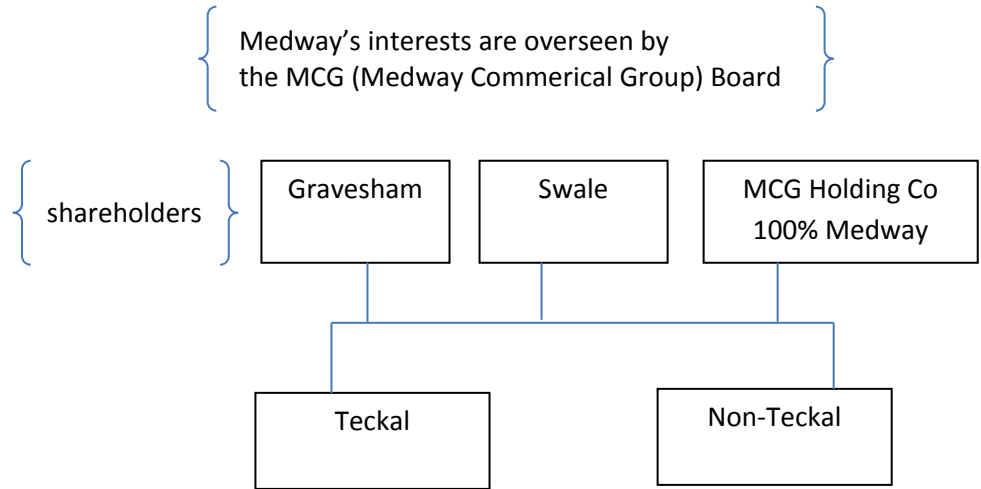
- Consultancy work for other organisations, eg,
 - Private companies
 - Other Local Authorities
 - Developers
- Can make a profit
- 80% income from owners, 20% income from third parties public or private
- Procurement exemption

- Consultancy work for other organisations, eg,
 - Private companies
 - Other Local Authorities
 - Developers
- Can make a profit
- 100% from public or private third parties

Option: 2d - Maintain Partner Authority Arrangements for building control only. Consultancy delivered through separate shareholder arrangement with an existing holding company



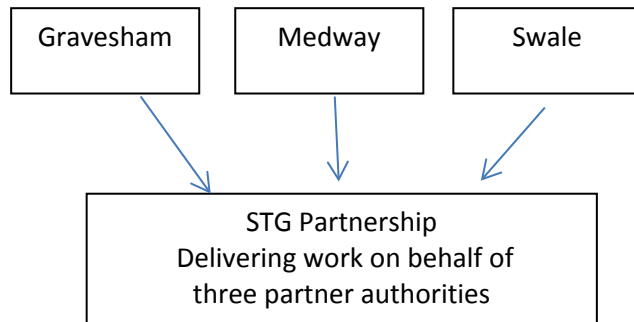
- Building Control (BC)
- Dangerous Structures
- Unauthorised Works
- Demolitions
- Other building control related work
- Any surplus is ring fenced for building control



- Consultancy work for other organisations, eg,
 - Private companies
 - Other Local Authorities
 - Developers
- Can make a profit
- 80% income from owners, 20% income from third parties public or private
- Procurement exemption

- Consultancy work for other organisations, eg,
 - Private companies
 - Other Local Authorities
 - Developers
- Can make a profit
- 100% from public or private third parties
- Move to Non-Teckal as in chart 2b

Option: 3 - Revert back to only Building Control duties



- Building Control (BC)
 - any surplus is ring fenced
- Dangerous Structures
- Unauthorised Works
- Demolitions
- Other building control related work
- No profit can be made

RISK REGISTER

Purpose:

Risks are associated with any problems or events that may occur in the future and which will adversely affect any of the project aims, in terms of their impact on performance, cost, schedule and quality. Since it is in the future a risk inevitably has a measure of uncertainty associated with it and by definition a degree of loss. A risk has a third element, the choice to do something about it. Once identified, Risk Management offers the partnership the opportunity to implement appropriate mitigating strategies that prevent or reduce the probability of occurrence of the risk and the reduction of its impact.

The Risk Register will record the risks, mitigating actions and risk owner details in relation to the partnerships consultancy services.

