

REPORT TO CABINET

REPORT OF: Property Development Manager

REPORT NO: PD017

DATE: 10 March 2014

TITLE:	Building Control Partnership	
KEY DECISION OR POLICY FRAMEWORK PROPOSAL:	Key Decision	
PORTFOLIO HOLDER: NAME AND DESIGNATION:	Cllr M Taylor. Portfolio: Strategic Resources- Well Run Council	
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INITIAL IMPACT ANALYSIS: Equality and Diversity	Carried out and Referred to in paragraph (7) below	Full impact assessment Required:
FREEDOM OF INFORMATION ACT:	This report is publicly available via the Your Council and Democracy link on the Council's website: www.southkesteven.gov.uk The appendices to the report contain information which is exempt from publication in accordance with paragraph 3 of schedule 12A of the Local Government Act 1972(as amended) because it relates to the business affairs of the Council and the public interest in maintaining the exemption outweighs the public interest in disclosing the interest	
BACKGROUND PAPERS	None	

1. RECOMMENDATIONS

1.1 It is Recommended that Cabinet accept South Kesteven District Council being the lead authority for the delivery of Building Control services for the joint authorities in partnership with Rushcliffe Borough Council (RBC) in accordance with the terms set out in this report and;

1.2 That Cabinet delegate authority to the Director- Corporate Focus in consultation with the portfolio holder for Strategic Resources - Well Run Council to enter into the legal Agreement setting out the terms of the partnership shared service with RBC prior to the commencement of the partnership arrangement.

2. PURPOSE OF THE REPORT

2.1 This report presents the basis of the detailed business case for a shared Building Control service with RBC. The service will be based at South Kesteven District Council in terms of the management and support services as SKDC will be the host authority.

2.2 The business case aims to deliver a joint Building Control service hosted by a lead Authority (SKDC) in order to provide a more resilient service for each Council, a better service for customers, a reduced burden on each Authority's general fund and to provide a platform for a different delivery vehicle going forward. Given current circumstances and the need for a stable position and the availability of efficiencies in year one the delegated service approach through partnership is the favoured option.

2.3 The business case has looked at the opportunity to transform the service through a full partnership delivery approach with RBC. This approach has benefits, particularly in the resilience of the service delivery, use of shared processes and provides additional potential for further savings which would be shared between the two councils as set out in the report.

2.4 This report therefore presents a recommendation for the future delivery of this service with a phased approach to providing a joint building control service initially with RBC but with the aim of inviting other partners to join later.

2.5 Cabinet is requested to consider and approve this approach based on the business case presented.

3. DETAILS OF REPORT

3.1 Background

The service already shares a manager with RBC and the two councils entered into a Joint Reciprocal Working Agreement from 01 July 2013. The development of the business case has therefore been undertaken in partnership with RBC.

3.2 Income levels have declined in the SK district over the last few years (see exempt appendix A). Firstly the recession and down turn in the construction industry restricted demand for the service and more latterly Approved

Inspectors have been working harder in their efforts to secure work previously of little interest to them, which has also taken its toll on fee income.

- 3.3 Regulations require the BC account (fee earning) to be balanced over a three year period, with a declining market the only option available to facilitate this is increasing charging (hourly rates.) Whilst this tool has been used to some degree demand is elastic and therefore the pricing model adopted can constrict market share even further.
- 3.4 It should also be noted that the non chargeable element of the service has “grown” which has resulted in extra cost being borne by the General Fund. In times of reducing government grants and cuts to Council services this is a trend that must be controlled and ultimately reversed.

The Building Control service is essentially split into three service delivery channels.

