

Report to: **Overview and Scrutiny Committee**

Date: **15 January 2019**

Title: **Devon Building Control Partnership Update**

Portfolio Area: **Strategy & Commissioning**

Wards Affected: **All**

Urgent Decision: **N** Approval and clearance obtained: **Y**

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RECOMMENDATION

That the Committee SUPPORT and MAKE any recommendations (as appropriate) to Full Council.

1. Executive Summary

1.1 The report gives an overview of the performance of Devon Building Control Partnership.

2. Background

2.1 Since 2006 building control services in West Devon have been delivered by Devon Building Control Partnership. The Partnership has been fully hosted by Teignbridge District Council since April 2017. Building Control staff who were previously employed by South Hams and West Devon councils transferred to Teignbridge Council on 1 April 2017.

2.2 Performance of the Partnership is monitored by a joint Committee made up of two elected Member representatives from each partner council.

3. Outcomes/Outputs

3.1 History

3.1.1 Devon Building Control Partnership began in 2004 between West Devon and Teignbridge Councils and was joined by South Hams in 2006. The main objective being to improve efficiency from an operational perspective, together with competitiveness in an increasingly commercial area of business. These objectives were achieved but over the subsequent years financial pressures and further significant competition from the private sector caused changes that became a lot easier to achieve with the partnership in place.

3.1.2 Operational activities remain largely unchanged because building control is a regulatory service operating sections of the Building Act 1984. The Partnership arrangement has enabled these to be delivered in a much more cost effective and efficient way.

3.2 Some of the more significant achievements include:

- Hosting (management and some support services) by Teignbridge Council since 2011 and full hosting (all support services, finances, accommodation and employment of staff) from 2017.
- The full hosting arrangements meant that all finances were held in one place. This made them easier to manage, deal with earmarked reserves, further reduce support costs, improve ability to respond to changes and improve resilience of the service. It also enabled potential issues with an outdated staff secondment arrangement to be addressed.
- Centralised office accommodation in Newton Abbot, generating efficient working and overall reduction in accommodation.
- A single IT back office system, reducing support costs, enabling investment in remote working and management tools. Significantly reducing costly software upgrades if three separate services had remained.
- Enabling surveyors to become remote/home based which increases efficiency and customer contact time.
- Taking on three apprentices. Two have developed into fully qualified surveyors in recent years. The current Apprentice has progressed very well and is currently mid-way through his second year, following when it is intended to progress to another qualified surveyor.
- Reducing overall staff numbers from 36 to 26 (Including some part time) over a ten year period without compromising service delivery but delivering substantial savings to partner councils. This has been achieved by centralising at Newton Abbot, re-organising and introducing efficient ways of working, restructuring senior management and reducing support staff numbers as a consequence of centralising accommodation.

3.2.1 Whilst the charges for building regulation applications fully cover the costs of that part of the service, there are costs for the provision of all other statutory services for which a charge cannot be made. For WDDB this figure is currently budgeted at £57,080 for 2018/19 compared to £62,776 in 2016/17 despite rising inflation and salary costs.

3.2.2 Working efficiently has enabled the proportion relating to non-chargeable work (cost to partner councils) to be reduced.

3.2.3 To demonstrate efficiency, the ratio of income generated from charges received to the total number of FTE surveyors is measured. In 2012 this figure was £48,000. It has increased annually to £61,000 in the early part of 2018. Current income levels are higher than in previous years so this figure will increase further for the 2018/19 financial year.

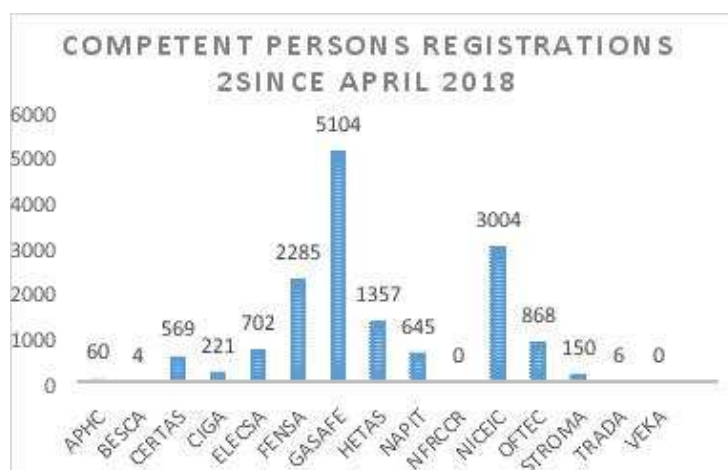
3.2.4 Much more efficient and responsive coverage by surveyors over the combined geographical areas of the three partner Councils. This was achieved by pooling staff and by deploying resources to meet demand. This competes very effectively against private sector surveyors who have to cover very large areas.



