

BABERGH DISTRICT COUNCIL

FROM: Head of Natural and Built Environment

REPORT NUMBER: **K95**

TO: STRATEGY COMMITTEE

DATE OF MEETING: 16 September 2010

DELIVERY OF BUILDING CONTROL SERVICES IN PARTNERSHIP

1. PURPOSE OF REPORT

- 1.1 To inform the Committee of the outcome of the Building Control Partnership final business case undertaken by Babergh DC (BDC), Ipswich BC (IBC) and Suffolk Coastal DC (SCDC), and the recommendation of the Partnership Joint Management Board.
- 1.2 To notify the Committee that notice has been received from partners leading to the termination of the existing Partnership.
- 1.3 To inform the Committee of proposals for the future of Babergh District Council's Building Control service and seek approval to implement these.
- 1.4 Similar reports are being submitted to the Cabinets of Suffolk Coastal District Council and Ipswich Borough Council.

2. RECOMMENDATIONS

- 2.1 That the recommendation of the Partnership Board regarding **Option 3** as outlined in para 6.10 of this report be approved and that the Head of Natural and Built Environment in consultation with the Solicitor to the Council be authorised to develop and enter into a Memorandum of Understanding with other Building Control partners within Suffolk.
- 2.2 That the current Building Control Service establishment be retained on a 'self financing' basis subject to review within the next 12 months by the Head of Natural and Built Environment.

The Committee is able to resolve this matter

3. FINANCIAL IMPLICATIONS

- 3.1 The detailed business case identified the overall costs for a number of partnership options. These are summarised in Table 1 below:

Partnership scenario	Savings / Cost^(a) £	Residual costs £
BDC/IBC/SCDC	45451	275730
BDC/IBC/SCDC/WDC	-66129	374530
IBC/SCDC/WDC	-195019	228350
SCDC/WDC	52554	61900
BDC/IBC	41835	153340

Table 1 Financial Summary of Options.

(Note (a) These figures assume that residual costs can be realised - see Section 6.9 for discussion)

The partnership based on the present membership as is indicated, could cost more, largely as a result of harmonising workforces, aligning other practices, rationalising IT systems etc. It was envisaged by the original business case, however, that this arrangement could provide savings in 4-5 years, particularly if income could be improved. Expanding the partnership to include Waveney, mainly because of its ratio of cost to income, improves the situation and indicates the possibility of savings of approximately £15,000 per authority. However, it is largely the cost of recharged central services, and the uncertainty as to efficiencies achieved in these areas that make predictions uncertain. For this reason the short to medium term financial projections are not compelling.

3.2 Impact of Contract Termination

Terminating the agreement requires 3 months notice period from both IBC and SCDC. This will impact upon Babergh in respect of the loss of associated (budgeted) costs paid towards the shared Partnership Manager for that period. The following table (Table 2) gives the costs that will apply as a result of early termination of the contract (column 3). These figures are based on current actual costs for all options to enable 'like for like' comparison. This reflects other savings that have been achieved within the service but not directly related to the cost of the partnership.

- 3.3 The increase in staff costs shown in column 2 below arose from the temporary regrading of existing staff and the cost of backfilling their operational duties. This shows a net cost of being in the partnership of approximately £5,500 (Additional staff cost less contribution from partners). This was reported to Strategy Committee when the decision to enter the partnership was made (Paper G74 August 2007 refers) – the actual estimate being £8,000.
- 3.4 Column 3 presents the immediate impact of Babergh no longer benefitting from the Partnership and Partnership income in this financial year – a shortfall of £13,720 in partner contributions. However, staff costs will reduce to reflect this, resulting in a budget shortfall of £9,400, being the difference between the estimated and revised cost to the service. The service will benefit from the recovery of 0.66fte of the service manager's time, which was backfilled through recruitment of a building control assistant at the commencement of the partnership. The real additional cost of the service is therefore the additional cost of that post. To compensate for the potential increase in cost, the additional resource has enabled the Service to increase its income from 'commercial' type work. Generating over £18,000 of new income this means that the overall impact remains cost neutral.

Table 2

	Column 1 Relative cost of Service pre-partnership (Based on current costs) Baseline £	Column 2 Cost of Partnership Relative cost from 08/09 on £	Column 3 Actual Cost of terminating partnership from Nov 2010/11 costs	Column 4 Post Partnership Full year effect – no partner contribution £	Column 5 Post Partnership 1 Existing post shared 2011/12 estimates £
		Additional		above baseline	
Staffing Costs	345,500	51,000	46,500	£25,000	£25,000
Partner Contributions	0	(45,500)	31,600	0	(15,000)
Net Cost before income	345,500	5,500	14,900	25,000	10,000
Commercial income (Resource dependent)	-2,600	-7,000	-16,000	-16,000	-30,000
Net Benefit/(loss)	0	1,500	1,100	(9,000)	20,000

Table 2 Assumes current management arrangements cease from 1 November 2010 with regards to Ipswich BC and 31 December 2010 with regards to Suffolk Coastal DC.

