

BABERGH DISTRICT COUNCIL

FROM: Head of Natural and Built Environment REPORT NUMBER: **J68**

TO: STRATEGY COMMITTEE DATE OF MEETING: 30 July 2009

DELIVERY OF BUILDING CONTROL SERVICES IN PARTNERSHIP

1. PURPOSE OF REPORT

- 1.1 To present the Committee with the report of the Building Control Partnership Board (Appendix 1) with regard to the future development of the present partnering arrangement, following the consideration of a Business Case submission proposing a single 'stand-alone' service.
- 1.2 To approve the recommendations of the Board in respect of the continuing partnership.

2. RECOMMENDATIONS

- 2.1 The Committee adopt the recommendations of the Building Control Partnership Board, namely;
 - (a) That the current partnering agreement remains in place up to the end of March 2011, and be subject to 3 months notice from any party.
 - (b) The Board discount the recommendation of a stand-alone service at the present time, as recommended in the Business Case submitted by Tribal Helm on the following grounds:
 - (i) Estimated implementation costs are high in relation to the current economic situation faced by all partners,
 - (ii) Although payback is estimated after 4 years, this is dependant on a 5% growth in income, against a current declining trend.
 - (c) That further investigation of partnership working in Building Control towards a more fully integrated service operating across the three authorities be supported and recommended to the partner Councils, by:
 - i) further detailed consideration of a lead authority and/or Joint Committee arrangement in accordance with S101 of the Local Government Act 1972, which addresses the concerns expressed in (i) and (ii) above
 - ii) continuing development, in the meantime, of improved partnership opportunities within the existing service framework of three or more constituent authorities.

The Committee is able to resolve this matter

3. **FINANCIAL IMPLICATIONS**

- 3.1 The report commissioned by the Board favoured the establishment of a stand-alone service, which would provide a range of building control functions to each of the partners. This identified initial set up costs of approximately £200,000.
- 3.2 Long term annual savings of about £60,000 were estimated, thus the partnership would benefit from a pay-back on the investment in 4 years.
- 3.3 A significant element within the financial assessment was the presumption of a 5% increase in income relating to building control activity.
- 3.4 Should the stand-alone service be implemented in 2009/10, then budget provision of approximately £70,000 would need to be made by Babergh.
- 3.5 There is existing budget provision to continue the present arrangement whereby the Council continues to finance a shared partnership manager.
- 3.6 There is an adequate budget to commission further work that is recommended by the Board in investigating a revised financial case, arising from funding allocated through the original Pathfinder programme for developing improved partnership working.

4. **RISK MANAGEMENT**

- 4.1 This report is most closely linked with the Council's Significant Business Risks:

Risk 3 – Partnerships, Risk 5 – Capacity and Risk 2 - Shared Services.

The specific identified risks and mitigation are contained in the Board report (Appendix 1).

5. **KEY INFORMATION**

- 5.1 Attached at Appendix 1 is the report of the Building Control Partnership Management Board, in response to the Board's consideration of a Business Case regarding the future delivery of building control services. The Board provides the governance for the current service, of which Babergh is a partner alongside Ipswich Borough Council and Suffolk Coastal District Council.
- 5.2 The Board comprises officers and elected members from each of the partners. Babergh is represented by Councillor David Rose, supported by the Deputy Chief Executive and the Head of Natural and Built Environment. At the last meeting of the Board Councillor Gerald White attended as nominated substitute.
- 5.3 The Council entered into a partnership with Ipswich Borough Council (IBC) and Suffolk Coastal District Council (SCDC) in October 2007. This provided for the sharing of a Service Manager, with some temporary arrangements made 'in-house' to cover for the loss of full managerial support.
- 5.4 Although limited to the shared post, it was conditional on Babergh's involvement that partnership working be further developed, and as part of this a Consultant (Tribal Helm) was instructed to prepare an outline business case to consider options for more integrated working.

