

CABINET

7 FEBRUARY 2017

SOUTH THAMES GATEWAY BUILDING CONTROL BUSINESS PLAN AND PARTNERSHIP THIRD TERM

Portfolio Holder: Councillor Jane Chitty, Planning, Economic Growth and Regulation and Member of Joint Committee

Report from: Richard Hicks, Director of Regeneration, Culture, Environment and Transformation

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 Business Plan for 2017/2020 and Delivery Plan and for agreement for Medway Council to continue in the partnership for a third term.

1. Budget and Policy Framework

- 1.1. The approval of the South Thames Gateway Building Control Partnership Business Plan is a matter for Cabinet, however, specific parts of the plan may need to be progressed in accordance with the Council's relevant policies and procedures. The STG Building Control Partnership came into existence on 1 October 2007 bringing together the building control services of Gravesham, Medway and Swale councils.
- 1.2. Following a requirement of The Memorandum of Agreement which underpins the Partnership, the first term was extended in a second term from 1 October 2012. The second five year term comes to an end on 30 September 2017 and therefore each authority is required to agree to a third term or to exit from the agreement by an agreed route.

2. Background

- 2.1 The South Thames Gateway Building Control Partnership (involving Medway, Gravesham and Swale) went live in 2007 and the Partnership's

business plan outlines how the building control function for the three Partnership Councils will be delivered over the next three financial years.

2.2 The Joint Committee's Constitution sets out the process for approval of the 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. In order to streamline the process the Cabinets in each partner authority have agreed to delegate authority to the relevant director, in consultation with the council's Chief Finance Officer and appointed member on the Joint Committee to deal with this element of the process.
- 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).

2.3 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.

2.4 Whilst much of the building control partnership operation is subject to competition from approved inspectors, the service retains statutory responsibilities regarding public protection eg, dangerous structures, demolitions, unauthorised works and maintain public registers etc.

2.5 The second term of the partnership ends on 30 September 2017 and approval is sought to agree to continue with the partnership for a further five years to September 2022 in accordance with the existing agreed Memorandum of Understanding.

3. Executive Summary

3.1. The Business Plan outlines how the building control function will be delivered on behalf of the three partnership Council's up until 2020 and indicates what the reduced contributions will be.

3.2. The amended plan presented to Members for final consideration indicates the objectives for the joint shared service:

- Meet customer needs
- Maximise technology to reduce cost and improve delivery
- Improve the way we work
- Value support and develop staff

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

The continuing key projects for 2017/18 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

3.3. Advanced discussions are currently taking place with Canterbury City Council for them to join the partnership in October 2017. Any such decisions will be based on a minimum nil detriment to the existing partner authorities and indeed, it is considered there could be increased efficiencies secured. A further report will be submitted to Cabinet should these discussions lead to Canterbury City Council formally requesting to join the partnership. Such a report would include a Diversity Impact Assessment.

3.4. The partnership has been able to reduced contributions throughout the second term from £391,678 in 2011/2012 to £290,300 in 2015/2016 providing a reduction of £101,378 over the period representing a 29.5% fall. The development of the consultancy through the second term has seen income in this area rise by 35% to £152,000.

3.5. Medway's contribution towards the partnership funding is expected to reduce from the current £147,380 in 2016/2017 to £129,592 by 2019/2020. This represents a 12% reduction in contributions over the planned period.

A Third Term

3.6. On 8 December 2016 a report was put before STG Joint Committee reviewing the partnership to date and looking at the possible options from 1 October 2017 onwards.

3.7. The report put to Joint Committee on 8 December 2016 is attached as Appendix A.

3.8. The Joint Committee unanimously agreed to recommend to Gravesham, Medway and Swale councils that the South Thames Gateway (STG) Building Control Partnership continues for a third term from 1 October 2017

and requested that the Director of STG Building Control Partnership, in consultation with the Officer Steering Group, submits reports to the respective authorities.

- 3.9. The Joint Committee agreed that the above recommendation be presented to the respective authorities at the same time as the report on the Business Plan 2017/2020 which incorporates the financial plan up to 2020.

4. Financial Implications

- 4.1. The Memorandum of Agreement, which underpins the Partnership, states “each Council shall notify the Partnership no later than 28 February in each year the amount the Council has allocated to the Partnership from its revenue budget”. For Medway the sum of £141,432 has been provided for in the 2017/18 draft budget.
- 4.2. Whilst updating the partnership agreements for a third term, the partnership contribution percentages for the three partner authorities (based on population and hereditaments) will be reviewed. This review is expected to show very little change if any at all.