- 3.5 With additional resource the Building Control Service has been able to develop further fee earning activities and has been steadily increasing this 'commercial sector' income year on year. For example in 2007/08 this income was £2,586.98, in 2008/09 income was £9551.00 and in 2009/10 income through these additional activities was £18,482.96. The Service has also now taken on the task of producing the energy performance certificates for the Council's Housing and Contract Management team which potentially is saving the Council a further £10k per annum – being work otherwise contracted out to external providers. In retaining the current resource the service benefits from greater resilience and is in a position to respond to further demands both on the statutory service and to exploit the commercial benefit to the Council. It is estimated that this will provide a total additional fee income in the region of £30K.
- 3.6 Whilst the commercial income stream is developed, it is proposed that some capacity within the team will be used to support existing partners through secondment or post sharing, for which compensatory payment will be received expected to be in the region of £15,000.

- 3.7 The overall impact of sharing a post, together with the improved income is reflected in Column 5, indicating a net benefit to the Council of £20,000.
- 3.8 It should also be noted that the current work loads have been substantially added to recently with the largest construction project that Babergh has seen with the Suffolk One Sixth Form Centre. This alone generated £84,000 income over 2 years, but could not have been serviced by the Council without recruiting additional resources. Considerable resources had to be provided for this as well as the investigations into the tri-party Building Control partnership and lately the Mid Suffolk integration. These have all put considerable pressure onto the existing small Building Control unit and it was essential that the required resources were put in place.

4. **RISK MANAGEMENT**

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

Risk Description	Likelihood	Seriousness or Impact	Mitigation Measures
Loss of partnership working efficiencies	Significant	Marginal	Memorandum of understanding to be agreed by former partners
Inability to recruit and/or share appropriate staff	Significant	Critical	Memorandum of understanding to be agreed by former partners
Increased competition	Significant	Marginal	Regular meetings between MoU signatories
Anticipated income fails to arise – service costs too high	Low	Critical	Monthly monitoring and potential for early review by HoS with possibility to reduce resources.
Reduce resources to a point where increase in demand for statutory services is not met	Significant	Critical	Maintain resources through generation of additional income enabling prompt response to demand

5. **EQUALITY AND DIVERSITY IMPACT**

- 5.1 There are no equality or diversity implications.

6. **KEY INFORMATION**

6.1 The Building Regulation Service is a statutory function which Councils have to provide. The service is required by law to set charges for Building Regulation submissions that recover the cost of providing the service, and which must be self financing over a three year rolling accounting period. However, this is being amended to annual accounting period from 1 October 2010. The service delivery model is at the discretion of each local authority.

6.2 In January 2006 IBC and SCDC commenced a joint management Partnership to deliver the Building Control Services. Under this agreement the service at each authority shared a manager, the Building Control Partnership Manager (BCPM). This manager was employed by IBC with SCDC paying half of his employment costs and receiving half of his time. Whilst each organisation had different reasons for entering the Partnership the overarching benefits were seen as;

- Providing long term service resilience
- Offering greater opportunities for staff development and experience
- Optimising the use of staffing resources to manage increasing work volumes
- Satisfy customer expectations
- Reducing / eliminating dependence on the use of agency or consultancy staff
- Reducing costs and increasing competitiveness
- Exploiting optimum income generating opportunities, and
- Being more effective in satisfying customer expectations

6.3 In 2007, following a review of the Partnership, by Portfolio Holders and Directors from each authority, improvements in the service were acknowledged and future opportunities to strengthen and improve the service further were identified. This also embraced the concept of extending the Partnership to include other adjacent authorities which led to BDC becoming one of the partners and lead authority for the provision of the BCPM.

6.4 IBC, SCDC and BDC currently have a legal agreement in place for provision of a single joint service manager. This agreement expires on 31 March 2011, or subject to 3 months notice on the part of all or one partner. On any relevant date the current manager would then return to his substantive post with BDC. On expiration or termination IBC and SCDC will need to make any necessary management arrangements.

6.5 Successes achieved over the life of the Partnership to date can be attributed to the commitment and hard work of all staff members to deliver quality services to clients, these successes include:-

- Greater focus on joint training and development of staff, particularly new/junior members with resultant improvement in productivity.
- Shared information and research
- Shared on-line information systems
- Reduced reliance on the use of external consultants.
- Aligned charging schemes for the benefit of clients

