

# Informal Joint Performance and Audit Scrutiny Committee



Forest Heath  
District Council

<b>Title of Report:</b>	<b>Building Control – Improvement Plan</b>	
<b>Report No:</b>	<b>PAS/FH/17/035</b>	
<b>Report to and date:</b>	<b>Performance and Audit Scrutiny Committee</b>	29 November 2017
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<b>Purpose of report:</b>	To provide a review of current Building Control performance and the Development Plan for the service.	
<b>Recommendation:</b>	<b>It is <u>RECOMMENDED</u> that the Committee:</b>  <b>Note</b> the report and provide any comments in relation to the service development plan.	
<b>Key Decision:</b>  <i>(Check the appropriate box and delete all those that <b>do not</b> apply.)</i>	<p><i>Is this a Key Decision and, if so, under which definition?</i></p> <p>Yes, it is a Key Decision - <input type="checkbox"/></p> <p>No, it is not a Key Decision - <input checked="" type="checkbox"/></p> <p>However, the financial (income) implications within this report will be reviewed as part of budget setting in 2018/19</p>	

<b>Consultation:</b>	• N/A		
<b>Alternative option(s):</b>	• N/A		
<b>Implications:</b>			
Are there any <b>financial</b> implications? If yes, please give details		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> • As set out in the report	
Are there any <b>staffing</b> implications? If yes, please give details		Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> • A staff development and resource plan must be implemented to meet future demand/sustainability for the service	
Are there any <b>ICT</b> implications? If yes, please give details		Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> • Enabling systems to support flexible and efficient working are being supported by ICT	
Are there any <b>legal and/or policy</b> implications? If yes, please give details		Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> • Note our statutory role	
Are there any <b>equality</b> implications? If yes, please give details		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> •	
<b>Risk/opportunity assessment:</b>		<i>(potential hazards or opportunities affecting corporate, service or project objectives)</i>	
<b>Risk area</b>	<b>Inherent level of risk</b> (before controls)	<b>Controls</b>	<b>Residual risk</b> (after controls)
<b>Reduction in income</b> – failure to maintain or increase market share will reduce income opportunities leaving the service still being required to provide non-fee earning services and an increased allocation of overhead costs.	High	Market analysis and marketing to maintain/grow market share. Commercial approach taken in seeking and maintaining fee earning work	Medium
<b>Sustainability</b> –Local Authority Building Control faces increasing pressure from private sector Approved Inspectors both in terms of competition for market share and staff resources and as a result the provision of future delivery.	High	Growth plan that links resources increase to meet market share (fee earning) and statutory duties. Development Plan to support recruitment and retention of staff.	Medium

<p><b>Reputation</b> – If the private sector becomes a dominant provider of services in the region, the authority will have less control overall on service and quality of building work in the locality but will still retain responsibility for enforcement and non-fee earning elements of the service</p>	<p>High</p>	<p>We need to build on our unique values as a local authority delivered service. We need to effectively market ourselves as a trusted brand, act commercially and in partnership with other local authority delivered services.</p>	<p>Medium</p>
<p><b>Ward(s) affected:</b></p>		<p>All</p>	
<p><b>Background papers:</b></p>		<p>None</p>	
<p><b>Documents attached:</b></p>		<p><b>EXEMPT Appendix 1</b> – Development Plan – Commercially Sensitive</p>	

## **1. Key issues and reasons for recommendation(s)**

### **1.1 Role of the Building Control Service**

1.1.1 The purpose of the local authority building control service is to provide essential protection for the public in and around buildings. The majority of this work involves ensuring that new building works meet the minimum standards laid down in the national Building Regulations, however the local authority is also solely responsible for:

- Enforcing the regulations
- Dangerous structures
- Disabled adaptations/extensions
- Demolition notifications
- Support Safety Advisory Group
- Support Safety at Sports Grounds Group
- Maintaining a register of all works carried out

1.1.2 Building Control is a statutory service to be provided by all local authorities to enforce the Building Regulations within their area. Only the local authority has the obligation to take enforcement action over non-compliance with Building Regulations, and this cannot be delegated to a private sector provider. As a statutory service, it remains a core function of an authority's responsibilities.

1.1.3 The Grenfell Tower disaster has brought attention to the Building Control service and how it is resourced. A preliminary response is due in December from Dame Hackett and her independent Review of Building Regulations and Fire Safety. We will review the findings in due course.

