

**REGENERATION, COMMUNITY AND CULTURE  
OVERVIEW AND SCRUTINY COMMITTEE  
4 OCTOBER 2012**

**UPDATE ON SOUTH THAMES GATEWAY  
BUILDING CONTROL PARTNERSHIP**

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**Summary**

The South Thames Gateway (STG) Building Control Partnership came into existence on 1 October 2007 bringing together the building control services of Gravesham, Medway and Swale councils. The Partnership was originally endorsed for a period of five years when it would be reviewed. The Joint Committee which oversees the Partnership and the Cabinets of each of the Partner authorities unanimously supported the continuing into a second term from October 2012-March 2017. This report updates Members on the progress of the Partnership in its first term and its plans for the future.

**1. Budget and Policy Framework**

1.1 The governance of the Partnership is through a Joint Committee represented by one Member from each of the Partner Authorities who act through a Constitution and Memorandum of Agreement signed by all three council's.

**2. Background**

2.1 Most building work is covered by the Building Regulations 2010. These are minimum technical standards set by Government and all but the most minor building work carried out must conform to these standards.

2.2 The standards cover many aspects of health and safety within buildings as well as energy consumption and accessibility. The Building Regulations are detailed technical standards set to ensure that the building stock is built to a reasonable standard and meets the needs of the population.

2.3 There is a legal requirement on both the builder and the owner of the building to make an appropriate Building Regulation application and to comply with those regulations. Failure to do so can result in prosecution through the

magistrates' court. It is the duty of every Local Authority under Section 91 of the Building Act 1984 to enforce the Building Regulations; however, since 1985 private sector Approved Inspectors (AI's) can administrate the regulations in competition with the Local Authority.

- 2.4 Whilst this has introduced a high degree of competition into the Building Regulations service successive Governments have made clear that the Local Authority is the Building Control provider of last resort and whilst AI's have a choice whether to accept a client or not the Local Authority must provide the service.
- 2.5 Whilst AI's can administer the Building Regulations, they have no enforcement powers, and should they reach a stale mate with one of their clients where a building does not comply and they cannot negotiate a resolution that application has to revert to the Local Authority to pursue the owner and builder to rectify the situation.
- 2.6 The STG Building Control Partnership was formed by combining the building control services of Gravesham, Medway and Swale in October 2007. The aim was to build in resilience to the service which was exposed to high levels of competition from the private sector for both work and resources. It was also formed to develop a larger critical mass which would be able to benefit from economies of scale, improve the service to customers and to develop the potential to deliver alternative income streams.
- 2.7 The Partnership was also seen as a vehicle for improving opportunities for staff development and training which was not always possible in the smaller building control units. It was also envisaged that the Partnership would be able to deliver cost reductions to each authority by reducing overheads and negotiating service level agreements with service providers.

### **3. Advice and analysis**

- 3.1 The progress of the Partnership has been closely monitored by the Joint Committee which meets at least four times a year and by a steering group of senior offices representing each authority. Medway is the host Authority and quarterly reports are provided for the Assistant Director, Housing Development and Transport and the Director, Regeneration, Communities and Culture through the Performance monitoring Covalent system. Within the terms of the agreement that was signed, the Partnership was to run for a period of five years and then be reviewed. This review was carried out through 2011/12 and a decision to continue for a second five year term was unanimously agreed at Joint Committee and ratified by the Cabinet's of each of the three authorities. In recommending the continuance of the Partnership Joint Committee Members remarked on the Partnership as being a very successful project which has delivered its objectives through extremely difficult economic times.

## Financial

- 3.2 The formation of the Partnership saw the constituent authorities pooling their 'direct', building control budgets (staffing, running costs etc) to fund the new organisation. It also gave the partners the opportunity to rationalise indirect support costs.
- 3.3 In terms of direct costs, Table 1 below provides an overview of the changes that have occurred in the five years of operation.

