

# BUILDING CONTROL SERVICES

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## Briefing Paper

Resilience delivered - Ready for growth !!!

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Southern Staffordshire Building Control Partnership  
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## Overview

- This briefing paper has been prepared for the Partnership Board. Periodic reports show that despite significant challenges all main business, operational, and quality objectives have been achieved.
- Since 2008 Building Regulation fee income has reduced by £2.6 million across the three councils due to a smaller construction market and increased competition driving down fees.
- The original Partnership formed in 2009 and became a tri-party partnership in January 2012. Partnership working has helped the partnership to manage a loss in fee income and other reduced funding estimated at £800K over 3 years.
- Each partner's expenditure on non-chargeable work has been reduced to £35K for 2014/15; The Staffordshire and Shropshire average is currently £103K.
- The Partnership is on target to deliver the chargeable work entirely from fee income and meet all its non-chargeable statutory obligations at the lowest cost possible.
- Business resilience is important and it is concluded that a larger business is more resilient and opportunities for expanding the Partnership are welcomed.

## Financial objectives and targets of the partnership

### Southern Staffordshire Building Control Partnership

The chargeable service must be fully funded from fee income and that income is invested in the service to ensure it is sustainable and remains at zero net cost to all councils.

- The main financial objective of the partnership is to **reduce cost** through economies of scale.
- Chargeable work to be delivered for **zero net cost**, funded entirely from fee income.
- Non-Chargeable work to be delivered at a cost to each partner of **£35K for 2014/15**.

## Income and Expenditure

### Assessing what expenditure might have been without the Partnership

It is clear that expenditure has been reduced through economies of scale and by restructuring. However, it is not known what each council's expenditure would have been without the Partnership. This has been assessed as follows:

- It is assumed expenditure would have equaled the last financial year's actual expenditure for each council prior to entering the Partnership.
- This does not include increased expenditure that would have occurred due to inflation, increased employer contributions, pay rises, etc.
- It does not take into account that savings may have been found in other ways.

This has the advantage that assumptions are based on actual income and actual costs that can be used for each partner. However, it is not within the scope of this document to comprehensively identify exact expenditure savings.

### Comment on actual income and expenditure

Income from Building Regulation applications has reduced by 47% (£2.6 million) across the three councils since 2007/8. The three main reasons for this are;

- Increased competition and new legislation has resulted in lower fees, particularly on larger projects.
- An overall reduction in the size of the local construction market.
- Market share has reduced by around 5% to 82%.

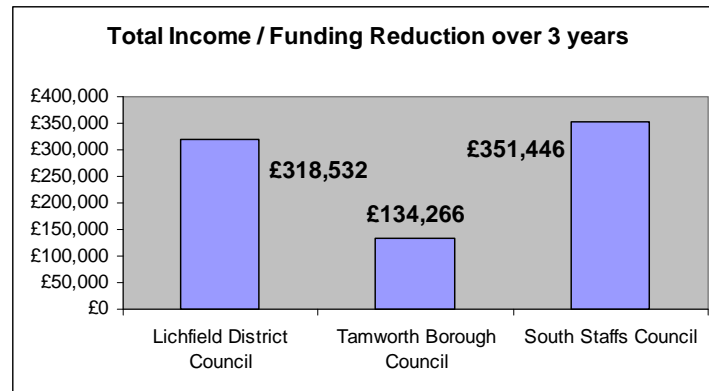
It has been necessary to restructure to reduce expenditure and these restructures have taken place. Reports for "Restructure 1" and "Restructure 2" were approved by the Partnership Board and are available on request.

### Overview of expenditure reduction

Building Control is no different than many other council services facing financial cuts. Reducing expenditure has been achieved by restructuring the service. The restructures have included staff reduction, re-engineering processes and reducing supplies and services. The main areas for reducing costs have been:

- Less Staff - around half the staff are now employed by the three councils in Building Control than at its peak in 2008.
- Lower operating costs- Smaller offices, etc.
- Reduced Supplies and Services Costs
- Reduced mileage and travel costs.

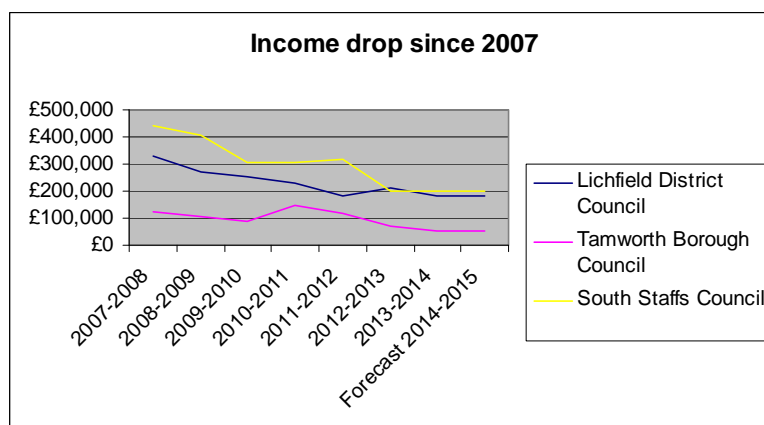
## Income / funding Reduction - January 2012 to April 2015



This chart shows that over the period of the current three year partnership, total income will have been reduced by over £800,000.

