

To: Audit and Governance Committee

Date: 28 June 2017

Report of: Head of Planning, Sustainable Development and
Regulatory Services

Title of Report: Building Control Service

Summary and Recommendations

Purpose of report: This is a report from the Head of Service on the commercial activities of the Building Control Service and the current position with regard to the financial position and performance of the service.

Key decision: No

Executive lead member: Cllr Alex Hollingsworth

Policy Framework: Efficient and Effective Council

Recommendations: Members are recommended to note the contents of the report and to request an update in 12 months when it is anticipated that the proposed service improvements will have been implemented.

Introduction

1. Building Control (BC) is the process by which the Building Regulations as set down by the Department for Communities and Local Government are enforced. They are a set of standards for the design and construction of buildings primarily established to ensure the safety of those people who use the buildings through regulations for fire, electrical and structural safety.
2. Historically the Local Authority performed this function exclusively, but since 1997 the private sector through registered individuals and companies has competed with the public sector for fee-earning work. These private sector companies and individuals are known as Approved Inspectors (AIs).
3. This competition has resulted in Local Authority Building Control (LABC) services being more focussed on the need for efficient service delivery and excellent customer service in order to be able to compete for fee earning work.

The current service

4. The work of the Building Control service is split between statutory functions which are non-fee earning and the fee earning work regarding plan checking and ensuring compliance with Building Regulations. Non-fee earning work includes dealing with dangerous structures, inspecting disabled persons adaptations, demolitions, unauthorised building work, enforcement and the administration of Approved Inspector legislation. Currently the estimated split between fee and non-fee earning work used for budget purposes is 75/25 which is in line with many local authority Building Control Services.

5. The current structure of the Team is given below:

Post	Hours	Grade
Team Leader	37.00	9
Senior Building Control Officer	37.00	8
Senior Building Control Officer	37.00	8
Senior/Building Control Officer (Career Grade)	37.00	7/8
Senior/Building Control Officer (Career Grade)	37.00	7/8
Senior/Building Control Officer (Career Grade)	37.00	7/8
Senior/Building Control Officer (Career Grade)	37.00	7/8
Apprentice	37.00	AG

Market share

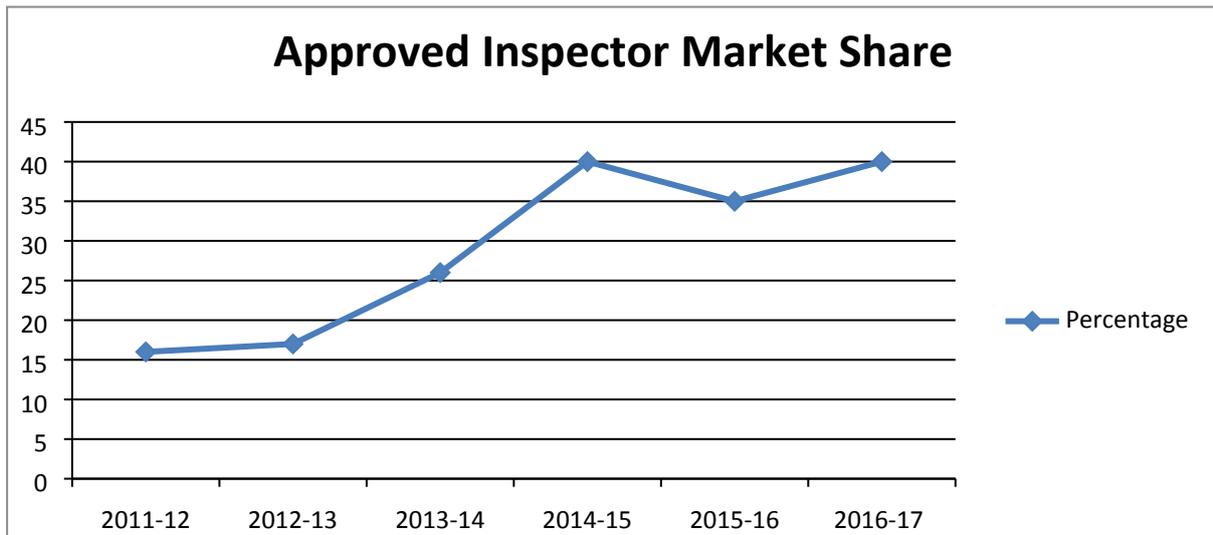
6. Over the last five years there has been a change in the work that AIs undertake away from mostly commercial/residential developments towards the domestic market, including some quite minor works. There is now considerable competition for domestic extensions, loft conversions and conversions to dwellings, work which was traditionally carried out by the Local Authority.