5. Legal Implications

- 5.1. The Building Control function is a statutory duty under the Building Act 1984 and therefore must be provided by each authority – whether as a partnership arrangement or a standalone service.
- 5.2. By continuing with the partnership into a third term legal arrangements would be contained as they currently are, however, if any or all of the partners decide to exit the partnership the legal implications would be required to be dealt with under a separate report.
- 5.3. Where appropriate these are set out in the report and in the Business Plan. 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.
- 6.2. Service risks are set out in Part 3 of the Service Delivery Plan 2017-2020.
- 6.3. Both economic uncertainty affecting the construction industry and also the significant government change in direction regarding the meeting of climate change targets have impacted on the STG consultancy. Whilst formation of a Local Authority Trading Company is still an long term aim of the

partnership, now is not the appropriate time to pursue this and the aspiration is currently on hold but kept under review.

7. Recommendations

- 7.1. That the Cabinet approves the proposed Business Plan for 2017/2020 and Delivery Plan for the South Thames Gateway Building Control Partnership, as set out in the exempt appendix, and the proposed contribution of £141,432 for 2017/2018 be noted.
- 7.2. That the Cabinet agrees to a further extension of the STG Building Control Partnership from 1 October 2017 to 30 September 2022.

8. Suggested Reasons for Decisions

- 8.1. The constitution of the Joint Committee requires approval of the Business Plan for the following year by the Cabinet of each Partner Authority.

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Background papers: None

Appendix A - Joint Committee Report for Third Term dated 8 December 2016

Exempt Appendix - South Thames Gateway Building Control Partnership Draft Business Plan 2017/2020 and Service Delivery Plan

**SOUTH THAMES GATEWAY BUILDING CONTROL
JOINT COMMITTEE**

8 December 2016

**SOUTH THAMES GATEWAY BUILDING CONTROL
PARTNERSHIP – THIRD TERM**

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

Summary

The second term of the partnership ends on 30 September 2017. Whilst it is a decision for each authority to continue in to a third term, this report reflects some of the achievements of the partnership over the past 5 years and provides a recommendation for Joint Committee to endorse continuing onto a third term.

1. Budget and Policy Framework

1.1. The STG Building Control Partnership came into existence on 1 October 2007 bringing together the building control services of Gravesham, Medway and Swale councils. Following the requirements of the Memorandum of Agreement which underpins the partnership, the first term was extended into a second term from 1 October 2012. The second term will end on 30 September 2017 and therefore each authority is required to agree to a third term or exit from the agreement by an agreed route.

2. Background

2.1. 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.

2.2. 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.

- 2.3. The second term has built on the achievements and success of the partnership, focusing on the improvements in service delivery achieved through the adoption of a new IT system. This has allowed for the development of agile and mobile working together with improving service levels whilst saving on contribution costs from the three authorities by the more efficient use of staffing resources and process re-engineering.
- 2.4. 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. At the Joint Committee in October 2016 Members were unanimous in their support of a further term for the partnership which was remarked on as being a very successful project which has delivered its objectives through extremely difficult economic times and requested a report which they could consider and direct each authority to take forward.

3. Directors Comments

- 3.1. The partnership has been operating now for nine years and has demonstrated resilience, flexibility, adaptability and economic success throughout this period. The market has changed dramatically over this time, in both suffering from and recovery from the financial crisis in 2008. There has also been an increase in the number of approved inspectors and the nature of the work that they compete for in the market place. The shift by the competition into the domestic market and the changes in customer expectation through digital advancement have driven us to improve our systems and processes through digital transformation. Over this time there has also been legislative change in Government policy which has affected both the public and private sectors.
- 3.2. Having proven its resilience and flexibility during the first term and operating successfully through the economic downturn and slow recovery the partnership realised further potential through its adoption of a cloud based IT system allowing improved performance, reduced operating costs and opportunities for further development.
- 3.3. It has introduced a third income stream to augment the building regulation and public protection service it provides by introducing and developing a consultancy to deliver complimentary services to the construction industry. It now continues to investigate how this can be further improved by looking at alternative delivery models such as the formation of a Local Authority Trading Company (LATC).

Financial

- 3.4. During the first term, with the economic downturn and financial crisis of 2008, the partnership saw its external income from applications fall by

11% but it was able to reduce its direct costs by 19% over the same period.