3.2.5 The above applications are those received up to Mid-December 2018. They all generate income for the Partnership. Further information about volumes are shown in Exempt Appendix A.



3.2.6 The cases above relate to different types of work that is carried out by surveyors for which a charge cannot be made (non-chargeable).



3.2.7 The cases above relate to the whole partnership. Competent persons are registered to 'self-certify' their work under the building regulations so that the Local Authority is not required to inspect the work. Every time work is carried out on a property under this scheme the Local Authority is notified and required to record the information. There is no charge for this (also non-chargeable).

3.2.8 More information about the level of work completed by the partnership, its successes and challenges can be found in Exempt Appendix A.

3.3. Chargeable/non-chargeable work

3.3.1 Chargeable work is all work under the building regulations, such as Full Plans, Building Notices and Regularisations, for which a charge is made.

3.3.2 Non-chargeable work relates to everything else that is carried out for which a charge cannot be made. This includes the various cases in the tables above, but also numerous other services or responses, mostly statutory. These include processing Initial Notices (formal notifications from the private sector), Search enquiries, general enquiries, neighbour complaints etc.

3.4. Partnership agreement and monitoring

3.4.1 The Partnership operates under a formal Partnership agreement, signed by each council. It includes governance, host council responsibilities, management, staff, financial arrangements, business planning, withdrawal and termination arrangements.

3.4.2 Standing orders for the partnership enable each council to appoint two elected members to the Partnership Committee, who meet a minimum of three times per year. For the current year, Cllrs Terry Pearce and Patrick Kimber represent WDBC.

3.4.3 The building control functions of the partnership are listed in the Agreement, together with the performance information required for quarterly and annual monitoring by the Committee. Also included is a schedule of both chargeable and non-chargeable activities.

The non-chargeable activities being those services carried out for/on behalf of each council for which a fee cannot be charged. These services are funded by each council.

3.4.4 Under the Partnership agreement the responsibilities of the Partnership Committee are:

- To agree the appointment of the Head of Partnership
- To agree budgets, monitor performance, approve the statement of accounts and agree any distribution of surpluses/deficits.
- To approve and monitor the development of a 3 year business plan for the Partnership.
- To monitor the Partnership's (Action) Improvement Plan.
- To monitor service delivery, value for money and performance of the Partnership.
- To monitor the service delivery and cost effectiveness of the Host Council.

3.4.5 Officers representing the partners are currently Phil Shears, Managing Director, Teignbridge District Council and Darren Arulvasagam, Business Development Group Manager, Strategy & Commissioning, South Hams and West Devon Councils.

3.5. Staff and work allocation

3.5.1 There are currently 18 surveyors, including Head of Partnership, Operations manager and Group leaders. Six surveyors work part-time or reduced hours with a total FTE equivalent of 16, including an Apprentice Surveyor. There are 8 Technical support staff with the equivalent of 5.7 FTE, made up of 4.2 FTE permanent staff plus an apprentice and temp.

3.5.2 All the work received by the partnership is allocated according to demand. No council boundaries exist and all parishes are included, effectively being treated as if one large council. The Technical Support team are all based in the office at Newton Abbot and deal with all work relating to the Partnership.

There are two teams of surveyors, each with a Group Leader. The teams are based on whether they usually work from the Newton Abbot office, or direct from home. Most of West Devon, the Northern part of Teignbridge and about two thirds of South Hams are covered by home-based surveyors, who generally live relatively close to their areas with efficiency and savings gained through shorter travelling distances. This arrangement has saved significant accommodation related costs compared to when the Partnership originally formed. The present Group Leader for the home-based surveyors is Dave Bealing.

