

## BABERGH DISTRICT COUNCIL

<b>From: Head of Natural and Built Environment</b>	<b>Report Number: L64</b>
<b>To: Overview and Scrutiny (Community Services) Committee</b>	<b>Date of meeting: 13 September 2011</b>

### SELF FINANCING OF THE BUILDING CONTROL SERVICE

#### 1. Purpose of Report

- 1.1 To provide an annual update on the self financing of the additional staff resources within the Building Control Service after the termination of the Building Control Partnership between Babergh DC, Ipswich BC and Suffolk Coastal DC.

#### 2. Recommendations

- 2.1 That the existing staff resources within the Building Control Service are allowed to remain on a continued self financing basis until such time as full integration with Mid Suffolk Building Control Group takes place.

- 2.2 That the report be noted.

The Committee is able to resolve this matter.

#### 3. Financial Implications

- 3.1 The current Building Control financial situation can be seen from Tables 1 and 2 in Appendix A. The income from Building Control activities has been split between statutory income and non statutory income. The statutory income is that associated with the building control activities from deposited applications. The other income is through work undertaken by the Building Control Group that is over and above the statutory provision. This has now been recorded in a separate trading account.

- 3.2 The Statutory Fee income account Table 1 indicates an income for the first five months of the financial year 2011/12 of £182,644. This can be forecasted to a possible total statutory income for the full year of £438,345. This would create a surplus income against the budgeted income level of £10,845. Table 1 also provides total fee income for the previous 4 years and indicates that this year's income could be well above any of those previous years. This should also be seen in the context of a very difficult trading year with the construction industry feeling the full effects of the current recession.

- 3.3 As can be seen from Table 2 the trading account set up to monitor this aspect shows that there was a minor deficit of £1,498 in 2010/11, although this was only set up for the last six months trading within the financial year 2010/11.

It should be noted that it took time and resources to set up the trading account and the activities behind it, which would explain in part the small deficit. Members should be aware that the figures indicated in Table 2 cover the full employment costs of the additional FTE post against the income generated by the following activities:-

- Secondment of officer to Suffolk Coastal on a part time basis
- Plan vetting Partnering applications outside of the Babergh area
- Energy Performance calculations (SAP)
- Reduced SAP calculations for the Housing Department

3.4 The actual income through these activities for the first five months of this financial year (2011/12) is £11,546 with a forecasted total annual income through the additional activities of £27,710. The forecasted cost associated with funding the additional resource in Building Control is £37,700. This leaves a projected shortfall of £9,990. However, as can be seen in 3.2 above the income being generated through the Statutory work provides a surplus of £10,845 above budgeted income. This provides an overall surplus across the two income streams of £855.

#### 4. Risk Management

4.1 This report is most closely linked with the Council's Corporate / Significant Business Risk No. 3 – Partnerships, 5 – Capacity, 7 - Financial. Key risks are set out below:

<b>Risk Description</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Mitigation Measures</b>
Reduce resources to a point where increase in demand for statutory services is not met	Significant	Critical	Maintain resources through generation of additional income and/or statutory fee income levels
Loss of partnership working	Significant	Critical	Memorandum of Understanding (MoU) to be agreed by former partners.
Loss of work to competition	Significant	Marginal	Regular meetings between MoU signatories
Anticipated income fails to arise – service costs too high	Marginal	Critical	Monthly monitoring and reporting to HoS

## **5. Equality and Diversity Impact**

5.1 There are no equality or diversity implications with this report.

## **6. Shared Service / Partnership Implications**

6.1 There are no issues directly arising from this report, but Mid Suffolk District Council Building Control have been made aware of the Memorandum of Understanding and have been invited to sign into the agreement.

## **7. Key Information**

7.1 In October 2007 Building Control at Babergh went into a Partnership with Ipswich Borough Council and Suffolk Coastal District Council. This was originally set out to provide managerial cover through the shared use of the existing manager at Babergh DC and to provide a business case to look into the best option for a complete shared Building Control Service.