- a) Building Regulations “chargeable activities” for which customers can be charged a fee (Note: the current powers to make charges are very prescriptive, and only empower Councils to set charges at a level to cover actual costs. (Councils cannot budget to generate a surplus)
- b) Building Regulations “non chargeable activities”, which need to be funded through Council Tax as the legislation specifically states they can’t be charged for e.g. dealing with applications relating to works for disabled facilities, advice generally to the public, inspections to identify unauthorised building work, etc.
- c) Other Building Control services – dealing with dangerous buildings, street naming and numbering etc. (Unless directly related to the building regulations service, in which case these will be treated as non-chargeable activities)

3.5 **Advantages of a service delivered in partnership with RBC**

The business case explains how working in partnership with RBC to provide a single Building Control service will deliver the following advantages:

- Reducing costs through economies of scale.
- Providing a consistent level of service delivery to improve customer satisfaction;
- Provides a more attractive prospect for recruitment and retention of professional staff, and areas of expertise and excellence can be shared;
- Improves the ability of the service to compete with 'Approved Inspectors'; over a larger geographical area.
- Enhances the flexibility of the service to cope with future pressures better;
- Provides the opportunity of extending the shared service across the East Midlands as opportunities arise.

3.6 **Legal/Governance**

- 3.6.1 The business case and legal agreement identify that a Partnership Board would be set up consisting of Officers from each Council. The Board will oversee the

operations of the Service and to ensure that the interests of each individual Council are upheld. The Council's Building Control Manager will report to the board regularly on all matters, including financial, operational and performance. All decisions will be subject to South Kesteven District Council's procedures as lead authority.

3.6.2 The Legal agreement is currently being drafted and, subject to Cabinet's of the joint Council's agreeing to the Building Control partnership, will be completed for signing as stated in the recommendation.

3.6.3 RBC will present a similar report to their Cabinet shortly after the SKDC Cabinet meeting. This is likely to be on 11/03/2014, that report will see RBC contract their service to SKDC.

3.7 Financial Appraisal.

3.7.1 The Partnership Board will oversee the financial plan and would be responsible for relevant financial decisions such as fee setting, service investment and potential cost/ surplus distribution between the Councils. However, all decisions would be subject to SKDC's Financial Procedures, Standing orders and delegations.

3.7.2 Although both partners objectives are slightly different, RBC wish to improve the customer offer and make the service resilient going forward to ensure that all of the services statutory responsibilities continue to be managed appropriately. Sharing of BC officer and manager resource would enable RBC to achieve this. Whilst SKDC are looking for improvements in these areas a major focus is to balance the trading account in the short term and to reduce the impact on the council's general fund. Again sharing of resources and reduce overheads will be key to achieving this objective.

3.7.3 The detailed financial analysis for year one of the partnership is shown in exempt appendix B.

3.7.4 Subsequent year's financial performance of the partnership will be expressed as stated objectives in relative performance against the year 1 forecast against which the Partnership board will make decisions on financial management. The overriding objective will be a continuation in reduction of the impact of the service on the joint council's general fund. [Initial 3 year projections have been done, however the income generation element of the service is volatile and such projections are difficult.]

3.7.5 Different options around the split of the costs for the non fee earning element of the work have been considered; population, existing split, future split if the two teams remained stand alone etc. However the more complex the initial arrangements are may well be a barrier for others to join the partnership. It is suggested that a straight forward 50:50 split would be the best initial way forward. This should be supplemented by a management fee, which will cover extra admin costs etc, payable by RBC (and any other joining partner) to SKDC. Current modelling leads both Councils to believe that this will still release a saving for both parties at the outset. *The exact amount of that management fee will determined once the final business case financials have been agreed.*

3.7.6 There will also need to be a one-off payment from RBC to the new partnership estimated at circa £80k (to be confirmed by RBC) to cover building control fees already received in 2013/14 in advance of work being completed in 2014/15 which will be met from Rushcliffe's anticipated year-end under spend.

3.8 Human Resource implications

3.8.1 It was initially proposed that from 1 April 2014 RBC staff's employment will transfer to South Kesteven District Council under TUPE and they will continue to work as part of the Building Control joint service partnership.