7. An AI submits an initial notice to the Council when they have been appointed to inspect the work so it is possible to analyse their market share. The numbers of initial notices deposited from 2011 to 2016 by AIs more than doubled.

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Applications	1221	1183	1130	900	957	871
Initial Notices	231	248	405	603	521	576
Total	1452	1431	1535	1503	1478	1447
Council Market Share	84	83	74	60	65	60

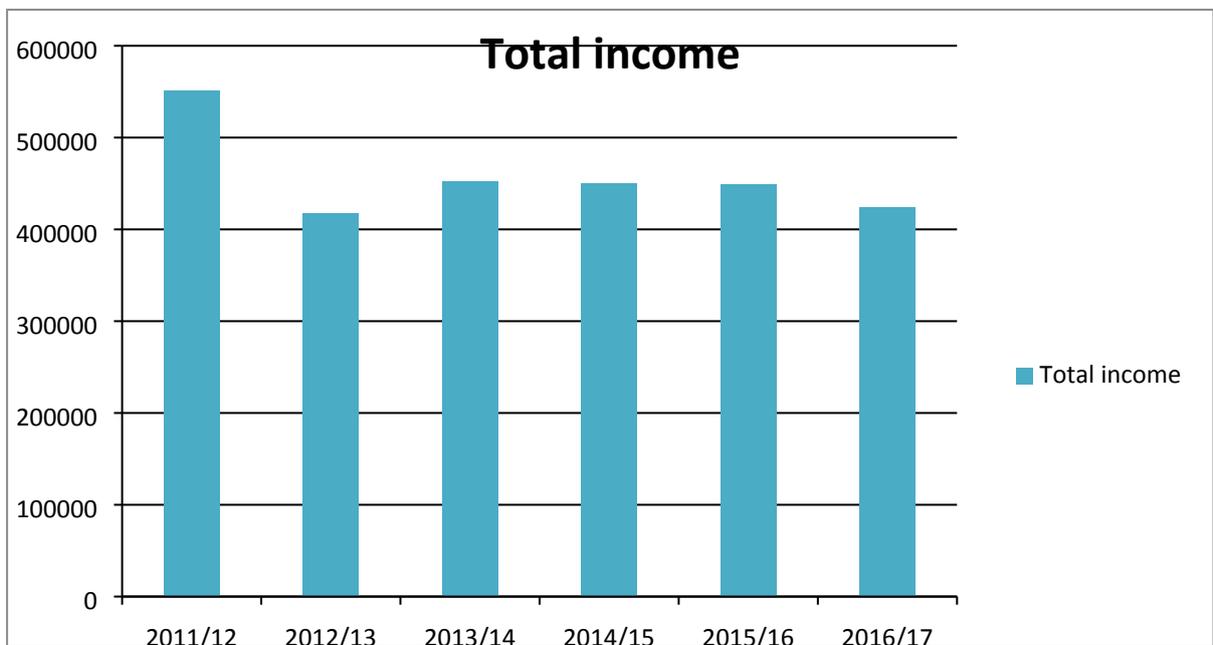
8. There was a decline in market share for the Council from 2012 with the AI market share peaking at 40% in 2014/15. The decline in the Council's market share in 2014/15 occurred at the same time as the Building Control Team Leader and a Senior Building Control Surveyor left the Council to work as AIs.

9. The AIs rise in market share has stabilised since 2014/15 with their market share at 40% and the Council's market share at 60%.