3.6. Challenges

- 3.6.1 The chargeable work provided by building control is legally required to be self-funding over a three year period. At the same time the service is open to competition from the private sector on a job-by-job basis. The Partnership therefore operates under a zero based budget, where surpluses are held for reinvestment or to counter any losses. Shortfalls cannot be cross-subsidised.
- 3.6.2 Approximately 25% of the total budget is for non-chargeable services. These are statutory services such as dangerous structures and maintaining registers of notifications, or inevitable demands such as complaints about neighbours and general enquiries.
- 3.6.3 Setting budgets must take account of trends, financial climate and market share. Charges must be set realistically as they cannot make profits, but additionally they need to remain competitive to win business without engaging in a price-war with competitors, with inevitable consequences of reduced service levels.
- 3.6.4 Reducing the amount of non-chargeable contributions by partner councils is an understandable pressure. This is especially difficult because the partnership cannot afford to reduce service standards in its competitive chargeable work.
- 3.6.5 There are a number of challenges related to building control and Development management. Often the public do not understand the difference between the two services. Unfortunate consequences of long planning processes and decisions that are no fault of the council often cause people to choose the private sector when it comes to building control. With greater remote working and less presence in offices it is harder to maintain regular communication with planning teams, even in Teignbridge where many staff are in the same building.
- 3.6.6 Access to planning information has previously helped with marketing the building control service but the recently introduced General Data Protection Regulations makes this much harder.
- 3.6.7 Specific to the Partnership's geographical area there are many locations with poor mobile phone signals, travelling through lanes and at holiday times making journeys time consuming and costly, finding car parking spaces in places such as Okehampton and Tavistock. Travelling times in some rural locations where jobs are often remote from each other, as well as from surveyors' homes/work locations, can be significant greater.
- 3.6.8 Communication with staff at SH/WD isn't always easy now that building control don't have a presence in those offices. It isn't easy maintaining awareness of the Partnership without a visible presence in offices. Taking part in Developer Forums, such as the one held recently in Ivybridge, has been recognised as a positive way in which value can be added to discussions with developers and enhancing visibility in each council.

3.6.9 Reducing demands on the service in relation to non-chargeable works is targeted.

Encouraging customers to 'self-help' through the website and automated systems go some way to achieve this, but in many cases customers still want to talk to people. Incoming telephone calls received by the Technical Support team and by surveyors remain at high levels.

3.6.10 Mobile telephone signals across all 3 areas are unreliable. Communication is therefore difficult at times.

3.6.11 Access to office systems can be difficult when working in remote locations on specific sites. An upgrade to software has recently been installed which enables offline working but with automatic updating as soon as access to the internet is received, either through 4G or wireless network. iPads have recently been purchased from Partnership reserves enabling efficient access to and use of the software which is proving to be very successful.

3.7. Funding

3.7.1 The building regulations require charges to be set to fully recover the costs of providing the service. Following the CIPFA guide to building control accounting the Partnership operates a zero based budget to balance over a three year period. Surpluses are kept in an earmarked reserve belonging to the Partnership, used to reinvest or to balance deficits if they occur.

3.7.2 Charges are calculated using an hourly rate that accounts for all associated costs. Because all chargeable work is competitive many projects result in negotiated bespoke charges.

3.7.3 The volume of workload falling into the non-chargeable category tends to fluctuate in line with chargeable work and is currently close to 25% of the total budget. The amounts each partner contributes varies in line with the percentage of workload in each area. Whilst there is the objective to reduce non-chargeable contributions it remains inevitable that much of it will remain because the work is either statutory, e.g. dangerous structures, or provided to meet customer demands such as general enquiries. Maintaining market share of chargeable work is not only vital to ongoing service provision but to avoid increasing non-chargeable work that would result.

3.7.4 The Partnership account for 2017/18 is shown below. Recharges relate to the total cost to the partner councils for non-chargeable work. The Partnership maintains a positive balance in the reserve, some of which is used to reinvest in the service with the remainder as a contingency.