3.8.2 The rationale for the transfer to SKDC was based on the outcomes of the joint service review in that Grantham was perceived to be a better geographical location to develop a wider partnership over time and the cost of operating the service with SKDC as the host authority were lower than RBC.

3.8.3 An interim Building Control Business Manager (BCM) would take responsibility for the strategic management of the combined service with particular attention being paid to providing and maintaining resources against demand for the service, eg. Finance, IT systems, human resources, Marketing and business development. The BCM will report to the Partnership Board on a regular basis.

3.8.4 However, due to key staff leaving the SK service, the current manager retiring and an initially unsuccessful recruitment process it is now considered that the 1st April date is not achievable. In order for the future management arrangements to be concluded it is now believed that the staff transfer process should happen at the end of 2014/15 quarter one being 30th June 2014.

3.8.5 Under the TUPE regulations we are required to consult with RBC staff on any changes we wish to make to their working arrangements at the point of transfer, these are known as measures. Details of these are contained at Appendix C.

3.8.6 Consultation with RBC staff commenced on 10 February 2014 and concluded on 28 February 2014 Under TUPE regulations the current RBC staff will transfer on their existing terms and conditions.

3.8.7 The combined staff cohort will consist of the structure set out in the exempt Appendix D.

3.9 ICT

3.9.1 The two Councils operate different IT systems and it is recognised that it would be more efficient for one computer system be used by the partnership service. However, until this is achieved two separate systems will operate. RBC Building Regulations applications will be registered on their Uniform system and SKDC applications on the APAS system. Both systems will be updated separately with inspection records, certificates, etc. This will allow SKDC full access to relevant Building Control records. RBC will maintain the Uniform system and SKDC will maintain the link. Any problems will be reported through the SKDC 'help desk'.

3.9.2 ICT will be hosted and maintained by SKDC as lead authority once migration to a single platform has taken place.

Because of the issues highlighted above we have looked at what will be in place on day one of the partnership and a vision for the first 6 to 12 months of the partnership.

3.9.3 Day 1

Administration officers at RBC will be provided with remote access to SKDC software application (APAS).

Joined up telephony. RBC admin staff and officers will be provided with SKDC configured phones. This will work from a broadband line installed by BT at RBC's main office at West Bridgford, NG2 5FE.

All RBC Building Control officers will be provided with a SKDC configured mobile phone.

Staff using RBC equipment and accessing their IDOX document management system will be locally supported by RBC.

RBC admin and BC Officers will have an SKDC email address and access to this remotely and at RBC Office. There will be a link from SKDC to RBC for access to the IDOX system for reporting Partnership issues around the location and management of data by RBC on behalf of partnership.

3.9.4 Vision for 6/12 months;

All the BC Officers and admin team operating from one system with reduction in licence fees. To achieve this an option analysis will be carried out to consider potential models including;

- A RBC hosted system on behalf of the partnership with a 'cost of service'
- A SKDC hosted system (one of Idox, Swift or a new system)
- An externally hosted system in the cloud
- ICT support being delivered by SKDC and all staff operating on SKDC based equipment.
- Agile working for all staff with appropriate devices to access information from flexible locations whilst in the office and remotely whilst on site.

3.10 Property/ location implications

3.10.1 The space occupied by SKDC existing service will be consolidated to a single office as part of our move to agile working. The administration team will be located in the same office as the Building Control Officers to enable closer team working and resilience around call answering etc.

3.10.2 Initially the RBC administration team and technical officer will remain at RBC's offices. However this will be kept under regular review and at the earliest opportunity they will be relocated to SKDC's Grantham office to realise the efficiencies of a centralised administration function.

3.10.4 At RBC's main office there will be 2 permanent desks for the BC Officers once the administration function has been centralised to Grantham at RBC.

3.10.5 BC officers will be required to operate more flexibly from the start of the partnership at RBC and SKDC enabled office locations and in the field.

4. OTHER OPTIONS CONSIDERED

A recent service review looked at a number of potential future "model" options that could be used to take the service forward.