Definitions:

Issue/Function - Key areas within the project

Identified Risk – Description of the risk(s) relating to the key risk areas

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Risk Areas			
A. Commercial	B. Legal	C. Political	D. Finance
E. Staff/Resources/Change Management	F. Systems	G. Implementation	

Impact, Probability, Level of Risk

Impact		Probability		Level of Risk	
4	Critical - Stops project	3	High	1 – 3	Low
3	Severe	2	Medium	4 – 7	Medium
2	Moderate	1	Low	8 – 12	High
1	Low				

Risk Score = Impact x Probability

A. Commerical

Issue	Risk	Impact	Probability	Level of Risk	Classification	Mitigation	Ownership
Competitive Products	Inability to identify market trends	3	1	3	Low	Thorough investigation of market trends through market research company and understanding of customer requirements through discussion and feedback.	Director and Consultancy Manager
Quality of Service	Poor reputation causing loss of work and impacting growth	3	2	6	Medium	Ensure all staff engaged in consultancy are aware of the competitive concept and commerciality of running a business. Staff only engaged and retained if able to demonstrate acceptance of these principles.	Director and Consultancy Manager

B. Legal

Issue	Risk	Impact	Probability	Level of Risk	Classification	Mitigation	Ownership
Legislative Constraints	Contravene legal requirements through poor knowledge and advice	3	1	3	Low	Engagement of legal expertise to ensure compliance in all areas of legislation.	Director
Insurance Cover	Inadequate insurance cover to mitigate any claims	3	1	3	Low	Engagement of insurance expertise to ensure appropriate cover is given to all products and services included in the consultancy	Consultancy Manager

Issue	Risk	Impact	Probability	Level of Risk	Classification	Mitigation	Ownership
Corporation law	Unfamiliarity with corporate structure, laws and processes leading to decisions taken by LATC not being legally effective	3	1	3	Low	Engagement of legal expertise and/or company directors with knowledge of and experience of running companies with training of officers/councillors	Director

C. Political

Issue	Risk	Impact	Probability	Level of Risk	Classification	Mitigation	Ownership
Full partner support	Inadequate participation by all members of the partnership to provide avenues of work to generate income	2	2	4	Medium	Each partner needs to identify work which can be put through the consultancy to ensure reciprocal dividend is paid.	Steering Group
Inadequate political support from three partner authorities to fund development of LATC	Budgetary constraints one or more of the partners declined the invest to save funding required to set up the consultancy as a LATC	3	3	9	High	Partner authorities and the partnership will do everything in their power to ensure recovery of set up costs are repaid.	Joint Committee & Steering Group

D. Financial

Issue	Risk	Impact	Probability	Level of Risk	Classification	Mitigation	Ownership
Inadequate funding for initial set up costs	Budgetary restrictions the full funding estimate could not be met and therefore only partial funding available	2	2	4	Medium	Should only partial funding be available much of the research and development of the project would have to be done in-house which	Joint Committee & Steering Group

Issue	Risk	Impact	Probability	Level of Risk	Classification	Mitigation	Ownership
						would impact on day-to-day delivery and length the project timescale.	
Unrealistic payback time	In order to secure funding for the setup of the LATC an unrealistic payback period may be enforced. This may make the acceptance of the funding impractical as no guarantees can be given on profitability.	3	1	3	Low	Full and open negotiations to be taken at the outset to ensure if funding is granted it has a realistic payback period.	Steering Group, Director & Consultancy Manager

E. Staff Resource & Change Management

Issue	Risk	Impact	Probability	Level of Risk	Classification	Mitigation	Ownership
Lack of dedicated staff	Small numbers of skilled practitioners mean that the service can be vulnerable to absenteeism through leave, sickness etc	2	3	6	Medium	As a LATC terms of contract of employment can be more specific with greater freedom to choose alternative service delivery models if in-house provision is compromised.	Consultancy Manager
High cost of training	Should expertise leave the LATC training of dedicated staff is very expensive.	2	2	4	Medium	Ensure sufficient funding available through budget setting for expensive training courses to be paid for.	Consultancy Manager
Impact of shared resources	By sharing resources between different functions and different services a peak in demand in either or both areas can have an adverse effect on the quality of product and	3	2	6	Medium	Dedicating certain days to certain functions with the opportunity to negotiate for additional days on either service during times of peak demand. As the LATC develops more dedicated staff will be included in the	Consultancy Manager

Issue	Risk	Impact	Probability	Level of Risk	Classification	Mitigation	Ownership
	delivery of service in each area.					structure.	

