



# **Building Control Partnership Business Plan 2015-2018**



Director  
Version No.  
Last updated

Tony Van Veghel  
4  
16 December 2014

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## 1. Executive Summary

- 1.1. The next three-year business plan covers the period 2015 to 2018 and will focus on:
  - Further improvements to customer service utilising IT development and customer interaction.
  - Increased opportunities for income generation protecting and capturing market share.
  - The development of consultancy services with dedicated staff to service provision in a separate company.
- 1.2. These are essential to the continued success of the partnership and to meet the future demands of our customers. They consolidate the current five objectives and have been discussed and agreed with stakeholders.
- 1.3. The improved construction economy has created increased competition for both work and staff across the sector. There has been little investment in development of new staff across the industry, so recruitment and retention of staff is becoming as important a driver for the success of the partnership as it was in 2006.
- 1.4. The development of a new IT system will play an intrinsic part in improving customer service whilst reducing operating costs. There is a need to invigorate the new marketing strategy to ensure work is captured both regionally and nationally. The market place has changed in that some of our major competitors are no longer local to the area but come from the Midlands and the North of England. Delivering services traditionally is no longer economical to local authority building control and a wider audience needs to be captured.
- 1.5. It is no longer viable to deliver the myriad of inspections ranging from simple or complex without matching the appropriate resource. With the advent of agile working it is possible to target resources in a much more effective way, delivering good value to customers on site. The return on investment on the web based product will allow increased inspections to be carried out by surveyors each day without the need to attend the office. Recruiting different levels within the building control range will allow for an appropriate level of skill and experience to be allocated to each site inspection.
- 1.6. It will also free up key account holders to properly manage their customer accounts and deliver a more focused service so as to retain their client base. With increased competition we need to be able to maintain and develop our client base, in the first instance through an improved service which not only delivers value for money but also meets clients' wants as well as their needs. This will require an investment in time by the surveyors as well as tangible improvements to the service delivering, application monitoring, self service research, real time information, text notification of inspections and where appropriate intermediate reports, 'closeout' meetings and the final reports indicating the value of using our service.

- 1.7. This will require radical change both to the way we deliver the service and the structure which is needed to meet this demand.
- 1.8. New structures will require additional funding and these needs to be self generated through increased market share, improved marketing and further diversification to increase income generation through the consultancy arm.
- 1.9. The consultancy has matured now to the point where officers need to be dedicated to various roles rather than reacting to ad hoc requests. This will require the consultancy to be delivered through a different vehicle so as to be commercially viable and return a profit which can be reinvested into the partnership. A bid for a government grant funding to look at this aspect of development has already been lodged and further opportunities to lever in money into such a venture will be pursued.
- 1.10. The partnership is funded through three income streams which support the chargeable (competitive building regulation market), the non-chargeable (duties and responsibilities of local authorities) and the consultancy (complementary services to the building industry).
- 1.11. Each of these are currently non-profit making and provided a restructure allocates the correct resource to the function, the first two should remain so and be compliant with both charges legislation and the standing orders of each authority. A restructured staffing resource will need careful change management considerations so as to provide sufficient technical and professional support to deliver these services.
- 1.12. The provision of a commercially viable consultancy service offers new opportunities to increase services and revenue through a profit-making local authority company or social enterprise.

## 2. Financial Plan

2.1. Members have requested that the format of the Business Plan changes to a 3 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 likely progression of the partnership beyond that period and the new arrangement will allow for the agreed contributions to feed into each authorities medium term financial plan.

2.2. The financial plan, in figure 1, is based on the following pressures:

- An increase in salary costs of 1% per annum
- A nominal increase in transport costs associated with increased visits by surveyors
- A required 3% increase in overall income generation

and the following savings:

- A 30% reduction in accommodation and premises costs
- A 5% reduction in supplies and services costs per annum
- A 4% reduction in salary savings following first phase restructure

2.3. This will generate a further 2% saving on contributions required by the partner authorities compared with the previous business plan.

