

REPORT TO:	ENVIRONMENTAL AND DEVELOPMENT SERVICES COMMITTEE	AGENDA ITEM: 8
DATE OF MEETING:	6th JULY 2020	CATEGORY: Delegated
REPORT FROM:	STRATEGIC DIRECTOR (SERVICE DELIVERY)	OPEN
MEMBERS' CONTACT POINT:	CHRIS NASH PLANNING DELIVERY TEAM LEADER	DOC:
SUBJECT:	CENTRAL BUILDING CONTROL PARTNERSHIP PERFORMANCE REPORT	REF:
WARD(S) AFFECTED:	All	TERMS OF REFERENCE:

1.0 Recommendations

- 1.1 That the Committee endorses the Partnership Board Report which provides a review of the performance for year 1 of the Central Building Control Partnership; and
- 1.2 The Committee delegates authority to the Strategic Director (Service Delivery) to confirm to the host authority of the Partnership that the Council has reservations about the Partnership evolving into a Local Authority owned Trading Company at the present time and before two full years membership of the Partnership has expired (April 2021). A response is required by 13th July.

2.0 Purpose of Report

- 2.1 To update the Committee on the performance of the Central Building Control Partnership ('the Partnership') over the last 12 months and to highlight revenues generated and market share, as well as future projected income.
- 2.2 Furthermore, whilst respecting the Committee's decision of 16th November 2017 to, in principle, transfer South Derbyshire's Building Control Service to a new group Local Authority Trading Company (LATC); outline the reasons for seeking a delay to this next stage in the evolution of the Partnership.

3.0 Detail

Background

- 3.1 At its meeting on 16 November 2017, the Committee considered a report on the future of building control within the Council based on the three options of:
 - an in-house service;
 - shared services; or

- a LATC.

The overriding consideration for the Council was to secure the service and ensure that it can discharge its responsibilities.

- 3.2 The Committee endorsed the recommendation of officers, approving, in principle, the movement of the Building Control Service to a new LATC. This was later endorsed by the Finance and Management Committee at its meeting of 30th November 2017.
- 3.3 Following the 16 November meeting, several factors informing the Committee's decision changed and the Committee was asked to reconsider its position at the meeting on 6th March 2018.
- 3.4 The Committee reaffirmed its earlier decision but, given the timescale involved in establishing the LATC, as a first step and to ensure continuity within the Building Control Service, that the Council joined the Southern Staffordshire Building Control Partnership (SSBCP) led and hosted by Lichfield District Council.
- 3.5 The Council joined the SSBCP on 1st April 2019. The SSBCP has since rebranded to the Central Building Control Partnership.

Year one performance

- 3.6 It was reported in March 2018 that, despite the increase in house building in the District over recent years, the Council's market share of fees had remained static at around 60%, with income principally derived from smaller-scale developments together with some commercial buildings such as Toyota. In income terms, this equated to just over £175,000. In 2018/19, ahead of the transfer of the Council's Building Control Service to the Partnership, this figure fell to just over £153,000.
- 3.7 The full report of the Partnership is included at Appendix A.
- 3.8 In 2019/20 approximately 10% of the applications received across the areas of the six partners arose from development within South Derbyshire. Whilst market share has fallen to 49% since 2017/18 (as of September 2019) – a reduction of some 18% across 18 months; and the income appears to have fallen by around 20% since last year, to £123,056; this figure excludes £74,000 paid by new partners, including South Derbyshire, for work that had not been carried out at the time of transfer. The reduction in market share is, therefore, broadly reflected by the reduction in income.
- 3.9 Nonetheless, the performance of the Partnership remains on target, with actual fee income, market share and service delivery indicators meeting or exceeding targets (summarised in the table below). The exception is a slight reduction in application numbers received, although for the reasons which follow, this is not considered to be of concern.
- 3.10 This is encouraging in it being indicative that the Council's membership of the Partnership was a sound decision in minimising the risk to the Council but at the same time strengthening the Partnership so to allow the attraction of income from larger-scale developments which might otherwise instead utilise the accredited national and regional firms. There are 11 firms accredited locally which capture around 35% of the market, so capturing some of this share is beneficial. This growth in the status of the

Partnership is key in maximising the potential, and associated financial returns, of a LATC in due course.

	Target	Actual	Notes
Fee Income	£901,270	£986,066	On target (exceeded)
Number of applications	2,567	2,515	On target
Decisions within 8 weeks	100%	100%	On target
Plans checked within 10 days	60%	60.5%	On target
Market share	Monitored (no target set)	58%	Small increase in market share
Inspections carried out when requested	95%	99%	On target*
Dangerous structures response within 2 hours	100%	100%	On target (2 people on call 24/7)

*adjustments allowed for COVID-19 response

- 3.11 Notably, the Partnership saw a slight increase in market share across the six authorities involved and a notable (9.4%) exceedance of the target income for the year. This provides considerable comfort that the Partnership remains financially sound and has been strengthened by the addition of new partners, with the direction of travel for market share reversing a slight decline in previous years.
- 3.12 Set against this is the cost to the Council. The annual 'fee' paid towards delivery of statutory services, such as inspections and dangerous structure responses, is £35,200 for 2020/21. This remains well below the circa £85,000 annual cost to the Council which existed prior to April 2019. Membership of the Partnership thus remains beneficial to the Council when compared to the alternative of an in-house service.