Devon Building Control Partnership	2016-17 Actual	2017-18 Actual
<i>EXPENDITURE</i>	1,290,673	1,219,188
Employees incl costs	917,952	946,730
Supplies and services	104,149	134,812
Support Services	97,014	74,250
Central costs	43,520	48,065
Contribution to reserve	128,038	15,332
<i>INCOME</i>	(1,290,673)	(1,219,188)
Fees & Charges	(943,897)	(914,512)
Recharges	(346,776)	(254,282)
Other income		(2,364)
Funding from reserve		(48,030)

3.8. Partnership Reserves

3.8.1 It is a requirement that local authority building control fully recovers the cost of providing its chargeable service. It is also not allowed to make a profit. The Partnership therefore operates a ring fenced account in accordance with the CIPFA Code of Practice on Local Authority Accounting. In order to achieve this the annual budget is zero-based.

3.8.2 Surpluses are placed in a reserve account which is used for reinvestment in the service, currently including purchasing of IT equipment, software upgrades, training, temporary staff and an apprentice surveyor. It is available should a shortfall of income occur in a particular year without being a budget pressure to the partner councils.

3.8.3 The Partnership retains a minimum of £100,000 in the reserve. This is to be used as a redundancy indemnity, under the Partnership Agreement.

3.8.4 Reserves that are unspent over a three year period can be used to reduce recharges (costs to partner councils) in subsequent years.

3.8.5 The current position is shown below:

DBCP RESERVE	2017-18	2018-19 Est
<i>Reserve opening balance</i>	<i>302,639</i>	<i>212,996</i>
<i>Reserve closing balance</i>	<i>212,996</i>	<i>170,589</i>
<i>min £100,000</i>	<i>(100,000)</i>	<i>(100,000)</i>
<i>Estimated 18/19 expenditure</i>	<i>(16,751)</i>	<i>(12,391)</i>
<i>Apprentice post to Sept '19</i>	<i>(32,135)</i>	<i>(11,328)</i>
<i>Temp p/t admin post to July '18</i>	<i>(4,849)</i>	<i>0</i>
<i>Available balance</i>	<i>59,261</i>	<i>46,870</i>

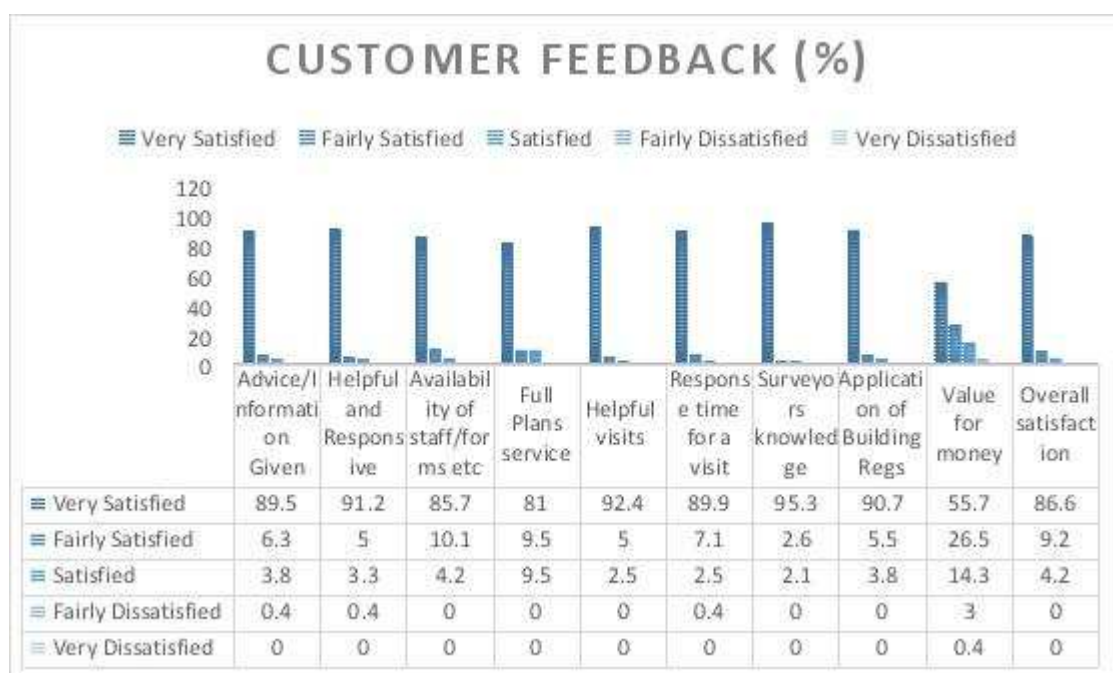
3.8.6 The opening balance for the current financial year is £212,996. There is anticipated expenditure to cover Apprentice and temporary Admin support as well as investment in iPads. After retaining a minimum balance of £100,000 there is £46,870 remaining.