2.4. Should the proposed expansion of the partnership take place as planned in April 2015, the Business Plan will be revised to incorporate four partners and further savings will be generated as shown in figure 2.

2.5. Total contributions will have reduced for the current three partners by £61,472 between April 2012 and March 2016 in the current arrangement. Should the partnership be extended the saving to the current three partners would increase to £65,381.

2.6. The original Business Plan developed by PML, in 2006, included a paragraph stating that “the advances paid by Gravesham and Swale Councils would be repaid from future surpluses.”

2.7. The Constitution includes in Clause 3.14.8.1 “Gravesham and Swale have at commencement contributed to the partnership from their respective building control chargeable accounts their respective surpluses existing at 30 September 2007 and Medway has at commencement contributed to the partnership by means of setup and implementation costs.”

2.8. Clause 3.14.8.2 goes on to say “they shall within 6 months of commencement agree the manner in which the budgetary contributions of the councils shall be reduced during the term in order to offset the surplus paid by Gravesham and Swale and Medway’s contributions to setup and implementation referred to in Clause 3.14.8.1.”

- 2.9. At Joint Committee on 25 September 2008 Members agreed “that the advances for the setup costs of the partnership be the first call on any future surpluses achieved through the provision of consultancy services”.
- 2.10. Up until now the provision of consultancy services has been provided under provisions that require it to be on an ‘at cost’ basis and therefore not able to generate a surplus.
- 2.11. A bid is currently with the Government called the “Transformation Bid” to obtain grant money to explore the most appropriate delivery model for the consultancy now it has been established with the proviso that the delivery model should be commercially based and able to achieve a surplus.
- 2.12. Within this Business Plan it has been explained that we need to operate the consultancy as a commercial arm of STG with the ability to generate a surplus.
- 2.13. Actions are contained within the Delivery Plan to identify the accumulated reductions referred to within the Constitution and determine as and when surpluses are generated by a new commercial consultancy as to what proportions those surpluses should be reimbursed to the three partner authorities.
- 2.14. At Joint Committee on 2 October 2014 Members agreed the following principles:
- 2.14.1. The key priority must be to protect STG's financial position and its ability to provide a sustainable service, on the basis of a break even budget or, if possible, making a surplus, particularly within the consultancy arm.
  - 2.14.2. The first priority for spend of any budget surplus would be for any required and necessary investment in the service and/or the provision of an appropriate budget reserve.
  - 2.14.3. Once appropriate and necessary investment in the service has been made and appropriate budget reserves put aside, any budget surplus from the consultancy arm will be ring fenced to repay initial start up costs. On this basis only surpluses generated by the consultancy arm of the partnership will be ring-fenced specifically for the purposes of repaying initial start-up costs as listed above, with repayment of such costs being on a proportionate basis in line with the start up costs provided by each Partner organisation. The exact mechanism for this repayment to be delegated to the Officer Steering Group for their consideration and agreement in due course. The purpose of such a mechanism will be to ensure that all partners eventually receive back those funds initially invested.
  - 2.14.4. At the same time a financial incentivisation scheme will be agreed by the Officer Steering Group, to ensure all three councils are encouraged to use STG's services for construction and other projects.

- 2.14.5. Future reductions in annual deficit contributions by partner organisations will be treated and recorded as being an element of repayment to each partner organisation in relation to initial start-up/administration fees incurred.
- 2.14.6. The creation of a stand-alone consultancy arm be used as the primary means of repaying initial start-up funds/administration overheads (with the necessary financial support being committed by each Partner as a means to facilitating this should the bid for Transformation Grant funding be unsuccessful).