- 5.5 The outline report was delivered in January, and following several meetings with the Consultant a final, acceptable report was presented to the Management Board earlier this month.
- 5.6 It is crucial that Babergh is able to make a decision on any recommendation before the end of September, as the current partnering agreement requires 6 months notice from either partner should they withdraw. Current temporary contractual arrangements need extending should the partnership continue beyond March 2010.
- 5.7 It has been acknowledged that this condition is unnecessarily restrictive, and this matter is dealt with by the Board's recommendation 2.1 (2.1 a) above).
- 5.8 Tribal Helm's business case concluded that a stand alone service was viable, this being established under section 101 of the Local Government Act 1972, governed by a formally constituted Joint Committee. Outsourcing to the private sector was dismissed on Counsel's advice because of concerns around transfer of statutory enforcement functions. An alternative Lead Authority approach was also evaluated, but not felt to provide the right level of governance.
- 5.9 However, although a clear recommendation has been proposed, the Board did not believe that a fully convincing case had been made. Concerns related to:
- High implementation costs of £200,000
 - Payback period of at least 4 years
 - Presumption of increased income
 - Uncertainty prevailing around LGR
 - Estimates relating to alignment of terms and conditions of staff
- 5.10 At its meeting of 3 July, the Board considered in full the detailed report from the consultants. Whilst acknowledging that the recommendation to create a service under the powers specified in section 101 of the Local Government Act was a reasonable and valid conclusion, the Board was of the view that a robust case was not made particularly in relation to the present economic climate. However, it was also considered that some of the financial detail should be revisited and the concept of a Section 101 Joint Committee governed service should remain as a longer term target. On this basis the Board has made its recommendation 2.3 (2.1 c) above) that this be further investigated.
- 5.11 The Board remains committed to the continuation of the partnership, and also concluded that under the existing arrangement the following improvements to the partnership should be pursued:
- Rationalise/centralise relevant functions i.e. administrative processes.
 - Single contact point for general enquiries and advice.
 - Standardise policies, procedures and working practices.
 - Joint staff training and trade seminars.
 - Phase in flexible 'cross-boundary' working.
 - Develop commercial, income generating work – plan vetting, energy surveys etc.
 - Share large project responsibilities – recruit and retain specialists to work across the partnership.
 - Wider utilisation of skills present in one or more teams to service partner authorities.

- Joint provision of 'non-fee earning' duties such as dangerous structures – particularly out of hours provisions.

These matters, together with the potential to extend the number of partners are reflected in the final recommendation 2.1 c) ii) above.

6. **APPENDICES**

Appendix 1 - Building Control Partnership - Delivery of Building Control Services in Partnership.

7. **BACKGROUND PAPERS REFERRED TO:**

A Business Case to Establish the Viability of a Stand-alone Building Control Unit
Tribal Helm May 2009.

CONTACT: Malcolm Firth **EMAIL:** Malcolm.firth@babbergh.gov.uk
Head of Natural and Built Environment

BUILDING CONTROL PARTNERSHIP

FROM: Building Control Partnership Board **REPORT NUMBER**

1. Agenda item 4

TO: Partnering Authorities

DATE OF MEETING: 3rd July 2009

HEADING : Delivery of Building Control Services in Partnership

1. **PURPOSE OF REPORT**

- 1.1 To present the Board with information regarding the preparation of a Business Case for better partnership working and to consider the outcome of the report produced by Tribal Helm, the consultants engaged to undertake the exercise.
- 1.2 To agree a recommendation by the Board for formal consideration by each partnership authority as appropriate.

2. **RECOMMENDATIONS**

- 2.1 That the current partnering agreement remains in place up to the end of March 2011, and be subject to 3 months notice from any party.
- 2.2 The Board discount the recommendation of a stand alone service at the present time, as recommended in the Business Case submitted by Tribal Helm on the following grounds:
 - i) Estimated implementation costs are high in relation to the current economic situation faced by all partners,
 - ii) Although payback is estimated after 4 years, this is dependant on a 5% growth in income, against a current declining trend.
- 2.3 That further investigation of partnership working in Building Control towards a more fully integrated service operating across the three authorities be supported and recommended to the partner Councils, by:
 - iii) further detailed consideration of a lead authority and/or Joint Committee arrangement in accordance with S101 of the Local Government Act 1972, which addresses the concerns expressed in 2.2 i and 2.2 ii above
 - iv) continuing development, in the meantime, of improved partnership opportunities within the existing service framework of three or more constituent authorities.

3. **FINANCIAL IMPLICATIONS**

- 3.1 The Tribal Helm business case report presents a range of options, identifying varying associated costs including implementation, accommodation, redundancy, alignment of terms and conditions. This identifies significant set up costs and a best-case scenario that sees a payback after 4 years.