- 3.5. Since then it has been able to deliver a balanced budget and has made small surpluses which have been re-invested into the new IT system and have paid for the relocation to new accommodation, therefore placing no additional costs on the three partners.
- 3.6. The partnership has been able to reduce contributions throughout the second term from £391,678 in 2011/12 to £290,300 in 2015/16 providing a reduction of £101,378 over the period representing a 25.9% fall. The development of the consultancy throughout the second term has seen income in this area rise by 35% to £152,000.
- 3.7. The consultancy's reputation for delivery of an excellent service with projects on time has been achieved within the second term by a full internal reorganisation and has now been awarded an extension of the stock condition survey SLA for a further three years.

IT

- 3.8. The investment in IT has been critical in our journey to improve services and reduce costs. The move to an internet based back-office system has allowed for the development of a true mobile option for site inspections and also allows for agile working from any base that has an internet connection.
- 3.9. All applications are now digitised by our own scanning station with very few paper based plans now being used in the field. Infrastructure is being put in place so that plans can be checked online, with both of these enhancements allowing for an easier transition of any expansion in the partnership.

Expansion

- 3.10. During the second term discussions have been held with Tonbridge & Malling, Maidstone and Canterbury City Council regarding the potential of those authorities joining the partnership. Since those discussions Tonbridge & Malling have entered into a shared services arrangement with Sevenoaks with the building control manager at Sevenoaks managing both services. Maidstone have re-structured and are maintaining a standalone position at present. However, two years ago Canterbury progressed to a position where we had agreement regarding finance, IT and operations, unfortunately the proposal faltered due to issues around HR, TUPE transfer costs and accommodation.
- 3.11. Many of those issues have now been resolved and following further negotiation Canterbury may be in a position to join as a partner during the early stages of a third term.

Staff development

- 3.12. Staff development is an extremely important benefit that the partnership can take advantage of because of the robustness of staffing resources. Individual training and development needs are identified at annual personal development reviews (PDR) and progress tracked through one-to-one's and PDR reviews. The construction industry is fast changing with new products and technologies being developed as are the regulations that prescribe the standards they have to adhere to. The partnership is able to support staff to maintain continued professional development via in-house seminars which are also shared with partner architects and others. Surveyors are also encouraged to attend external courses, CPD events and webinars. The technical administration team attend customer focused training sessions provided by Medway Council and others and all staff that benefit from training share this with colleagues at regular meetings.
- 3.13. There are regular technical, administration, IT and management meetings which are all used to drive forward a highly customer focused service. We also provide a duty officer arrangement throughout the day so that technical queries can be examined and answered whether they arrive by telephone, email or personal call.

Markets

- 3.14. Since 2008 approved inspectors have been expanding their operations outside of the commercial and industrial sectors and operating with increased numbers in the residential and domestic market. The partnership has proved successful in maintaining a high proportion of market share throughout the second term which has ranged between 77% and 83% of the market. This has proved to be considerably higher than the average 70% registered in the SouthEast following a recent building control survey. The number of partner companies has increased from 30 to 47 over this period and now provides for greater flexibility in the delivery of the service through cross-boundary working which is now available in certain areas.
- 3.15. The flexibility of the partnership has again been demonstrated where over the past five years Government policy has had an impact on the energy market and demand for energy assessments. This had an impact on demand in our consultancy so we have enhanced our activity in the social housing sector and taken on other roles within private sector housing. Using the skill sets that are available to the partnership we are also examining other services that we could provide such as; planning condition audits, warranty surveys and providing surveying services in other areas such as exempt buildings, crown lands and ministry of defence sites.

Future development

- 3.16. The above demonstrates some of the achievements the partnership has made over the first two terms but as an acknowledged innovative partnership in delivering customer focused services we are now looking at future developments built on the successes so far. Within a third term we will be looking at further development of our back-office system and remote working so that surveyors inspection reports are available in 'real time' and accessible to the customer through our interactive website.
- 3.17. Enhancing our offer through the consultancy to include a greater number of complimentary services both to win additional market share and increase income generation to make the viability of moving to a Local Authority Trading Company possible.
- 3.18. We would look to further expansion of the partner authorities so as to share the benefits that are being developed and providing a consistent product over a wider area.
- 3.19. Our focus for the next five years will be around putting the customer at the heart of everything we do, driving up performance through the use of technology and delivering a value for money service to all partner authorities.