**Three year Budget Build and Contribution Calculation For 2015/2016 - 2017/2018 (including comparative 2014/2015 budget) for Three Authority Partnership**

	<u>2014/15 Budget</u>	<u>2015/16 Budget</u>	<u>2016/17 Budget</u>	<u>2017/18 Budget</u>
Staffing	1,129,538	1,128,751	1,139,751	1,150,861
Premises	102,532	46,300	46,300	46,300
Transport	46,580	42,350	42,350	42,350
Supplies and Services	108,030	108,970	105,970	108,970
Support Services	58,210	52,910	52,910	52,910
<b>Total Cost:</b>	<b>1,444,890</b>	<b>1,379,281</b>	<b>1,387,281</b>	<b>1,401,391</b>
Contributions	(303,427)	(290,300)	(278,076)	(266,853)
Income	(1,141,463)	(1,088,981)	(1,107,822)	(1,134,538)
<b>Total Income</b>	<b>(1,444,890)</b>	<b>(1,379,281)</b>	<b>(1,387,281)</b>	<b>(1,401,391)</b>
Chargeable 79%	(1,141,463)			
Non-Chargeable 21%	(303,427)			
	(1,444,890)	0	0	0
Chargeable 79%		(1,088,981)		
Non-Chargeable 21%		(290,300)		
	0	(1,379,281)	0	0
Chargeable 80%			(1,107,822)	
Non-Chargeable 20%			(278,076)	
	0	0	(1,387,281)	0
Chargeable 81%				(1,134,538)
Non-Chargeable 19%				(266,853)
	0	0	0	(1,401,391)
<b>Authority and Agreed Percentage</b>	<b>2014/15 Budget</b>	<b>2015/16 Budget</b>	<b>2016/17 Budget</b>	<b>2017/18 Budget</b>
Gravesham - 20%	60,685	58,060	55,616	53,371
Swale - 27%	81,925	78,381	75,080	72,050
Medway - 53%	160,817	153,859	147,380	141,432
	<b>303,427</b>	<b>290,300</b>	<b>278,076</b>	<b>266,853</b>

[Figure 1]

**Three year Budget Build and Contribution Calculation For 2015/2016 - 2017/2018 Incorporating Canterbury City Council**

	<u>2015/16 Budget</u>	<u>2016/17 Budget</u>	<u>2017/18 Budget</u>
Staffing	1,429,675	1,443,971	1,458,411
Premises	46,300	46,300	46,300
Transport	54,200	54,200	50,200
Supplies and Services	114,570	14,570	104,130
Support Services	58,994	8,994	58,994
<b>Total Cost:</b>	<b>1,703,739</b>	<b>1,718,035</b>	<b>1,718,035</b>
Contributions	(371,937)	(359,597)	(332,428)
Fee Income	(1,331,802)	(1,358,438)	(1,385,607)
<b>Total Income</b>	<b>(1,703,739)</b>	<b>(1,718,035)</b>	<b>(1,718,035)</b>
Chargeable 78%	(1,331,802)		
Non-Chargeable 22%	(371,937)		
	<u>(1,703,739)</u>	<u>0</u>	<u>0</u>
Chargeable 79%		(1,358,438)	
Non-Chargeable 21%		(359,597)	
	<u>0</u>	<u>(1,718,035)</u>	<u>0</u>
Chargeable 81%			(1,385,607)
Non-Chargeable 19%			(332,428)
	<u>0</u>	<u>0</u>	<u>(1,718,035)</u>
<b>Authority and Agreed Percentage</b>	<b><u>2015/16 Budget</u></b>	<b><u>2016/17 Budget</u></b>	<b><u>2017/18 Budget</u></b>
Gravesham - 15.40%	57,278	55,378	51,194
Swale - 20.79%	77,326	74,760	69,112
Canterbury - 23.00%	85,546	82,707	76,458
Medway - 40.81%	151,787	146,752	135,664
	<b>371,937</b>	<b>359,597</b>	<b>332,428</b>

[Figure 2]