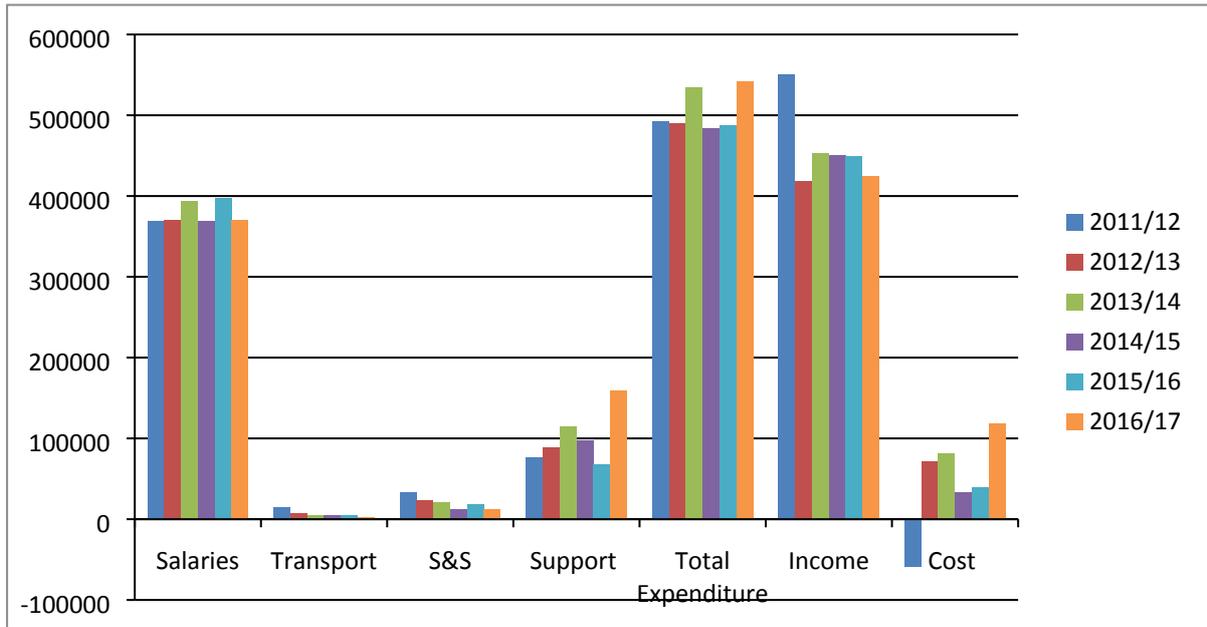


10. It is difficult to obtain accurate data on local authority building control services including figures such as market share to be able to compare Oxford with other Councils. This is because it is a commercial market and there are no statutory returns to the government for the service. However, research and feedback from LABC and other councils indicates that the exposure to competition has facilitated a growth in other service providers across the country.

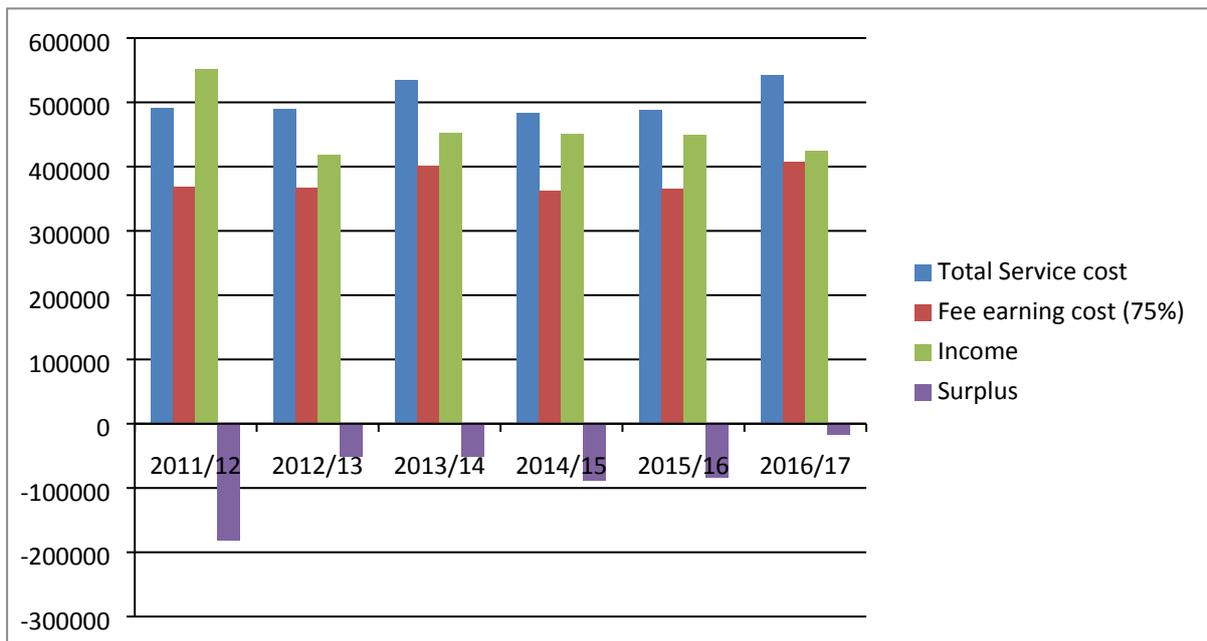
11. The total Income declined in 2012/13 but has since remained relatively constant over the last three years. However, fees from the Westgate development accounted for 17% of the total in 2014/15, 18% in 2015/16 and 19% in 2016/17. As the Westgate centre will be completed in October 2017 it will be a significant challenge to make up additional income of £80k p.a.