**Table 1**

	Combined budgets 2006/7	2006/7 budgets adjusted to 2011/12 price levels	STG Final Budget 2011/12	STG Budget 2012/13	STG Business Plan 2013/14
	£000s	£000s	£000s	£000s	£000s
Staff costs	1,243	1,325	1,066	1,093	1109
Other direct costs	281	285	226	254	252
<b>Total</b>	<b>1,524</b>	<b>1,610</b>	<b>1,292</b>	<b>1347</b>	<b>1361</b>
<b>External Income</b>	<b>(1,246)</b>		<b>(1001)</b>	<b>(1102)</b>	<b>(1118)</b>

- 3.4 It can be seen that direct costs have reduced, in real terms, by some 20% in the first five years of the agreement, whilst external income has fallen by 20% in the same period. Therefore, although the Partnership was formed to take advantage of a highly competitive expanding market in a major regeneration area of North Kent; it has proved to be equally successful in dealing with the outcomes and pressures of the economic downturn since 2008. It has been able to mitigate much of the pressure which would have been evident had services remained in-house in small units.

## Resilience

- 3.5 One of the main objectives was to build in increased resilience to the service and this has been possible by the increased pool of surveyors which are able to cover peaks in demand anywhere in the three council areas. It has allowed for a greater range of times of when surveyors can carry out site inspections making for a much more responsive customer facing inspection service allowing early morning and late afternoon visits to fit in with the customer's build time frame.
- 3.6 The Partnership is able to deliver a 24 hour, 365 day out of hours emergency service to all three councils for dangerous structures and boarding-up properties and is able to call upon a number of experienced surveyors in the event of a major incident. It represents each council on relevant Safety Advisory Groups and has an improved access to contractors when works have to be carried out under emergency powers.

### Staff development

- 3.7 Being a larger group has also allowed for greater opportunities for staff development with sufficient cover available to allow staff to attend training courses, learn new skills, enhance existing knowledge and maintain professional continued professional development (CPD).
- 3.8 Following the economic downturn in 2008, the construction industry was particularly hard hit and has shown little signs of recovery since. In order to mitigate pressure this would put on the Partnership's budget it was important to identify new income streams that would supplement a reduced building control income. This was possible by the introduction and development of a consultancy which would be able to deliver additional services and generate additional income. In order to facilitate the consultancy it has been imperative to diversify the roles of staff to enhance existing expertise or develop career related skills so as to be able to take advantage of changing markets and demand. The range of services now being offered include: Code for Sustainable Homes Assessment, Standard Assessment Procedure (SAPs) and Energy Performance Certificate Assessments (EPCs), Trade-Off Energy Calculations, Party Wall Surveying, Fire Risk Assessment, Access Statements and Clerk of Works roles for the Decent Homes programme and Condition Surveys regarding council housing stock.
- 3.9 The Partnership has been able to use its larger resource to develop both individuals and groups of individuals to deliver these services across both the professional and technical staff. They have also been able to share some of this additional knowledge with architects, developers and partners through a number of successful seminars which have taken place through the years and form the basis of shared understanding of complex construction techniques between surveyors and their customers.

### Flexibility

- 3.10 One of the strengths of the Partnership has been its ability to adjust quickly to change in economic situations and market conditions. It has continued to look at ways of improving the service to customers whilst keeping costs to a minimum. Following the outcome of the customer survey in 2011 it was noted that owners of properties often felt remote from the building control process and relied heavily on the expertise of their architect, designer, builder or developer. A concerted effort was made to engage owner/occupiers into the process, commencement packs were developed, guidance leaflets and now a booklet guide has been produced which explains not just the roles and responsibilities of each party but what the regulations are trying to achieve. The most recent survey in June 2012 demonstrated a sharp increase in both owners understanding of the process and their welcome engagement especially in the inspection process.
- 3.11 It has been extremely important to adhere to a marketing strategy to maintain market share as competition for a shrinking market has increased since 2008. There has been a shift away from the commercial and industrial sectors by Approved Inspectors (AI's) as these areas have been hardest hit by the recession and the AI's have directed their energies into competing in the residential and domestic markets.

