



# **Building Control Partnership Business Plan 2016-2019**



Director  
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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 20<sup>th</sup> 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</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
<b>Total Cost:</b>	<b>1,379,281</b>	<b>1,387,281</b>	<b>1,401,391</b>	<b>1,412,612</b>
Contributions	-290,300	-278,076	-266,853	-254,270
Income	-1,088,981	-1,107,822	-1,134,538	-1,158,342
<b>Total Income</b>	<b>-1,379,281</b>	<b>-1,387,281</b>	<b>-1,401,391</b>	<b>-1,412,612</b>
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
<b>Authority and Agreed Percentage</b>	<b>2015/16 Budget</b>	<b>2016/17 Budget</b>	<b>2017/18 Budget</b>	<b>2018/19 Budget</b>
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
	<b>290,300</b>	<b>278,076</b>	<b>266,853</b>	<b>254,270</b>

[Figure 1]

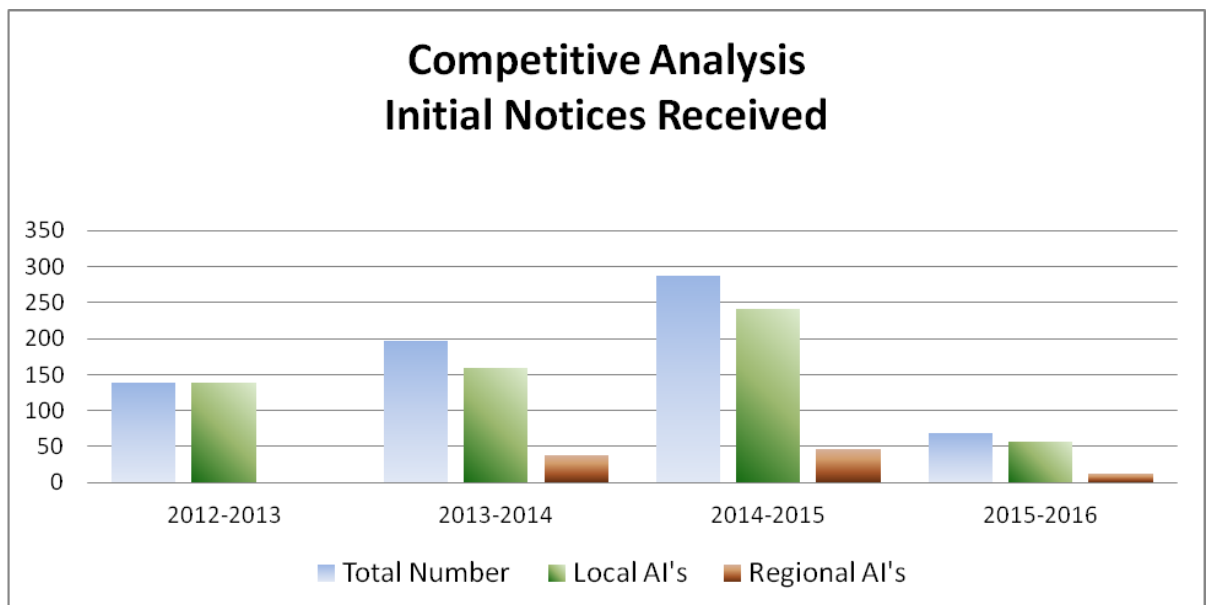
### 3. PARTNERSHIP OVERVIEW

3.1. The partnership has three income streams:

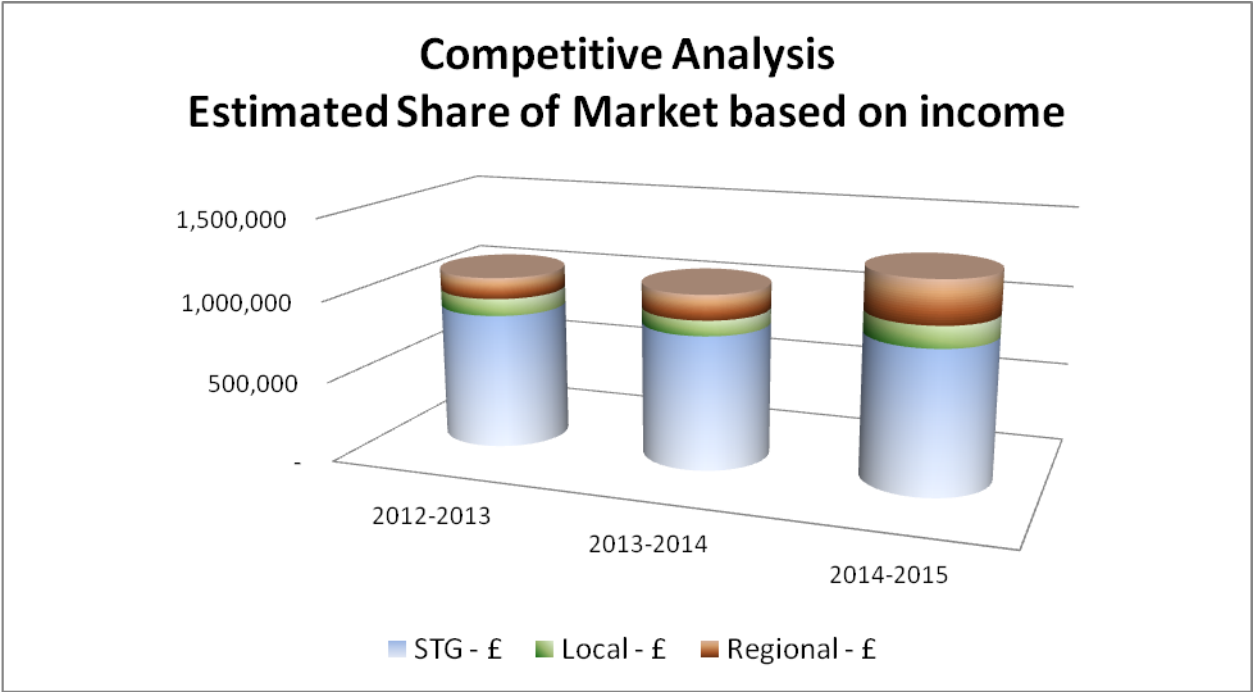
- building regulation applications
- partner contributions
- consultancy services

#### 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:

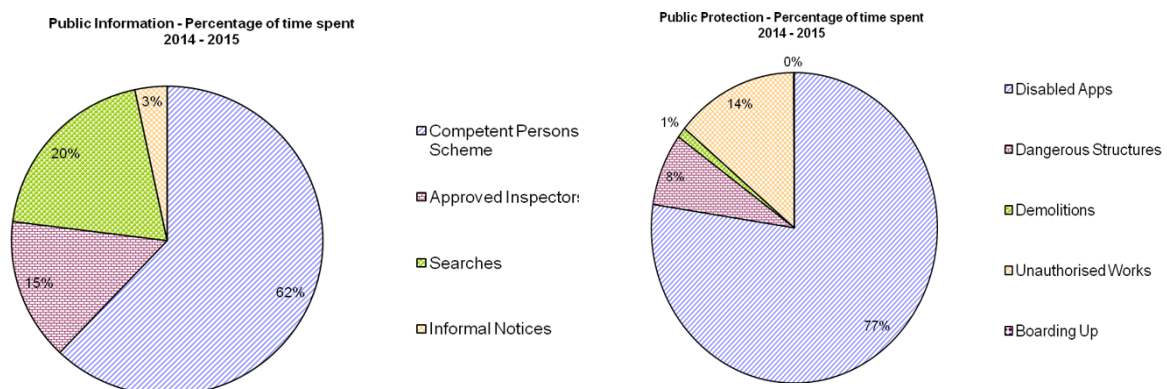
- speed of response
- consistency of approach
- availability of advice
- competitive cost

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.