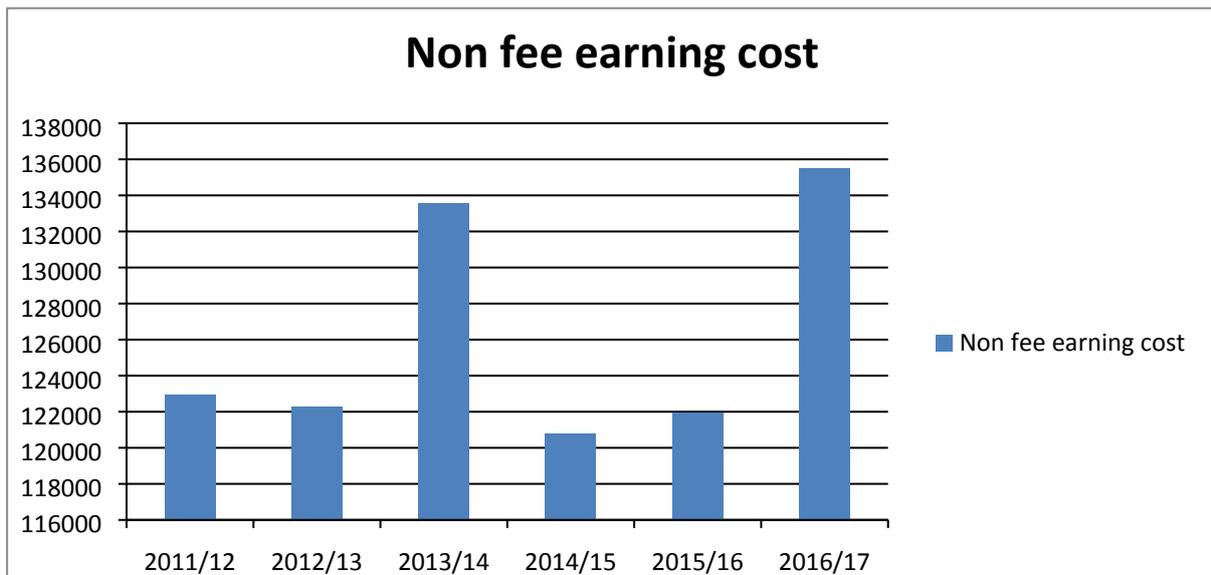
12. The total costs and income of the service have remained relatively stable since 2011/12 when income was particularly high due to a higher number of larger jobs.



13. When the costs and income are apportioned into fee earning and non-fee earning accounts on the basis of the estimated 75:25 split, it can be seen that the commercial fee earning part of the service remains viable. This part of the service is also making a significant contribution to central support costs which are 30% of the current total cost.



14. The costs of the statutory non fee earning part of the service are shown below. Where a variation has occurred, it has largely been attributable to support charges for the service.



Competition

15. There are 183 AIs listed on the Construction Industry Council's register and they vary from large organisations that operate nationally through to individual inspectors.
16. Analysis of Initial Notices for 2016/17 indicates that a total of 43 AIs operate in Oxford, although the top 10 companies account for 81% of the work. Further analysis indicates that the 4 most successful organisations operating in Oxford have 62% of the AIs market.
17. The Building Control Service will always be at a commercial disadvantage compared with AIs. Regulation 12 of the Building (Local Authority Charges) Regulations 2010 (Charging Regulations) and associated Chartered Institute of Public Finance and Accountancy guidance require Local Authority Building Control to publish its fee charging scheme, which in reality gives the private sector a baseline against which to set their own charges and compete on a preferential basis. There is no reciprocal requirement for AIs to publish their charging schemes, but anecdotal evidence suggests some AIs use the local authority charging scheme as a base line, then deduct a percentage – typically 10% - to arrive at their own charges.
18. The Chartered Institute of Public Finance and Accountancy guidance requires local authorities to use a three year budget profile for Building Control Services and the service must be run on a cost recovery basis as it is not permissible to generate a surplus. The Government's aim is to ensure there will always be a building control service available to the public at cost.
19. The service routinely quotes for work in a competitive environment and analyses the results. In 2016/17 a total of 158 quotes for work were made and where the work has gone ahead there has been a 75% success rate. Where we have been unsuccessful the primary reason given has not unsurprisingly been the price, although some architects also have a business relationship with AIs and prefer to use them even if they are located elsewhere.