### **3. Background**

- 3.1. South Thames Gateway (STG) is a Partnership of three authorities (Gravesham Medway and Swale) that was established on 1<sup>st</sup> October 2007 to build in resilience for the building control service across the Thames Gateway area.
- 3.2. STG Building Control was founded on the extensive knowledge, experience, integrity and professionalism of the building control team to deliver a first class service to a population of over 470,000 people covering some 257 square miles of Kent.
- 3.3. The Partnership in fact delivers three complimentary services that impact on the health and safety of people living, learning, working or visiting the area.
  - The building regulation service which consists mainly of checking building plans, the inspection of building works in progress and appropriate enforcement to ensure all relevant building work complies with the building regulations.
  - A public protection service which includes both inspections and information which councils are required to provide, for example, dangerous structures, demolitions, unauthorised works, competent person schemes and the initial notices register.
  - A consultancy which delivers additional discretionary services including energy, fire risk, access and Code for Sustainable Homes assessments together with SAP and Sbem calculations and the provision of clerks of work to oversee Decent Homes and Condition surveys for local authority housing stock.

## **4. Review**

- 4.1. The construction industry showed signs of a recovery in 2013/14 with applications around 19% higher than the previous year; however, income remained about the same. This was an indication that much of the increased activity was in the lower value domestic market.
- 4.2. Significantly, this sector has also seen a sharp rise in competition for the work, which has been reflected across the south-east. As demand has increased so too has the competition for surveyors to deliver the service and this has put a pressure on all local authorities who are not able to match the remuneration packages available in the private sector.
- 4.3. Improvements to the partnership's working practices began towards the end of the year driven by the adoption of the new computer system. This web based product is able to deliver the service remotely wherever access to the Internet is available. Further development throughout 2014/15 has allowed for implementation of a mobile environment whereby surveyors can access and input to the system recording inspections in real time and improving the service to customers. The development of a change in working practices also allows for an increased number of inspections to be carried out per surveyor.
- 4.4. Negotiations have continued with Canterbury City Council for them to join the partnership, increasing its capacity and its potential to develop further complementary services for the building industry.

## 5. Strategic Vision

### IT

- 5.1. The adoption of the new IT system will enable the development of an improved customer service based on a better interaction between the partnership and its clients. The increased use of email and electronic communication will speed up requests for further information and the delivery of approvals and completion certificates. There will be further developments in self service by customers giving them a wider access to information and records pertinent to their applications. A system will be developed so that applications can be tracked through the process giving the opportunity for customers and agents to comment at various milestones through the approval process allowing for informed discussion at the project planning stage. There will also be the availability for surveyors to record inspections, contraventions, all requests for further information on site and in real time so that clients have a true reflection of the outcome of a site inspection rather than relying on feedback from their builder.
- 5.2. For more complex projects there will be the opportunity to prepare and submit interim and final reports so as to highlight the benefits and cost savings that have been possible through using the partnership.

### Working Differently

- 5.3. The provision of agile working should open up a number of opportunities to use the staff resources in a more effective way. Staff will not need to return to the office and therefore can use their time or effectively in dealing with site inspections with an increased number of inspections possible per surveyor. Reliance on a paper based file and plan will not be an issue, therefore the monitoring of sites can be more proactive as can the pursuit of an authorised works which will not be dependent on records held in the office.
- 5.4. In order to address the issue of a consistent approach a number of quality controls need to be introduced to both the plan vetting and site inspection services and future development of a structure which separates out the two functions and dedicates personnel to, will form part of the delivery plan. Further changes will also be investigated so as to resource the servicing of domestic and non-domestic work with appropriately qualified and experienced staff. As domestic work accounts for approximately 74% of applications but only generates 50% income, resources need to reflect the complexity of work being examined. Similarly with 26% of non-domestic applications generating the other 50% of income it is important to provide the correct calibre of staff to deliver a comprehensive professional service to these clients who are subject to greater competition.
- 5.5. Further examination of these arrangements will be undertaken through the life of the business plan to determine if dedicated resources can be appropriately assigned to relate to the cost of chargeable and non-chargeable works. A further work stream will examine the most appropriate delivery model for the