4. Options

- 4.1. Each authority has the option of agreeing a further term for the Partnership for a period of 5 years (or alternative time period as agreed) or to withdraw from the Partnership and return the service in-house following the exit arrangements detailed in the Memorandum of Agreement.
- 4.2. The Building Control function is a statutory duty under the Building Act 1984 and therefore whether through the Partnership or through individual in-house "services" each of the partner authorities would have to provide this function.
- 4.3. Option 1: To remain within the Partnership for a third term, build on the success outlined in this report and benefit from the economies of scale, direct cost savings, additional services and planned expenditure contained in the financial section of the Business Plan to 2017/20.
- 4.4. Option 2: One or more of the partners to withdraw from the Partnership and bring the service back in-house. There would be a number of significant cost and organisational considerations to take into account if this option were taken.
- 4.5. If one authority left the Partnership, dependent on which one, support services would have to be realigned and if it were the host authority accommodation as well. For those remaining in the Partnership current

accommodation would be excessive and an alternative would have to be found. Should Medway withdraw, Gravesham and Swale would be unconnected with problems of cross-boundary servicing. Whilst an in-house service may provide local control with some easier links with other on-site services, these have not been an issue over the last nine years. There would, however, be significant setup and running costs together with a number of other issues which may need to be taken into account as shown in Appendix 1.

5. Financial Implications

- 5.1. By continuing with the partnership into a third term the three authority's would benefit from the reduced contributions allocated through the draft Business Plan and incorporated in the financial plan up to 2020. This has demonstrated significant savings for each authority as described and shown in paragraph 3.6. Should the service return in-house there are a number of significant undetermined costs attributable to the issues identified in Appendix 1.

6. Legal Implications

- 6.1. The building control service is at its core a statutory function that the Council has to provide. By continuing with the partnership into a third term legal arrangements would be contained as they currently are, however, if any or all of the partners decide to exit the partnership the legal implications would be required to be dealt with under a separate report.

7. Risk Management

- 7.1. There are a number of considerations should one or more of the partners decide to leave the Partnership and these are examined in the Options section of the report together with a number of other issues contained in Appendix 1.

8. Recommendation

- 8.1. Members are asked to recommend to Gravesham, Medway and Swale Councils that the South Thames Gateway Building Control Partnership continues for a third term from 1 October 2017 and requests that the Director of the Partnership in consultation with the Officer Steering Group submit reports to the respective authorities.
- 8.2. This recommendation will be presented to the respective authorities at the same time as the report on the Business Plan 2017/20 which incorporates the financial plan up to 2020.

9. Suggested Reason for Decision

9.1. Through Joint Committee's monitoring role they should advise their respective Cabinets on the progression of the Partnership into a third term.

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Background papers

South Thames Gateway Building Control Business Plan 2016/2019

Appendix 1

Some of the issues to be considered returning the service in-house

- Staffs current contracted hours would need to be renegotiated to cover an individual authorities working arrangements.
- Staff would need to be reabsorbed into the authority and space found to accommodate a new section.
- Staff TUPE'd into the Partnership may have legal rights to consider.
- Over the first two terms of the Partnership a number of staff members have left from each of the constituent authorities. Each authority would require to restructure its section, restaffing any vacancies, to deliver an adequate service as there would be no opportunity to resource against demand as there is in the current arrangement.
- IT hardware and other assets would have to be reallocated as per the asset register and new equipment purchased to fill any voids.
- A number of consumables which have been purchased collectively would need to be redistributed to each authority, however, at present there is no agreed method of distribution.
- New software licences and/or systems would have to be purchased and tested for integration with each authority's own software provision.
- Data extraction would be required to return data to individual authority's databases and a consequent cost implication.
- Filing space would have to be found for live files.
- Direct and indirect costs would increase as SLA's would be replaced with recharges and there would be a consequent loss of economies of scale.
- Current arrangements for dangerous structure 24 hour, 365 day cover would cease and be replaced with previous arrangements which did not provide the same cover at each authority.
- There would be less of an opportunity to provide additional services to generate additional income and compete with the private sector.
- Current licences allowing consultancy services are registered to individuals therefore once they return to their authority it would not be possible to deliver the same services from each authority and until training and development take place consultancy provision would have to cease.
- Current legal agreements with customers for energy assessments may continue over a number of years until completion of the development and cost of those contracts would have to be honoured by the individual authority.
- There would be a consequent loss of opportunity to develop staff or adhere to a marketing strategy to maintain and win market share.
- There would also be further legal and contract issues regarding current leased equipment.