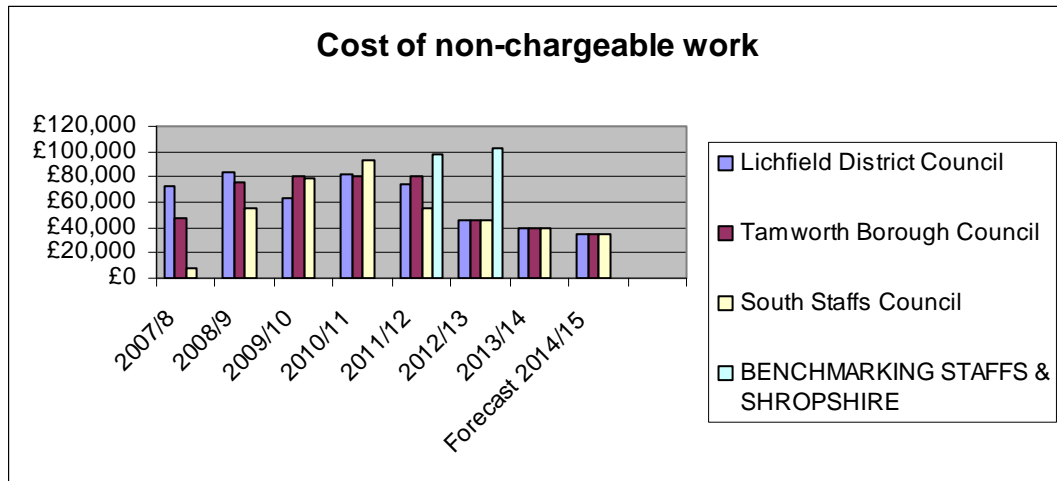
- The chart also identifies the distribution of the reduced income / funding and where expenditure has been reduced. The main drivers for expenditure reduction are to adjust to reduced income levels and reduced funding for non-chargeable work.
- South Staffs figures are based on actual expenditure for 2010/11. Savings were already in place between April and December 2011 in preparation for the Partnership. However, the whole reduction in expenditure has been credited to partnership working.
- Lichfield and Tamworth figures are based on actual expenditure in 2009, prior to the shared service.

## Fee income reduction since 2007/8



- This chart shows how overall income has dropped by 47% since a peak in 2007/8, and is now expected to plateau or rise slightly next year as confidence returns to the market. Fee income has been £2.6 Million less than if it had been maintained at 2007/8 levels.

## Non-Chargeable expenditure since 2007/8



- These costs are funded directly by each council.
- These are the lowest fees in recent financial benchmarking history. The cost to each council is £40,200, reducing to £35,200 next year. The average across Staffordshire and Shropshire in 2012/13 was £103,000 per council area, the highest being £190K.

## Effect of expenditure reduction on the Partnership

The Partnership has dealt with significant financial challenges and all operational and financial objectives are being achieved without increasing fees, whilst maintaining a good market share. However, there are three areas the Partnership needs to monitor to ensure the business remains sustainable.

1. The Partnership has a reduced capacity to invest in growth. Flexible working arrangements become less reliable as construction activity increases and demand for staff increases.
2. Should income fall significantly there is less opportunity to reduce costs further.
3. Non-chargeable costs may increase in the future.

## Conclusions

- The partnership was created to enable the service to be resilient and adapt to the new economic climate. One objective was to ensure clear financial objectives were set and achieved. This has been successful, with all financial and operational objectives of the partnership achieved.
- This briefing paper has attempted to put a financial figure on the benefit of the partnership. It is estimated, based on actual previous income and expenditure that over the period of this partnership £800K of funding has been lost due to the economic crisis. Most of this is fee income that is simply lost as projects were not built. The partnership has maintained good quality services, without fee increases and fully adapted to the smaller market without any financial burden on the councils.
- At a net cost of only £35K per council, the Building Control Partnership is by far the lowest cost Building Control service in Staffordshire and Shropshire.
- Resilience and flexibility is important to enable the Partnership to deal with future growth or reduced in income. Investigation should be carried out to find opportunities for further expansion of the Partnership to increase business resilience.
- It may be of interest to other councils who may be considering sharing services that we are ready for growth.