- 3.12 The Partnership has been able to maintain and expand its customer base on delivering a first class service. A customer survey carried out in June 2011 demonstrated a high degree of satisfaction from architects, agents and developers. The most recent survey carried out in June 2012 not only maintained satisfaction levels over 94% but also revealed far better engagement with owners and over a quarter of regular users had seen service improvements within the last year. In 2008 we became a Quality Assured company registered under ISO 9001:2008 and have had continued assessments through the BSI to retain the quality mark and match the quality assured requirements of many of our commercial customers.

### The Future

- 3.13 A new draft Business Plan covering the next term of the Partnership from 2012/17 was presented to Joint Committee in September and is now out to consultation with stakeholders from the three authorities. It builds on the resilience demonstrated over the last five years and continues to use and develop the skills and expertise of the staff to deliver a wide range of services for customers and maximise income streams.
- 3.14 Since the challenges of the economic recession began in 2008, the Partnership has demonstrated a high degree of flexibility in mitigating a great deal of the financial pressure, caused by the reduction in the construction market, by being able to change working practices of staff and increasing the offer to customers.
- 3.15 The next five year period is unlikely to show much growth with industry predictions of a likely fall in 2012, stabilisation in 2013 and possible growth of 4%-5% in 2014/15.
- 3.16 In order to maintain a balanced budget it is important to supplement income from the Building Regulation charges account with further income from the consultancy budget. The decline in complex projects has had a direct effect on the level of work coming through the consultancy from external customers. Therefore a concerted effort to expand the internal market, with continued support from the three Partner Authorities, is paramount in maintaining income and increasing the diversification of roles of staff.
- 3.17 New legislation to further strengthen the enforcement powers of Local Authorities is proposed for 2013/14 and this will offer greater opportunities to drive out “cowboy builders” and improve general building standards especially in the domestic market and this will be an important role for STG over the next five years.
- 3.18 Investment in IT is key to increasing efficiency and giving greater opportunities for customers to interface with the Partnership. Development will allow applicants to track applications, carry out historical research on their property and will give the opportunity for mobile working. This will improve the inspection service still further, recording data in real time and delivering an increased number of inspections per officer per day.

- 3.19 There will be an opportunity to re-examine the case for the consultancy becoming a Local Authority Company which will be important when there is a recovery in the construction industry as it will allow greater flexibility in resourcing an increase in demand.
- 3.20 During this next five-year period the Partnership will have to relocate, as the lease on our current accommodation will end in March 2015. This, together with the possibilities from mobile working will allow us to reduce our office accommodation and therefore costs. The most recent customer questionnaire revealed that our present location is popular so any decision on a move away from the Maritime area will have to be properly examined, however, better connectivity through the IT system may reduce foot fall in reception.
- 3.21 An important area for consideration is the opportunity to expand the Partnership so as to encompass additional authorities. Discussions with Tonbridge and Malling are ongoing and possible changes to service delivery in a number of other authorities over the next few years may offer further potential partners.
- 3.22 The next phase of the Partnership will not only consolidate the successes of the past five years but continue the expansion of services, staff development and improved customer service which the investment of the three Partner Authorities has allowed.

#### 4. Risk management

4.1 Please see table below.

Risk	Description	Action to avoid or mitigate risk	Risk rating
Continuation of economic downturn resulting in low numbers of applications	Insufficient income to cover expenditure on fee earning 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.	C3
Current economic situation leading to increased debt arising from unpaid 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. Files clearly marked where invoice remains unpaid so as site surveyor can pursue on inspection. Taking over the functions of invoicing and debt collection from the finance department.	D3

Failure to suitably develop staff to meet the needs of the business and match personal self improvement	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.	D3
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## 5. Financial and legal implications

5.1 As this report updates Members on the progress of the Building Control Partnership there are no legal or financial implications.

## 6. Recommendations

6.1 Members are asked to note the report.

### Lead officer contact

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### Background papers

None