Local Authority Trading Company (LATC)

- 3.13 The benefits of a LATC were set out in the report to the Committee on 16 November 2017. The financial assessment of the Business Case presented at that time showed the opportunity for economies of scale, reduced costs and the potential for significant profit generation. The financial comfort extended to the company through the undertaking of statutory and regulated activities on behalf of several Councils, would position it well to then provide a range of discretionary or complementary services to attract income streams that deliver profit.
- 3.14 It was noted, however, that there would need to be a period of market and income retention as the company creates a culture and identity of its own, which may see limited returns in the short-term. However, evidence from other examples of LATCs from across England indicated that once this period has passed, the LATC can then go on to make significant income as it builds on its foundation.
- 3.15 The preferred way to deliver the LATC was thus from an established shared service and the Partnership was formed out of that work. The Partnership Business Plan set out a number of objectives to support this transition, namely:

- a) Reducing operating costs through economies of scale and associate efficiencies, enabling lower fees to customers and providing a high quality and competitive service;
- b) Effective delivery of fee-charging activities at zero cost to the council taxpayer;
- c) Delivery of non-rechargeable work (i.e. statutory duties) at the lowest possible cost to the council taxpayer;
- d) Resilience and flexibility to respond to market changes; and
- e) An establishment that can react to market opportunities.

3.16 The first-year performance report signals that objectives (a) to (c) are being achieved. However, it is less clear that objectives (d) and (e) can be secured at this time.

3.17 In respect of (e), the report notes that there are still a number of outstanding business transformation items to be completed, whilst the marketing plan needs to be developed.

3.18 As for objective (d), the report comes at a time where the economic slowdown to the COVID-19 pandemic has not been fully realised and may not be for some time yet. Although market signals indicate a swift rebound in the construction sector, the longer-term effects on the property market are less clear with these depending on the response of financial institutions and, to some degree, the Government and Bank of England in the coming months.

3.19 Furthermore, the lead officer at the Partnership left their post at the end of June. Whilst measures are in place to ensure the continuity of the business, their experience will be lost and there will be a period of adjustment to this change. This will also affect the capacity to fully deliver on outstanding matters as well as develop an accurate business plan and draw up the necessary agreements between the partners to move forward to a LATC.

3.20 With these points in mind, and with this Council's membership of the Partnership only one year into a three-year initial agreement, it is considered prudent to further monitor the performance of the Partnership over the next 12 months, so to better inform a decision on whether the Partnership Business Plan is being fully realised. This would provide a strong indication of whether it the Partnership is ready to move to the next stage and become a LATC.

4.0 Financial Implications

4.1 The cost to the Council of remaining a member of the Partnership has been established previously. A delay in the progression towards a LATC would not impose additional financial burden on the Council with the Partnership arrangement set out for a three-year fixed financial contribution.

4.2 In the longer-term, subject to continued meeting of targets, the Partnership could be well placed to progress to a LATC and allow the shareholders, including the Council, to begin benefitting from any profit drawn from the company. Future growth of the Council, and delivery of services, is not however presently modelled on such income

streams. Consequently, any delay in the set up of the LATC would not have an impact on overall service delivery for the Council.

5.0 Corporate Implications

- 5.1 The report evidences the Partnership's commitment to delivering excellent services, including outstanding transformation work to have in place methods of communication that enable customers to provide and receive information and ensure technology enables the Council to effectively connect with its communities. This meets the 'Our People' priority of the Corporate Plan.
- 5.2 Furthermore, the continued movement towards a LATC would encourage and support business development and new investment in the District, and enable the delivery of housing. A period of further performance monitoring will allow for a more informed decision as to the progression towards an LATC and the subsequent provision of provide modern ways of working that support the Council to deliver services to meet changing needs whilst also sourcing appropriate commercial investment opportunities. This meets the 'Our Future' priority of the Corporate Plan.

6.0 Community Implications

- 6.1 The performance of the Partnership assists in securing the financial resources to enable continuing work towards a LATC to be delivered. It is hoped that through this approach, the businesses and residents of South Derbyshire would benefit from a much enhanced and more economical service taking public protection forward for the public benefit. The slight delay in progression towards this goal is unlikely to bring about a noticeable impact on service delivery.

7.0 Background Information

- 7.1 Appendix 1: The Partnership Board Report No. 2.