### **1.2 Challenges and opportunities**

#### **1.2.1 Competition**

What sets Building Control apart from most other local authority services is that it operates in competition with private sector providers. The cost to an authority of running its Building Control service (including statutory services that are not provided by private sector providers) is diluted by maintaining a high market share for commercial activity. Conversely if market share is lost to private sector providers the authority bears a greater proportion of the overhead costs. Perversely, losing a project to a competitor, not only results in the loss of income to the authority but it then incurs the additional cost of registering and administration of the Initial Notice (IN) submitted by the competitor for which no fee is received.

The commercial imperative to win work and keep clients "happy" can put pressure on all Building Control teams to compromise (albeit on a risk basis). In a price sensitive marketplace it is too easy to sacrifice resource intensive inspections to hit a contract price point.

The Local Authority Building Control service needs to be customer focused but it also prides itself as being independent and impartial and should be free from the financial pressure to compromise the integrity of the service.

The unique selling point of local authority building control is that it's a trusted brand and a focus on quality of building work.

#### 1.2.2 **Staffing**

An ageing workforce and a historic lack of investment in staff development in the industry has created a market shortage for building control surveyors. Ongoing staff shortages has created pressure in local authorities which incentivises remaining staff to look at either joining existing private sector practices or the opportunity to set up their own practice. We are investing in ensuring that we have highly skilled officers and we will build on this with our developing approach to commerciality.

#### 1.2.3 **Commerciality and Marketing**

Local government Building Control services competing in a competitive private sector market do not always have the commercial skills or marketing resources to effectively compete in this arena, which may affect future sustainability. If resources are stretched, there is often little opportunity to invest time and effort into marketing which will result in more pressure on a stretched resource. The service needs to be able to respond to increase in market share as part of a sustainable growth plan for the team. Equally if resources are not committed to ongoing marketing practices then a reduction in market share and income will be likely.

#### 1.2.4 **Growth and Economic cycles**

In times of economic growth, the demand for Building Control services will rise. With the right model there are opportunities not only to maintain/grow market share, but to also ensure that it is best placed to take advantage in the increased demand. The service also needs to have such critical mass that it can still respond to reactive public protection work.

#### 1.2.5 **Collaboration and partnership working**

We share common challenges and objectives with other council provided services across Suffolk. The shared aims creates interdependencies amongst us and opportunities to work together to build resilience, effectiveness and efficiency by collaborating on critical areas of work such as marketing, branding, cross border mutual aid and staff development.

### 1.3 **Current Performance**

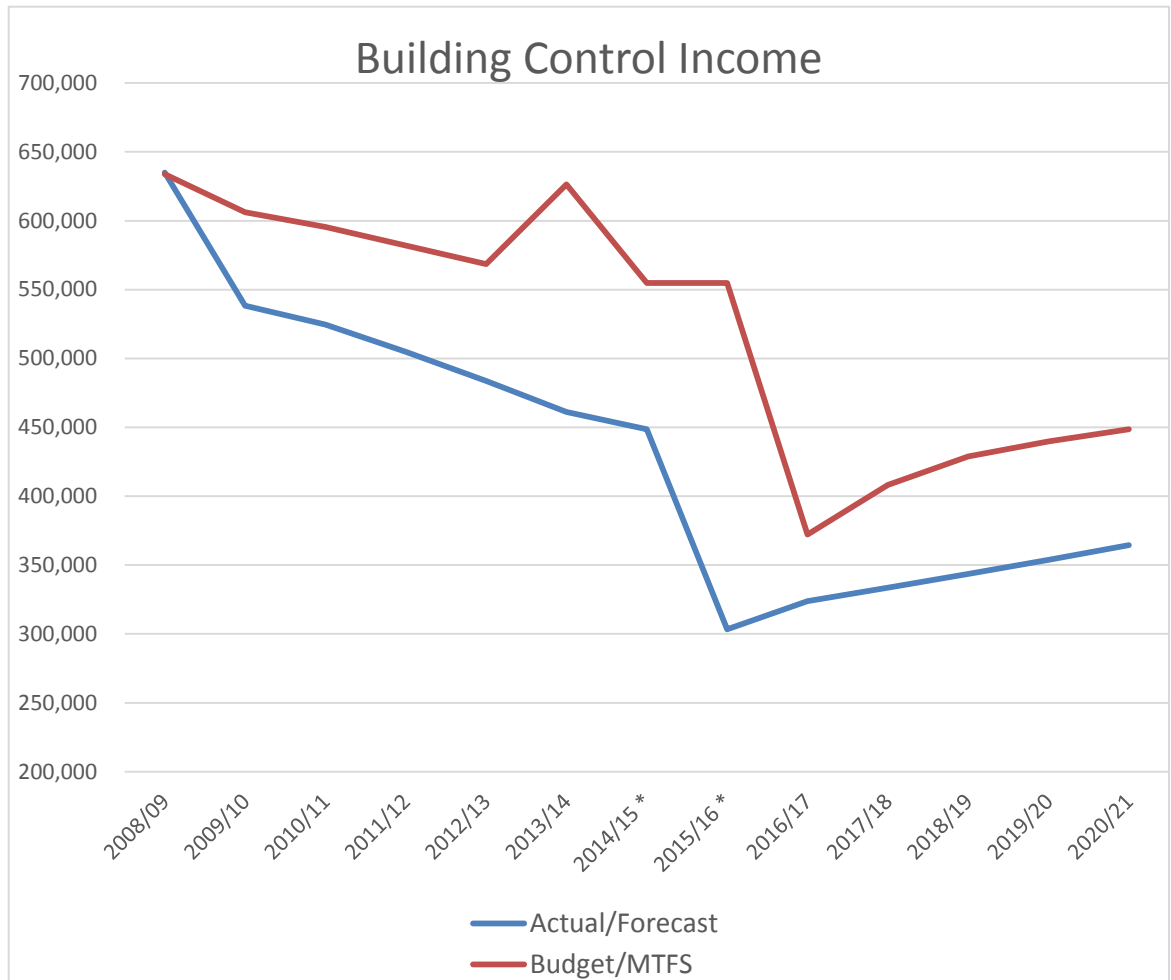
#### 1.3.1 **Current financial performance**