- a. Remain in house but with an agreed service improvement plan
- b. Form a working partnership with another Local Authority (most likely each other)
- c. Form a partnership/joint venture with a private organisation (Acivico was identified as an example for initial appraisal purposes)
- d. Outsource the fee earning part of the service and keep only those functions where a statutory responsibility exists - mixed delivery model
- e. Form a new organisation - Mutual (or similar legal entity) to deliver the service
- f. Total outsource to a private sector provider

5. RESOURCE IMPLICATIONS

The current joint Service Manager will retire from RBC on 31 March 2014. A recruitment process has been undertaken to appoint an interim Building Control Business Manager for a six month period to oversee the transition of the service to a joint delivery arrangement. It is intended the post will be recruited to on a permanent basis once the initial transitional arrangements have been embedded. The focus of the manager's job role is on the commercial, marketing and business development aspects of the service rather than the more traditional approach of technical expertise focused management of recent years.

SKDC numbers at SK have reduced by one senior Building Control Officer in May 2013, one Building Control Officer in December 2013 and a Senior Building Control Officer in January 2014. This is as a result of individuals resigning from the service.

The service is currently staffed with two Principal BCO's, one Senior BCO and a BCO together with 2.3 FTE admin support staff. RBC currently has 5 BCO's at various grades and 2.4 FTE admin support staff and a BC Technician. Please see section under staff for details of the proposed TUPE transfer of RBC's staff to SKDC.

6. RISK AND MITIGATION

Risk has been considered as part of this report and any specific high risks are included in the table below:

Category Risk	Action / Controls
Partnership operates at loss as income falls below target	Accounts kept under review by Board. Business case is based on a realistic income forecasting. Increase income from higher fees.
Insufficient allowance made for running costs	Current estimate is based on existing budgets and the Managers experience. Monthly budget monitoring and reports.
Late start to shared partnership service delivery	Project management. Each Council absorbs any deficits arising prior to partnership service launch, with income targets reflecting seasonal profiles.
Recruitment of an Interim Manager from within the service fails and TUPE transfer and changes to contracts cause de-motivated staff.	Run process before current manager retires. Have alternate plan in place for management arrangements if recruitment not successful. Early and open TUPE consultation. Listening and flexibility. Trade Union and HR involvement.

7. ISSUES ARISING FROM IMPACT ANALYSIS

None arising from this report

8. CRIME AND DISORDER IMPLICATIONS

None arising from this report.

9. COMMENTS OF FINANCIAL SERVICES

A business case has been prepared which demonstrates that the Building Control Partnership should deliver savings and efficiencies to both authorities over a period of time. The model at Appendix B shows that both Councils General Fund expenditure should reduce in 2014/15 if the expenditure and income incurred is in accordance with the modelling predictions. There will also be a management fee for South Kesteven District Council that reflects the operational costs of hosting the service. These fees should reflect both direct and support costs the Council will incur. Any surpluses obtained from the trading activity of the service will need to be offset against the trading deficit that is currently forecast to be £100K.

10. COMMENTS OF LEGAL AND DEMOCRATIC SERVICES

S.101 of the Local Government Act 1972 permits a local authority to discharge the functions of any other local authority. This legislation also permits two local authorities to discharge their functions jointly. This can be done by officers of one of those authorities. The proposals in this report anticipate a partnership arrangement between two authorities whereby the building control service is provided by this Council for this authority and for Rushcliffe Borough Council.

The Partnership agreement must establish the process for delivery of the service. It will set out the rights and obligations of the authority delivering the

service and the authority receiving the service. Funding arrangements will be established and provision will be made for the arrangement to be terminated.

11. COMMENTS OF OTHER RELEVANT SERVICES

None received.

12. APPENDIX:

The appendices to this report contain information which is exempt from publication in accordance with paragraph 3 of schedule 12A of the Local Government Act 1972(as amended) because it relates to the business affairs of the Council and the public interest in maintaining the exemption outweighs the public interest in disclosing the interest.