

SOUTH THAMES GATEWAY BUILDING CONTROL JOINT COMMITTEE

8 DECEMBER 2011

SOUTH THAMES GATEWAY BUILDING CONTROL PARTNERSHIP – SECOND TERM

Report from: Tony Van Veghel, Director, South Thames Gateway
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Summary

The first term of the partnership ends on 30 September 2012. Whilst it is a decision for each authority to continue in to a second 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 second 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. The Memorandum of Agreement which underpins the partnership and which was signed by all three partners, calls for the first term of the partnership to last for 5 years after which time each authority would either agree to a second 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 that 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.

3. Executive Summary

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. At the Joint Committee in October 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.

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.

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 Forecast 2011/12	STG Business Plan 2012/13	STG Business Plan 2013/14
	£000s	£000s	£000s	£000s	£000s
Staff costs	1,243	1,325	1,077	1,093	1108
Other direct costs	281	285	261	256	256
Total	1,524	1,610	1,338	1349	1364
External Income	(1,246)		(1004)	(1102)	(1117)

It can be seen that direct costs have reduced, in real terms, by some 17% in the first five years of the agreement, whilst external income has fallen by 19% 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

3.3 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.

- 3.4 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

- 3.5 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 CPD.
- 3.6 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.
- 3.7 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

- 3.8 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. Its detached position allows for

negotiation of service level agreements with service providers so as to reduce costs and has achieved this with IT, Finance, Legal and HR.

- 3.9 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.
- 3.10 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 results of which are now displayed on the Partnership's website. From 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.
- 3.11 The partnership aims for continued improvement in the service and will be looking to enhance its IT offer to customers so that they can track their applications through the building control process and carry out search enquiries online. Both Members and officers have considered whether the consultancy should be developed as a Local Authority Company. Whilst at its inception it would not have been the appropriate time, as the consultancy increases its service and its income generation this aspect will be reviewed. There is also potential for the partnership as a whole to be converted into a Local Authority Company and this would also be examined in a second term.

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 second 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 2011/14.

- 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 5 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 second 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 2015. This has demonstrated significant savings for each authority as described and shown in paragraph 3.2. Should the service return in-house there are a number of significant underdetermined 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. Prior to the formation of the STG partnership the issues set out in paragraph 2 of this report were causing serious resilience issues which have largely been addressed by the establishment of the STG. There is a good chance that not renewing the partnership would lead to a repeat of the difficult position the service found itself in back in 2007.

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. Recommendations

- 8.1 Members are asked to recommend to Gravesham, Medway and Swale Councils that the South Thames Gateway Partnership continues for a second term from 1 October 2012 and requests that the Director of the

Partnership in consultation with the Officer Steering Group submit reports to the respective authorities.

- 8.2 That the recommendation at 8.1 be presented to the respective authorities at the same time as the report on the Business Plan 2011/14 which incorporates the financial plan up to 2015.

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 second term.

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Background papers

"South Thames Gateway Building Control Business Plan 2009/2010" Report to STG Building Control Joint Committee – 23 February 2009. Papers available via the following link:

<http://www.medway.gov.uk/index/council/committees/commdoc.htm>

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 term 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.
- A number of staff have contracted through the Partnership to be supplied with lease vehicles and these contracts would need to be accepted by the individual authority.
- 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 Code for Sustainable Homes contracts 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.