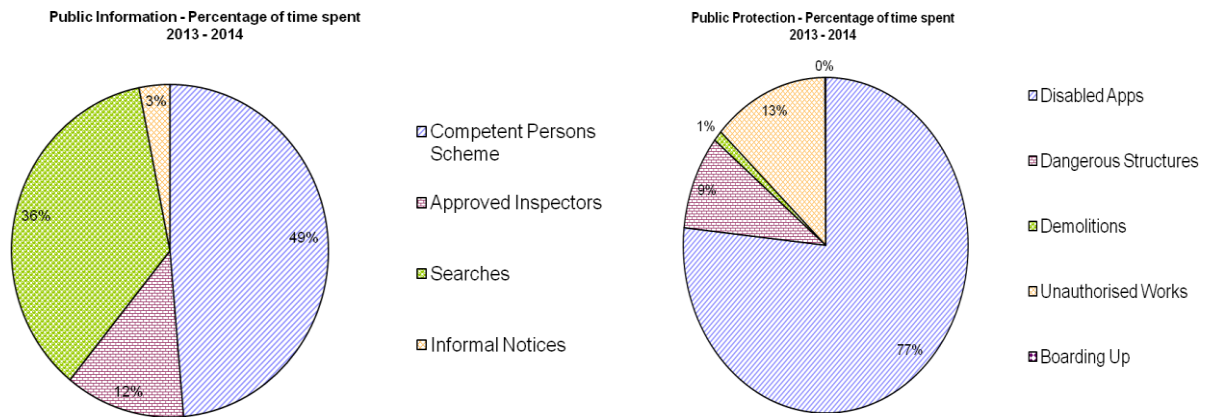
consultancy, with appropriate dedicated staff, services could be extended and with a revised marketing strategy that looks at the wider market opportunities to generate additional income and surplus so as to build in further resilience to the partnership.

#### Cost saving / Income generation

- 5.6. Accommodation costs have been reduced by 48% with the move to Rochester which has been assisted by the introduction of agile and mobile working. The majority of savings have been achieved by reduction in footprint of the new accommodation which greatly reduces the rent and rate expenditure. With the changes in working practices we are able to accommodate a number of hot desks to be used by those surveyors required to return to the office.
- 5.7. The first phase of restructuring will see teams move from a geographical basis to a functional basis. This will allow for an overall reduction in surveying staff from 2013/2014 levels with surveyors able to deliver a greater number of inspections per day. This will achieve a 4% salary saving against the previous financial plan.
- 5.8. This use of electronic mail will reduce postal costs and the delivery of plan checking online will deliver savings on printing as well as providing less reliance on printer plans on site. Overall a 5% reduction per annum in the supplies and services budget will be available.
- 5.9. A 1% reduction in contribution costs is illustrated within the plan based on efficiency savings available through the new IT system. In respect of reduced costs associated with inspections and an improved competent person registration and processing.
- 5.10. As well as cost savings, opportunities exist for increased income generation. Winning and maintaining market share is vital to the continued success of the partnership. The provision of an excellent service to existing customers must retain market share with improved account management. A revised marketing strategy will look to improve market share, widening services available through the consultancy ensuring competitive price.

#### Partner contributions

- 5.11. The partner contributions pay for much of the partnerships works that is designated as public protection and often falls as duty or responsibility on the Local Authority such as: disabled persons applications, dangerous structures, demolitions, unauthorised work and enforcement and the administration of approved inspector legislation.
- 5.12. The charts below show comparisons of the time spent on non-fee chargeable work through public protection and public information for 2013/2014.



5.13. The 77% of time spent dealing with disabled person applications has proved a very expensive service for the partnership as whilst the works are seldom of a complex nature they impact heavily on a surveyors' time. Part of the restructure will look to take on less qualified staff who can become specialised in this area and will reduce the costs per application.