7.2 It was agreed at this time that the Building Control team at Babergh would require additional backfill resources to allow the manager to carry out the necessary tasks at all three authorities whilst looking into the business case. The employment of an Assistant Building Control Surveyor was approved and the post was filled early in 2008. Also it was agreed that two existing experienced Building Control Surveyors would be given additional managerial responsibility with an appropriate upgrade in salary.

7.3 A report (K95) to Strategy by the Head of Service for The Natural and Built Environment last September confirmed that the Building Control Partnership Business case indicated that there was not a compelling case for the shared service at this time. It was agreed by all parties that the existing partnership arrangements would be fully terminated by the end of 2010. This left Babergh DC with an extra resource as explained above (an Assistant Building Control Surveyor). In item 2.2 of that report it was recommended that the Building Control Service establishment be retained on a 'self financing' basis, but this would be reviewed after 12 months.

7.4 Additional fee earning activities may be undertaken by the Building Control Group. These may include SAP and EPC's (Energy Performance ratings), Reduced SAP calculations for the Contract and Asset Management Division and LABC Partnering work outside of the Babergh area. We have also now taken on the task of producing the energy performance certificates for the Council's Housing and Contract Management team. Whilst the commercial income stream is developed, it was proposed that some capacity within the team will be used to support previous partners through the agreed Memorandum of Understanding, for which compensatory payment will be received. It is important to maintain flexibility within the current staffing levels in the Building Control Group and to have the ability to use the additional resource where it is most effective. This has helped the manager to ensure that the additional fee income streams are serviced in an efficient manner as well as being able to switch the resource from additional income activities to the statutory aspect when required through busy times.

- 7.5 The proposed integration between Babergh and Mid Suffolk DC will now provide an alternative arrangement that the Building Control Service can investigate. Up to this point the possible integration of the two teams has only been considered in outline as full attention had been given to the existing partnership arrangement. It is now possible to consider the Mid-Suffolk option without the tie of existing arrangements.
- 7.6 The flexible resource within the staff structure also assists with the amount of time the manager can spend on maintaining current work levels together with attempting to win work back from private Approved Inspectors. Without this additional resource the manager would not be able give adequate time to contact potential clients and ensure applications are deposited with the Local Authority rather than an Approved Inspectors. An example of this is through shrewd negotiations with a developer an application has now been won back from an Approved Inspector for a residential development of 164 homes which will bring in a fee income of £16,400. This would be lost to the private sector without the resources to develop working arrangements with potential clients at an early stage. Other potential clients where the manager is in negotiations are Tesco's, Sainsbury's and Prolog. These could generate substantial fee incomes but only if there are enough resources available.
- 7.7 It should be noted that the present Building Control Service has a very good reputation within the Babergh area, providing an excellent service to it's customers for Building Regulation applications and inspections, as well as providing the statutory duties of inspecting dangerous structures and demolitions through a 24/7 out of hours cover.

**8. Appendices**

Title	Location
(a) Table 1 -Statutory fee income levels Table 2 - Additional fee income levels	Attached

**9. Background Documents**

9.1 None.

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**TABLE 1****STATUTORY INCOME**

YEAR	07 - 08	08 - 09	09 - 10	10 - 11	11 - 12 (5 Months)
Statutory Income	370,751	391,596	382,730	337,587	182,644
Projected income					438,345
Budgeted costs					427,500

Total projected surplus 2011/12 £10,845

**TABLE 2****ADDITIONAL INCOME**

(Through non statutory activities)

YEAR	10 - 11 (last 6 months only)	11 - 12 (5 Months)
MoU	9,214	2,928
Partnering	1,667	2,098
SAPS	645	400
RdSAP	5,650	5,220
S. Surveys	-	900
Total	17,176	11,546
Projected annual income		27,710
Costs	18,674	12,920
Projected annual costs		37,700

Total projected shortfall 2011/12 £9,990