3.8.7 Income levels are currently higher than budgeted so unless there is a significant downturn the reserve is expected to increase at the end of 2018/19.

3.9. Customer satisfaction

3.9.1 Every completion certificate issued by the Partnership is accompanied by a customer survey. The return rate is very high for a survey, usually well above 60%. Below is the response received during 2017/18 together with a selection of customer comments received.

- Thanks for all your help and advice
- I could not fault the help, advice and speed with how this has been dealt with – thank you
- DBC were helpful throughout the project, giving good advice on insulation products
- Both Surveyors were very helpful and approachable. Despite My build being fairly small, they took time to check and even suggest ideas – excellent, thanks
- I am very happy and would like to add that the surveyor was excellent and extremely helpful.
- The surveyor made us feel very comfortable with the service and offered great, sound advice that helped with our build. An unbiased view was very helpful.
- I have been very satisfied with the help and guidance given to me. Also how helpful and polite the staff were. Also a mention – the Operation Manager's advice was invaluable.



4. External competition threats and Market share

- 4.1 Competition with the private sector has a long history in building control. It started with new housing and NHBC becoming the only competitor, in 1985. Other competitors were introduced in the 1990s and the scope widened to all types of building work, the commercial market became available and a number of new competitors set up. National contracts were agreed with national chains, shops and businesses such as Tesco and various banks. There are now many Approved Inspectors Nationwide covering all types of building work and the domestic market is now a very competitive sector in this area.
- 4.2. The general public are often unaware that there is a choice of using either the local authority or a private supplier (Approved Inspector) for their building control service, or that the level of service can vary significantly, not just the cost. The service has become highly customer focused and protecting its market share is therefore essential to the ongoing financial performance and survival.
- 4.3. A lot of work is done to make potential customers aware of the services provided. This includes providing pre-application advice at the planning stage on many projects. Reputation and customer satisfaction is probably the most important factor so that regular customers, including many local builders and architects, continue to use the Local Authority based service. Experiences with other council services can influence a customers' choice of building control provider.
- 4.4. One of the issues the Partnership has to face is where some competitors try to win work by undercutting on price and reportedly, not providing the service as a result, relying on photographs sent in to them. Some customers often don't

realise this and are only interested in paying the lowest price. Another issue, which has been ongoing but highlighted recently following the Grenfell Tower fire, is where some competitors will interpret regulations in favour of reducing building costs for the client with the consequence of lowering standards.

5. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/ Governance	N	Governance is through the Partnership Agreement between South Hams, Teignbridge and West Devon councils dated April 2017. The appendix to this report is exempt from publication because it contains information about the Council's financial and proposed commercial affairs as defined in Paragraph 3 of Schedule 12A to the Local Government Act 1972. The public interest test has been applied and it is considered that the public interest lies in not disclosing this report at this time because it contains financial and commercially sensitive information which could prejudice the Council if such information was disclosed at this time.
Financial	N	The cost to the council of the building control service is controlled through the Partnership Agreement
Risk	N	Risks associated with the building control service are controlled through the Partnership Agreement
Comprehensive Impact Assessment Implications		
Equality and Diversity	N	
Safeguarding	N	
Community Safety, Crime and Disorder	N	
Health Safety and Wellbeing	N	
Other Implications	N	

Supporting Information

Appendices

Exempt Appendix A: Additional Information about Devon Building Control

Background Papers

Minute Ref HC 32 - Devon Building Control Partnership (DBCP) Hosting Arrangements, presented to Hub Committee, 1 November 2016:

<http://mg.swdevon.gov.uk/ieListDocuments.aspx?CId=221&MId=298&Ver=4>