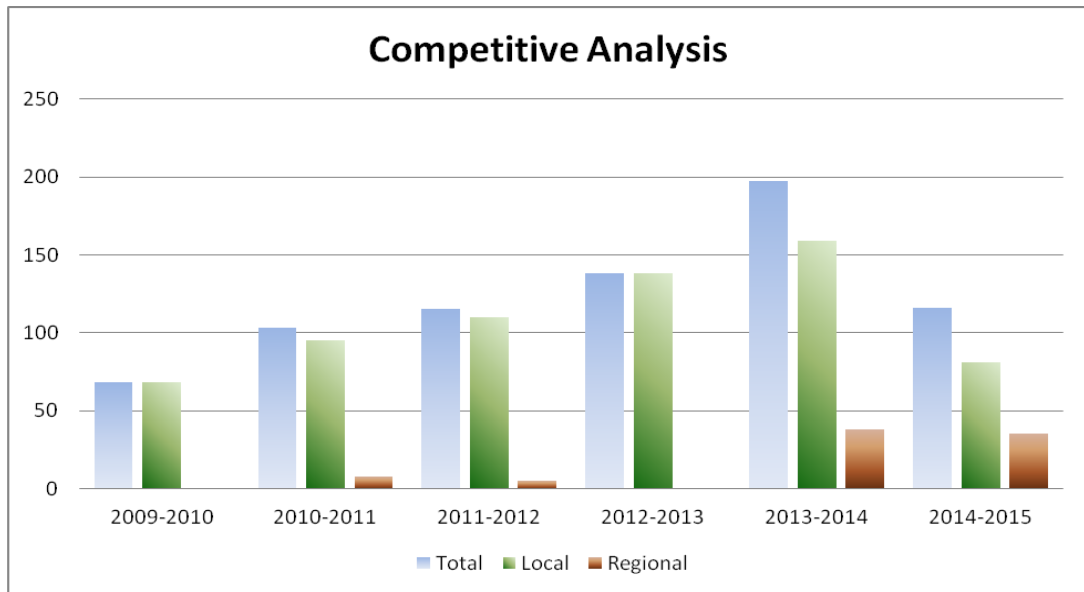
5.14. The time spent on dangerous structures does, however, often require highly qualified or regular visits and again is an expensive burden on contribution funding. Through 2015/2016 we will examine if insured dangerous structures can be pursued to reclaim the local authority costs as this could be used to reimburse the authority for dealing with the issue.

5.15. Some improvements to the way the 25,000 competent person certificates are lodged has already taken place and through 2015/2016 there will be further improvements to the system so as to reduce technical assistant time on this function.

5.16. By these improvements costs will be reduced to the partners throughout the Business Plan until 2018. By that time if no further savings can be made in efficiencies the opportunity will exist to reduce contribution costs by supplementing the charge with the consultancy surplus.

### Competition

5.17. The building regulation market is highly competitive. The chart below compares the number of initial notices received each year against the number received from local and regional placed approved inspectors



5.18. A significant trend has occurred over the last 2 years where regional, and sometimes national, approved inspectors are competing for work in the area. Initial notices from the Midlands and even Newcastle are not unusual and revised legislation allows for the initial notice to be signed by the approved inspector rather than the client. This has led to confusion with some customers unaware who is dealing with their project.

5.19. This trend is not confined to STG or Kent but is a regional issue throughout London and the SouthEast. Further work with Local Authority Building Control (LABC) and their marketing team as part of our marketing strategy will be designed to win back market share. We will continue to work with partner architects under the agreed LABC partnering scheme and will endeavour to increase the number of partners to improve upon market share.

5.20. We currently have 70% of market share and will look to improve this to 75% by end of 2016.

#### The way forward

5.21. A productive away day was carried out in July 2014 focusing on the direction of the Business Plan. The revised objectives are as a result of the interaction with staff and stakeholders in identifying improvements to the service.

5.22. A SWOT analysis has been undertaken to determine where we are now and where we want to be. Amongst the main points raised were:

- The improvements in IT which allow 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.
- The need to change service delivery to meet customer wants as well as their needs.



- The need to resource adequately to meet demand across the range of services.
- The need to develop the consultancy as a commercial arm of STG.

5.23. These items will form the focal point in the year ahead and underpin the objectives in the delivery plan. With continued support from the three authorities and the likely expansion of the partnership delivery on these objectives will build on the reputation of delivering a first class service to customers and stakeholders.