- Similar performance indicators in Operational Plans and Balanced Scorecards
 - Some process alignment
 - Regular staff meetings
- 6.6 Following the successes achieved it was recognised that further improvement could potentially be best achieved by the setting up of a stand-alone Building Control unit and that a business case be developed to test whether this could be justified financially and operationally.
- 6.7 An initial business case identified that a single building control unit hosted by one authority and accountable to a Joint Committee was worthy of further investigation and business analysis. A number of important issues were identified requiring resolution including nominating a host authority, Terms and Conditions harmonisation; recharge distribution and how to share risk/reward. This was reported to Committee in August 2009 (Paper J68 refers).
- 6.8 Further work was then undertaken assisted an external consultant funded by residual Pathfinder monies to provide a detailed business case subjected to external challenge. A range of options was considered and analysed. Consideration was also given to the potential incorporation of Waveney District Council (WDC) as a result its emerging preferred partnership with SCDC.
- 6.9 The business case that has been completed was discussed by the Partnership Board on 16 June 2010. The work showed that if residual (i.e. back office) cost reductions could readily be realised through efficiency savings then only the IBC/SCDC/WDC and IBC/SCDC/BDC/WDC options provide potential cost savings. If residual costs are assumed to be unrecoverable then none of the options provides costs savings. The finances are summarised in Section 3. The options are presented as follows:
- 6.10 Four main options were outlined in the report which was presented to the Partnership Board meeting on 16 June 2010. These are outlined as follows:-

Option 1: Business case provides evidence that there are good efficiency and some resilience benefits of an SCDC/WDC/IBC stand alone unit if residual costs can be recovered¹.

Option 2: Business case provides evidence that there are some efficiency and good resilience benefits of an SCDC/WDC/IBC/BDC stand alone unit if residual costs can be recovered (but less than in option 1).

Option 3: Recognise that whilst preferred partnerships are under development the existing Partnership should develop to one where partners sign up to adoption of the principles of continued joint working and outcomes expected, working towards agreed outcomes. This could be achieved by the adoption of a formal Memorandum of Understanding (MoU). At the same time preferred partnerships can establish their respective business cases, whilst not jeopardising those gains already made by the Partnership.

Option 4: Maintain current Partnership arrangements.

¹ It is a reasonable assumption, in the light of other service transformation projects taking place across partners, that reduced residual costs can be achieved through efficiencies

6.11 At the Board meeting on 16 June 2010 the following statements were made;

- The Board recognises that the current partnership has met the initial objectives and aspirations and the Board acknowledges that the constituent services are now more effective and robust.
- The Board also recognises that the key drivers have changed over the period of the partnership towards efficiencies, savings and development of preferred partners amongst the member authorities.
- In considering a “stand alone, single building control unit” the Board agreed that although potential savings may be apparent, there was no compelling evidence that this was a solution in the current climate and would not be recommending this course of action as a way forward.
- It was recognised that Building Control cannot be seen in isolation from other council functions and all members must consider the future of the service in light of other partnering arrangements.

6.12 The Board stated that it would not wish to see the obvious benefits of partnership working lost, and to this end recommended **Option 3** and the development of a Memorandum of Understanding (MoU) to maintain good joint working. The reason for this was that the development of preferred partnership status of SCDC and WDC, and separately BDC and MSDC introduces a level of uncertainty and additional risk into Option 1 or 2 being chosen. Additionally, it is considered that Option 4 (maintaining the status quo) would have limited benefits, and does not provide significant cost benefits to the partners whilst other preferred partnerships are under development.

6.13 The development of an MoU is intended to preserve and continue the good working relationships that have developed between partners, and the evident advantages of closer joint working. The areas that it would cover are likely to address the following aspects that support the Suffolk shared Services philosophy;

- Service resilience in terms of staff flexibility and larger numbers of staff between the participating organisations. Recruitment and retention benefits for staff by offering a greater range and diversity of work.
- Develop commercial, income generating work e.g. plan vetting, energy surveys etc.
- Joint staff training and trade seminars
- Common targets and performance indicators
- Share large project responsibilities – recruit and retain specialists to work across the Districts.
- Flexible ‘cross-boundary’ working
- Provision of non-fee earning duties such as dangerous structures.

- 6.14 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 has been given to the existing partnership arrangement. It is now possible to consider the Mid Suffolk option without the tie of existing arrangements.
- 6.15 Further to the Board Meeting, notice has now been received from Ipswich of its intention to withdraw from the partnership with effect from 1 November 2010. A decision is yet to be made by SCDC. This however means an end to the partnership as it currently exists, and Babergh's Building Control Manager will now return to his substantive post.
- 6.16 It is therefore proposed to use the resources available to further develop and expand the services provided to the commercial sector and increase income to the Council. Within the last three years this income stream has increased significantly as indicated in para 3.5 above, and the Head of Service is confident that this market can be exploited further to the net benefit of the Council, so long as existing resources are retained. This will provide much more resilience in the team and enable us to respond to the expected economic upturn, already evidenced by increased activity in the building industry locally.
- 6.17 The balance of resource to income will be monitored closely by the Head of Service and reported to Overview and Scrutiny (Community Services) Committee as part of the quarterly reporting mechanisms. The Head of Service will take appropriate action should income targets not be met, and will submit a progress report within 12 months.

7. **BACKGROUND PAPERS REFERRED TO:**

Business case compiled by Tribal Helm compiled May 2009

Business case compiled by Brian Cox – Foresight Consulting and Gary Starling – Building Control Partnership Manager dated May 2010

Minutes of Partnership Board meeting 16.06.10

CONTACT: Malcolm Firth
Gary Starling

EMAIL: malcolm.firth@babergh.gov.uk
gary.starling@babergh.gov.uk