- 3.2 Significant financial impact on potential savings arises from increase in staff costs and a projected income increase of over 5%, this latter figure being identified despite a current decline in applications and a suppressed building market. However, pursuing other initiatives such as seeking out contracts with local agents for such services as plan vetting, providing training courses both for officers and trade representatives, expanding commercial energy efficiency work etc could serve to increase income and offset future costs, which otherwise may not be practical outside the partnership.
- 3.3 In summary, the Business Case preferred option identifies a requirement for ‘front-end’ costs of just over £200,000 with subsequent annual savings of nearly £60,000 per annum, proposing a payback period of 4 years.
- 3.4 Continuing the present partnering arrangement with a joint Service Manager will maintain costs for each Council. Savings can be achieved through each Council identifying efficiencies within its own Building Control Team. Opportunities will arise through staff turnover and retirements etc. The cost to each Council in 08/09 as a contribution to the joint manager was £22,250.

4. **RISK MANAGEMENT**

The risk matrix previously identified in support of a continuing partnership remains relevant:

Risk Description	Likelihood	Seriousness or Impact	Mitigation Measures
Significant loss of work to private sector	Significant	Critical	Enter into a partnership with one or more Councils to increase resilience of service
Loss of qualified and competent officers to the private sector	Significant	Critical	Forming a partnership will help ensure that a ‘critical mass’ of qualified and experienced officers are available
Inability to recruit suitable officers	Significant	Critical	Formation of a partnering service will prove attractive to potential employees, offering a wide variety of work, opportunities within the organisation, good personal development and training. Reduces the movement between local Councils of current employees.

One or more partners choose to leave partnership.	Low	Critical	Minimum notice period required by partnering agreement. Continued negotiations with other Councils to expand partnership further reduces likelihood/impact.
Local Competition develops and makes significant impact	Low	Critical	A resilient presence of a strong and active partnership will mitigate likelihood. A larger unit covering the area will be more robust and economical should demand for service decline.
Failure to increase fee income by target amount	Low	Marginal	Current budget available to meet increased costs within first year.
Entering into partnership undermines the current standards of the service	Low	Critical	Partnership to be managed by Babergh's current Building Control Manager. All existing performance standards should be maintained. Backfilling to ensure adequate resource.
Investigation into a more integrated service proves this an unattractive solution	Low	Marginal	Continue with sharing joint manager, or withdraw giving appropriate notice.

5. **KEY INFORMATION**

- 5.1 On agreement between Babergh, Ipswich and Suffolk Coastal of a partnership approach to the management of building control services, in October 2007 Babergh's Building Control Manager assumed the role of partnership manager for all three BC teams. Although there were no immediate financial benefits for Babergh, but no increased costs for the existing partners, it was agreed that this opportunity be taken, consideration being given to:

- A desire to develop partnerships – Pathfinder was then the guiding principle
- A recognition that a partnership could provide resilience for the three councils at a time when recruitment was difficult
- Economies of scale – joint training, use of specialists, shared services
- Counter to the threat of private sector market loss
- Ability to develop and enter into fee earning arrangements ie plan vetting
- Providing a basis for further development of the partnership as possible stand alone service provider

5.2 In the summer of 2008 a brief was prepared for recruitment of consultants to assist in the production of a detailed business case relating to the further development of the partnership beyond the sharing of a manager.

5.3 A contract was let in October 2008 to Tribal Helm, who had demonstrated sound experience of business case preparation and also relevant experience of work in building control services. Working with the Partnership Manager, carrying out consultations with staff and stakeholders and drawing on previous experience, an outline business case was produced in January 2009.

5.4 This analysis was informed by the partnership expressing a preference in the brief for a 'stand alone' service, that being an arms length self-contained operation that would provide services to the three partnering authorities. Whilst other options were presented, the report concentrates on how a stand-alone unit might be best delivered, and the cost impact, including payback period.

5.5 The Business Case largely concentrated on the ways and combinations that were apparent for the delivery of the stand-alone service, such as the impact of separate office accommodation vs use of existing facilities, retaining satellite offices vs centralisation, application of efficiencies, reduction in staffing levels etc. The following table summarises the broad options:

Operating Model	Advantages	Disadvantages;	Initial Cost £	Payback Years
<p>Stand Alone Unit - Joint Committee This involves pooling budgets and resources into a single service under one management team with a joint steering committee established under Section 101 of the Local Government Act 1972. The Joint Committee comprises representatives from the three partner councils in equal numbers (elected members and Council officers). The Committee performance manage the joint unit (in terms</p>	<p>Standard processes, systems and consistency in service / customer experience. Retains public sector ethos and public accountability. Authorities are represented and retain control through Joint Committee. Brings the service into a single unified management structure. Eliminates artificial geographical boundaries improving work management, building capacity and resilience. Platform for standardising / improving processes, common systems and</p>	<p>Cannot employ in its own right May be a limited ability to trade in new services. Recruitment policy must still operate within the confines of the local authority policies.</p>	203,500	4

