

Report Template

Report to: **Executive**

Date: **15 October 2015**

Title: **Provision of discretionary inspection services by the Devon Building Control Partnership**

Portfolio Area: **Commercial services**
Cllr Gilbert

Wards Affected: **All wards affected**

Relevant Scrutiny Committee:

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

Date next steps can be taken:
(e.g. referral on of recommendation or implementation of substantive decision)

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Recommendations:

1. It is recommended that the Executive agree that the Devon Building Control Partnership provide inspections on behalf of new homes warranty providers where requested as set out in Section 2 of the report.

1. Executive summary

- 1.1 Discussions have taken place with a New Homes Warranty provider, who is interested in using Local Authority building control surveyors to carry out inspections of new homes on their behalf.
- 1.2 There is also a strong possibility that another warranty provider will wish to pay a number of Local Authorities for their surveyors to carry out warranty inspections.

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- 1.3 The power to undertake these inspections needs to be delegated to the Partnership in order that work can be progressed.

2. Background

- 2.1 As explained in section 1, this report looks to enable the Partnership to provide and charge for discretionary services, involving the inspections of new homes on behalf of a provider of new home warranties, under section 93 of the Local Government Act 2003
- 2.2 This is consistent with Councils core priority to enhance the local economy and will allow the building control partnership to grow its business appropriately.
- 2.3 New homes warranties are provided by a number of providers in an increasingly competitive market. At least one major warranty provider is currently also an Approved Inspector, providing private sector building control services. Other warranty providers work together with Approved Inspectors. A significant commercial advantage to these arrangements is that building control and warranty inspections can be carried out by the same surveyor which is often easier and more cost effective for both the suppliers and the customers.
- 2.4 If the Partnership can provide warranty inspections it can negate these advantages to competitors. A number of customers have been asking why Local Authorities cannot provide joint warranty/building control inspections like their competitors. Warranty inspections complement building control inspections, covering similar technical aspects.
- 2.5 There would be an obvious potential to increase building control business by offering a directly competitive service. There would be an additional source of income for the partnership to supplement that generated by current building control work. It is difficult to estimate how much income can be generated because this depends on the success of sales by the Warranty Company. Current estimates suggest an income of around £400 per house.
- 2.6 Discussions have taken place with a Warranty provider, Global New Homes Warranties Ltd, who is keen to set up an arrangement with Devon Building Control Partnership. Several potential customers have said they would want to use this arrangement if it becomes available.
- 2.7 Another warranty provider, MDIS Insurance, have a contract with LABC, the National body representing Local Authority building control. They operate as LABC New Homes Warranty and currently employ their own surveyors. They cannot provide enough surveyors themselves to meet increasing workloads. The contract is due for renewal at the beginning of 2016 and there is a very strong likelihood that the new contract will involve selected Local Authorities being invited to provide inspections under contractual arrangements Devon Building Control Partnership have received indication that they will be one of those invited.

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- 2.8 Any inspection work that is undertaken would involve full cost recovery including time, travelling, insurances, training etc. Public Liability insurance would be required in the case of Global New home Warranties, the premium being proportional to the amount of work undertaken. In the case of LABC New Homes Warranty, all PI insurance would be provided through LABC itself and involve no additional cost to the Partner Councils.
- 2.9 Charges for this service are at the discretion of the Partner Councils as long as the income does not exceed the costs of its provision (section 93(5), of the Local Government Act 2003). It is proposed to recover the full costs of providing this service which will be calculated following ODPM 2003 guidance including; employee costs; premises and transport; supplies and services; third party payments and administrative costs.
- 2.11 Approval from the Executive is sought to enable the Partnership to negotiate an agreement to provide these services.

3. Outcomes/outputs

- 3.1 The main benefits to the Partnership from providing these services are:
- Additional income. Although 'not for profit' this income will supplement income from chargeable building control services
 - Meet customer demand. Many house builders ask if the Partnership can provide a new homes warranty
 - Compete with private sector. Along with NHBC, other warranty providers such as 'Buildzone' are using Approved Inspectors to provide their warrant inspections. This gives them a competitive edge.
 - By providing this service the Partnership is likely to increase its building control business because a number of customers have expressed they would prefer a joint building control/warranty service provided by the Partnership than by Approved Inspectors.
- 3.2 Success of the scheme would be shown through take up and expansion of the partnerships work.

4. Options available and consideration of risk

- 4.1 The possible risks attached to providing these services:
- Little or no increase in work. If this happens there will also be little or no additional expenditure other than the PI insurance premium. This is estimated at around £500 per year and would only increase as work increases

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- Reputation. The warranty itself should address this but the Partnership will need to indemnify itself against a possible claim by the Warranty Company. In the case of LABC Warranty, LABC itself will provide PI cover and risk of reputation should be minimized by LABC, who represent all Local Authorities and to whom we subscribe.

4.2 The proposal has been discussed in concept with the Building Control partnership members at the last board meeting and has been approved in principle by the Teignbridge Executive.

5. Proposed Way Forward

5.1 It is proposed that should the recommendation be approved by all partners that the Building Control Partnership offer the new service and report back regularly through the board on take up and income generated.

6. Implications

Implications		As detailed in report.
Legal/Governance		This report looks to enable the Partnership to provide and charge for discretionary services, involving the inspections of new homes on behalf of a provider of new home warranties, under section 93 of the Local Government Act 2003
Financial		As detailed in the report income amounts generated depend on the success of sales by the Warranty Company. Current estimates suggest an income of around £400 per house. Additional insurance premiums are estimated to be around £500 per annum.
Risk		The associated risks are set out at 4.1.
Comprehensive Impact Assessment Implications		
Equality and Diversity		None
Safeguarding		None
Community		None

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Safety, Crime and Disorder		
Health, Safety and Wellbeing		None
Other implications		None

Supporting Information

Appendices:

None

Background Papers:

None