Marketing and Customer Service

20. The development industry sees advantages in a one stop shop approach to construction and there is a close alignment of the Building Control Service with the Planning Service. The reputation of Local Authority Building Control is strong on quality, transparency, accountability and for providing independent, impartial and professional advice.
21. Feedback from our clients indicates the priorities in the service they receive as:
- speed of response
 - consistency of approach
 - availability of advice
 - competitive cost
22. One of the unique services we provide compared to our competitors is a same day service for an inspection and we offer to visit on the day when an appointment is made before 9.30am. This service is promoted on the website and is widely used and appreciated by local builders.

Future plans for the service

23. The Council has a statutory obligation to provide a Building Control Service as there are requirements for the Council to provide a statutory service for people who wish to use the Council for Building Control Services and also to carry out those functions that can only be carried out by the Council such as regularisations, dangerous structures etc.
24. The service contributes to the key corporate objectives of a Vibrant and Sustainable Economy, playing a fundamental part in facilitating all types of developments including large scale projects such as the Westgate and ensuring that they get built safely and on time. The value of the development work the service is currently regulating is estimated to be in the region of £300m. The service contributes to Meeting Housing Need by providing services to other Council departments such as Housing and Property and joined up working with services such as Environmental Health. The service also contributes to a Clean and Green Oxford by ensuring that developments comply with the energy efficiency requirements of the building regulations.
25. Businesses prefer regulators to demonstrate a consistency of approach and this is best achieved by having permanent staff who can also develop working relationships, for example certain clients are always assigned to the same officer. However, there have been major recruitment and retention difficulties in the service which have resulted in capacity, continuity and income generation pressures. This has been countered by introducing a career grade linking the Building Control Surveyor post to the Senior Building Control Surveyor role to retain staff and make the role more attractive in the market place. The aim for the service is to build up the commercial capacity by having more Senior Building Control Surveyors to market services and price for and win work as well as being able to attract and retain sufficient permanent staff.

26. Part of developing our marketing strategy will be the development of account management so as to ensure a continued improved service to our partners which will enable their retention in the busy market place. Processes need to be refined to simplify procedures and remove bureaucracy allowing for a more straightforward consistent approach in dealing with applications. The additional availability of online and paper-based publications and advice will clarify complex building regulation matters which will reduce the need for building control surveyors to provide advice.

27. It is also important to protect the Council's commercial activity and lessons have been learned regarding members of staff who give notice that they are leaving the Council to join an AI. In future they will not be provided with an opportunity to use their remaining time to carry out activities that can result in business being lost by the Council.

28. The Service Improvement Plan for 2017/18 is set out in priority order in the table below:

	Service Improvement Action	Action, Targets or Milestones
1	Recruit staff and develop an account manager approach to business partnerships	<ul style="list-style-type: none"> • Identify solutions to recruitment difficulties • Identify best approach to account management • Agree approach with staff • Deal with any HR issues and implement • Target 30/9/17
2	Investigate and identify mobile working solution from idox	<ul style="list-style-type: none"> • Liaise with IT to identify the best solution and costs • Test and implement • Target 31/3/18
3	Implement an electronic applications system – iApply from idox	<ul style="list-style-type: none"> • Liaise with IT to identify the best solution and costs • Test and implement • Target 31/3/18
4	Identify process improvements that will reduce bureaucracy and ensure the Applications Team and BC Team work together and improve the customer experience	<ul style="list-style-type: none"> • Continue to regularly review performance of the SLA • Identify service improvements outside the SLA • Agree improvements and implement • Target 31/3/18
5	Identify areas that can be improved, developed and exploited to maximise the capture of business	<ul style="list-style-type: none"> • Identify critical control points where marketing and promotion can take place to boost BC business gains • Change processes if necessary to provide a market advantage for BC • Target 31/3/18

6	Continue to analyse Approved Inspectors data and develop a plan of action to take back market share	<ul style="list-style-type: none"> • Analyse Initial notices by company, client and work type • Use data to develop a plan to win back market share • Target 30/9/17
7	Review the site inspection regime and implement a risk based approach whilst retaining customer satisfaction	<ul style="list-style-type: none"> • Identify where resources could be saved by carrying out less inspections, or carrying out inspections more efficiently but not lose customer confidence • Target 31/3/18
8	Develop a suite of complementary services such as Fire Risk Assessments that are income generating	<ul style="list-style-type: none"> • Establish what skill base we have across PSD&R • Identify what other LABCs are providing • Decide which services we can provide • Cost out and plan how to market services • Target 30/9/17
9	Review, improve and update the website	<ul style="list-style-type: none"> • Establish best practice with other LA websites • Implement necessary changes • Target 31/3/18
10	Move as far as is reasonably practicable to electronic plan checking	<ul style="list-style-type: none"> • Identify the barriers to full electronic plan checking • Overcome barriers, whether technological or staffing issues • Target 31/3/18

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