<p>of both finance and quality), sets targets and reviews for its future development, and also determines the extent to which any financial surpluses are distributed to the partner authorities, retained for reinvestment, or paid to staff by way of performance related pay.</p> <p>The committee is also the mechanism by which changes in processes are introduced to the partner authorities to take account of changing processes and systems in the new service.</p>	<p>practices. Enables consistency for customer experience.</p> <p>Increased flexibility to improve scope for recruitment and retention. Via standardisation of terms and conditions.</p> <p>Exceeds the critical mass needed to compete with the influx of the private sector.</p>			
<p>Stand alone unit - Lead Authority Delegation of functions under section 101 LGA 1972 One authority (usually the significantly largest authority) manages delivery on behalf of the other local authorities. The relationship and service levels are set out in a legal contract with Service Level Agreements (SLA's). Within this model staff could move into the host authority via secondment or under TUPE arrangements.</p>	<p>It brings together the service into a single management entity under a unified management team. Standard processes and systems, consistency in service and customer experience, and builds capacity and resilience in service delivery. It avoids building alternative support services arrangements (e.g. for ICT, Finance and HR)</p>	<p>Commercial development limited to appetite of lead authority, and any commercial benefits may not be shared across the three authorities. Recruitment policy must still operate within the confines of the local authority policies. May engender ill feeling, or loss of control by the delegating authorities (viewed as a takeover rather than a merger). Potential political issues. Tends to work best where there is a failing authority /service that requires an immediate turn around, which is not the case with any of the three councils. Perceived loss of focus and accountability of a local service by customers as it is now being delivered by another Council.</p>	203,500	7 years
<p>Stand Alone Unit - External Private sector service provider Service delivery is provided through establishing and /or contracting to a private</p>	<p>Able to employ in its own right, and adopt a more commercial approach to recruitment and staff management. Standard processes, systems and</p>	<p>Potential loss of public accountability as the duty is to the company, not to the Councils.</p> <p>A private company would give rise to additional</p>	Tendered Contract Cost – not evaluated	

<p>sector service provider. Typically a long term relationship where many of the exiting employees (through TUPE) and assets transfer to the service provider.</p>	<p>consistency in service / customer experience. Brings the service into a single unified management structure. Eliminates artificial geographical boundaries improving work management, building capacity and resilience. Platform for standardising / improving processes, common systems and practices. Enables consistency for customer experience.</p>	<p>administrative responsibilities relating to VAT and corporation tax implications</p> <p>The company may not have a guaranteed workstream from the councils. This could however, be addressed by a contract.</p> <p>Benefits derived from the exploitation of commercial opportunities may not revert to the councils (contract dependant).</p> <p>Councils may not have powers to provide support services to the company once established (e.g. ICT/legal/finance) as services can only be provided to a "public body" or for discretionary services pursuant to an enactment.</p> <p>The private company may need to secure its own premises in line with the above.</p> <p>Some of the Statutory Building Control Functions cannot be delegated to the private sector.</p>		
<p>Do Nothing (Status Quo) Continue with current as-is organisation structures. Tripartite partnership operating with a shared manager.</p>	<p>Already adopted this model, shared partnership manager working to foster knowledge sharing and encouraging councils to assist each other where / when possible. Requires no additional financial outlay as already established. Avoids upheaval and staff management issues associated with any restructuring. Changes are not implemented in an economic environment which is particularly uncertain.</p>	<p>Does not provide mandate to share resource and work across district boundaries, which results in restricted collaboration and information sharing. Does not address capacity and resilience issues. Knowledge of salary differentials and potential vacancies may make it very difficult to retain staff and engender collaborative working. Does not organisationally support service</p>	<p>Neutral</p>	<p>Could exploit opportunities for income generation</p>