Our competition has changed from being just national approved inspectors (AIs) to now being from a growing number of local AIs targeting our core business. This has had a major impact on income, staffing retention and resilience. Private AIs carry out more aggressive local marketing and concentrate on targeting large clients with repeat business. They are also targeting LA staff in their expanding recruitment drive.

Market share as a whole over both Councils was around 93% prior to 2012 and increased competition. This dropped over the last three years to as low as 40% at one point before recovering to around 54% in 2016/17 and a further increase so far in 2017/18 to approximately 58%. Fee income is linked to market share and target versus actual/predicted is shown in the

table below.

Income from fee earning work is not meeting the planned profile in the current financial year, and is not expected to achieve the levels as set out in the councils' Medium Term Financial Strategies (MTFS). Income targets for the future years are being reviewed as part of the budget setting process for 2018/19, taking into account the level of market share that the service is able to achieve and maintain, and its capacity to deliver these targets.



\* Included in the MTFS within Forest Heath is a £22,000 budget for the provision of Energy Assessment calculations (SAPs) for new dwellings. Historically this work was carried out in-house by professionally qualified employees who have since left leaving us unable to carry out the function without using external contractors.

Fee income for chargeable work is regulated by the Building Control (Local Authority Charges) Regulations 2010 which stipulate that the local authority cannot make a profit on the provision of the fee earning Building Control service. However, by maintaining a healthy market share the fee earning account does cover a significant proportion of the overhead costs of the department. If market share decreases the increased overhead costs fall on the local authority.

### 1.3.2 **Operational performance**

In the last 12 months West Suffolk building control has:

- Carried out over 4400 site inspections to check construction standards are maintained in our District/Borough
- Plan checked 94% of full plans applications within 15 working days
- Checked 100% of applications within statutory period
- Processed 846 applications
- Registered 698 Initial Notice applications for approved inspectors
- Registered 10,422 competent person notifications

### 1.3.3 **Other public protection activities**

Dealt with over 60 dangerous structures in the last two years including:

- Five car impacts
- Seven property fires
- One petrol station fire
- Gale force wind damage
- Damage caused by organised crime
- Provided free building control service to over 30 disabled adaptations/extensions to properties so far this year
- Regularised 90 applications where works illegally carried out

This public protection activity accounts for approximately 25% of our current workload and is a service that is required to be provided 24/7, 365 days per year.

## 1.4 **Development Plan**

1.4.1 Our objective is to provide a modern, resilient, commercial building control service meeting the growth needs of West Suffolk and assuring public protection.

Success outcomes for our development plan include:

- Trusted 'go-to' brand with a strong visible presence
- Resilient and financially sustainable (income supporting team growth in line with demand)
- Commercially aware with a strong and growing customer base and quick to grasp opportunities
- Strong professional relationships with trades - flexible and responsive
- Collaborative, sharing resource, skills and experience
- Employers of choice – with a highly skilled and motivated workforce

1.4.2 In order to achieve these success outcomes, a development plan to support our future delivery has been developed and will be subject to collaboration with partner LA's across Suffolk where this supports mutual development.

The development plan priorities for West Suffolk Building Control Service include:

1. Marketing

2. Systems development
3. Workforce development
4. Shared budgeting model/practices with other LA's
5. Performance framework

The table attached as **EXEMPT Appendix 1** summarises this development plan.