F. Systems

Issue	Risk	Impact	Probability	Level of Risk	Classification	Mitigation	Ownership
Numerous client based systems in operation	As each client operates their own in-house system or requires a specific external system to be used there are a number of risks associated to us as contractor including: training costs, licence costs, support costs, hardware costs and potential lack of IT support.	2	1	3	Low	Engagement of multi-skilled flexible staff who are able to use a number of different systems.	Consultancy Manager

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G. Implementation

Issue	Risk	Impact	Probability	Level of Risk	Classification	Mitigation	Ownership
Reliance on sub-groups delivering their individuals parts of the project on time	Because the project will be reliant on a number of different "leads" for various functions such as, legal, finance, HR,	3	2	6	Medium	Dedicated project management with external consultants as necessary. Chief Executive authority necessary to drive each sub-	Steering Group & Chief Executives

Issue	Risk	Impact	Probability	Level of Risk	Classification	Mitigation	Ownership
	IT, management there is a high risk that certain areas may not be delivered on time.					group to deliver.	

SOUTH THAMES GATEWAY BUILDING CONTROL JOINT COMMITTEE

9 JUNE 2016

ADMINISTRATIVE ARRANGEMENTS 2016/17

Report from: Philippa Davies, Clerk to the Committee

Summary

This report sets out administrative arrangements for the 2016/17 municipal year.

1. Budget and Policy Framework

- 1.1 The Constitution for the South Thames Gateway Building Control Joint Committee specifies that the timetable shall be adopted at the Annual General Meeting.

2. Background

- 2.1 Gravesham, Medway and Swale Councils have all agreed to delegate their respective building control functions to the Joint Committee. This report presents a number of administrative arrangements in connection with the running of the Joint Committee.

- 2.2 The following Members have been appointed to the Committee by the respective partner authorities:

Gravesham

Councillor John Cubitt
Councillor Robin Theobald (substitute)

Medway

Councillor Chitty
Councillor Carr (substitute)

Swale

Councillor Gerry Lewin
Councillor Bryan Mulhern (substitute)

3. Schedule of Meetings

- 3.1 The Constitution for the South Thames Gateway Building Control Joint Committee specifies that the schedule of meetings shall be agreed at the Annual General Meeting.

3.2 In order to provide some certainty for members and officers, the following provisional timetable for the coming municipal year was agreed at the March 2016 meeting of the Committee:

- Thursday 9 June 2016 (AGM)
- Thursday 22 September 2016
- Thursday 8 December 2016
- Thursday 16 March 2017.

3.3. All meetings will commence at 10am and will be held at Gravesham Borough Council's offices at the Civic Centre, Windmill Street, Gravesend, Kent DA12 1AU.

4 Proper Officers

4.1 At the Annual General Meeting in 2008, the joint Committee was advised of the officers from the Partner Authorities who will, on behalf of the Joint Committee undertake the roles of Monitoring Officer and Section 151 Officer. These are statutory officers. The purpose of the Monitoring Officer is to ensure the lawfulness and fairness of the Partnership's decisions and the purpose of the S151 Officer is to ensure that proper arrangements are in place for the administration of the financial affairs of the Partnership.

4.2 The Joint Committee is asked to note the following appointments (**all to be confirmed**):

Monitoring Officer - ????

Deputy Monitoring Officer -

S151 Officer -

Deputy S151 Officer –

4.3 The Joint Committee is also requested to select Gravesham Borough Council to provide secretarial support to the joint committee for the next 12 months.

5. Financial Implications

5.1 There are no financial implications arising from this report.

6. Legal Implications

6.1 The Joint Committee was established pursuant to powers under: -

- Local Government Act 1972 – sections 101, 102, 111, 112 and 113
- Local Government Act 2000 – sections 2, 19 and 20
- Regulations made under these acts.

6.2 The arrangements for this joint committee have been designed to ensure compliance with the Local Authorities (Functions and Responsibilities) (England) Regulations 2000 and the Local Authorities (Arrangements for the Discharge of Functions) (England) Regulations 2000,

which set out the functions that should be carried out by Council (or one of its committee) and functions that can be carried out by the Executive. Building control is a function of the Executive or Cabinet and can be discharged by the Joint Committee and those functions have been delegated by the Partners Authorities' Executives. By law, two elements of the service cannot be executive functions, namely staffing matters and enforcement activity by Building Control, and these have been delegated to the Joint Committee by the Partner Authorities' respective Full Councils.

7. Risk Management

7.1 There are no risk management implications arising from this report.

8. Recommendations

8.1 The Joint Committee is recommended to –

- a) Agree the timetable of meetings for the 2016/17 municipal year (as set out in paragraph 3.2)
- b) Note the appointment of the officers listed in paragraph 4.2 as Monitoring and Deputy Monitoring Officers, and as S151 Officers and;
- c) Agree to select Gravesham Borough Council to provide a secretary to the joint committee for the 2016/17 municipal year.

Background Papers: None

Lead Officer Contact:

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