		improvements. Does not seek to address future decline in income levels.		
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- 5.6 Of these options, the Consultants were quick to dismiss the outsourcing/private sector solution, citing counsel's opinion as sought by Westminster City Council in consideration of a similar proposal. This is based on the perception that the partnership cannot transfer certain statutory functions or delegated authority. This advice has been accepted at this stage, but there is a view that it is open to challenge, or there are practical solutions.
- 5.7 The Business Case then has focussed on the 'stand alone' unit, identifying two potential ways of doing this – Joint Committee (S101 of the Local Government Act 1972) or Lead Authority. The distinctions are outlined in the table above, but in any event a 'host' authority is required. In the former case that authority provides the central support services on behalf of a joint committee, it is the Committee which exercises decision-making, policy and standards, whereas in the latter case the lead authority employs staff and provides the service delegated to it through a Service Level Agreement (SLA) or similar specification.
- 5.8 Despite the detail contained within the Business Case, and having met with the consultant and requested revisions on three occasions, Officers remain doubtful about the robustness of the report, particularly in light of the present economic situation, Officers have remained concerned that, although the original brief to consultants identified a preferred option, the business case does not fully challenge the alternatives in a convincing way, and there remains certain inconsistencies within the report. Those main areas of concern are:
- Presumption that terms and conditions must equate to the highest partner's.
 - Staff savings
 - Redundancy payments
 - Increased revenue/income
- 5.9 Notwithstanding, there is evidence that an integrated service along the lines of the options identified could give rise to operational cost savings in excess of £60,000 per year. Accepting the likely set up costs, it will be four years before any return on an initial investment will arise, and this depends on an economic upturn ensuring that construction levels at least return to 07/08 levels.
- 5.10 The Board will wish to consider whether or not there is a significant distinction between the two stand alone solutions – Joint Committee vs. Lead Authority. Although the latter is not recommended by the Consultant, on examination of the financial breakdown, the only significant difference arises from estimated income. It is unclear from the report why the figures vary.
- 5.11 The assumptions as identified in 5.8 above could be directly countered as follows:
- **Adopt lowest terms and conditions**
Custom and practice has generally seen alignment upwards. A reverse of this approach removes an obvious incentive and 'buy-in' by all staff, means a significant number face poorer T&Cs which could cause unrest and loss of good staff, may present future recruitment and retention challenges and result in a loss of 'good faith' by remaining staff.

- **Secure more or fewer staff savings**
Staff savings arise from loss of 2 manager grades and 3 admin support staff. This initially seems to conflict with the desire to retain experienced and competent staff, as management levels in BC also tend to retain an operational workload. No detailed assessment of a desirable staffing structure was made, such an approach may identify more/less or different savings.
- **Redundancy Costs**
Since the report was finalised some natural wastage has occurred within the partnership, and posts will be left vacant in the short term. Further opportunities may arise that reduce any payment obligations, thus this estimated figure could be reduced.
- **Income**
The financial assessments assume a 2.5-5% increase in income. The final report identifies this increase as a 'mitigation' against a potential 30% reduction in current income, but argues this is being faced anyway, irrespective of partnering arrangements. This remains as a high risk 'unknown'.

5.12 A final, but not critically analysed option is to commit to the partnership on the basis of 'status quo' – continue with the joint manager, but with a specific brief to develop partnership working further to identify efficiencies, savings and income generating opportunities for all partners. In this case, each authority retains responsibility for the 'core' building control business within its district. The partnership then develops some or all of the following initiatives:

- Rationalise/centralise relevant functions ie administrative processes
- Single contact point for general enquiries and advice
- Standardise policies, procedures and working practices
- Joint staff training and trade seminars
- Phase in flexible 'cross-boundary' working
- Develop commercial, income generating work – plan vetting, energy surveys etc
- Share large project responsibilities – recruit and retain specialists to work across the partnership.
- Wider utilisation of skills present in one or more teams to service partner authorities.
- Joint provision of 'non-fee earning' duties such as dangerous structures – particularly out of hours provisions.

5.13 In considering these matters, Board members need to be aware of critical milestones. In agreeing to the original Partnering Agreement, Babergh's members requested that a review of the partnership take place, and confirmed internal contract arrangements for 18 months. There is therefore a need for Babergh representatives to report to members before the end of September, as that is the last date when notice must be given under the partnering agreement, should the current arrangements not continue after March 2010. Arrangements can then be made as necessary to confirm or amend contracts. LGR is also an issue, with the expected announcement from the Boundary Committee on 15th July, followed by a period of consultation running into September. The Govt. is still committing to an April 2011 start, and this could influence or affect any implementation plan.

6. **BACKGROUND PAPERS REFERRED TO:**

A Business Case to Establish the Viability of a stand alone Building Control Unit Tribal Helm May 2009

CONTACT: Malcolm Firth

DIRECT LINE: 01473 825883