

# Gloucester City Council

<b>Meeting:</b>	<b>Cabinet Briefing</b>	<b>Date:</b>	<b>05<sup>th</sup> January 2015</b>
	<b>Cabinet</b>		<b>28<sup>th</sup> January 2015</b>
<b>Subject:</b>	<b>Proposals for a Building Control shared service</b>		
<b>Report Of:</b>	<b>Cabinet Member for Regeneration and Culture</b>		
<b>Wards Affected:</b>	<b>All</b>		
<b>Key Decision:</b>	<b>Yes</b>	<b>Budget/Policy Framework:</b>	<b>No</b>
<b>Contact Officer:</b>	<b>Ruth Silk, Business Improvement Officer</b>		
	<b>Email: ruth.silk@gloucester.gov.uk</b>		<b>Tel: 01452 396712</b>
<b>Appendices:</b>	<b>1. Business Case</b>		
	<b>2. Staffing structure- existing and proposed</b>		
	<b>3. Finances</b>		

## 1.0 Purpose of Report

- 1.1 To provide the background and rationale underlying the proposals to form a Shared Building Control Service between Gloucester City Council and Stroud District Council.
- 1.2 Authority is also sought to agree to the creation of a Shared Building Control Service with effect from 1 April 2015 between Gloucester City Council and Stroud District Council with Stroud District Council as Host authority, in accordance with the provisions of Section 101 of the Local Government Act 1972, Sections 19 and 20 of the Local Government Act 2000 and all other enabling powers.

## 2.0 Recommendation

2.1 Cabinet is asked to **RESOLVE** that:

- (1) The creation of a Shared Building Control Service as set out in this report be approved with effect from 1 April 2015 ("the Commencement Date) or such other date as is agreed between Gloucester City Council and Stroud District Council;
- (2) The Council's Building Control Function be delegated to Stroud District Council in accordance with the provisions of Section 101 of the Local Government Act 1972, and all other enabling powers ;

- (3) An Agreement under S101 of the Local Government Act 1972 (the S101 Agreement) be entered into with Stroud District Council;
- (4) Authority be delegated to the Head of Legal and Policy Development to negotiate and approve the terms of the S101 Agreement;
- (5) The transfer of staff to Stroud District Council as Host Authority from the Commencement Date on the terms set out in the S101 Agreement be approved;
- (6) A Shared Services Board involving the officers from each of the authorities be approved; and
- (7) the Monitoring Officer be authorised to make any consequent changes to the Council's Constitution to reflect the shared services arrangements and delegation of the Building Control service function to the appropriate officer at Stroud District Council.

### **3.0 Background and Key Issues**

#### Background

- 3.1 A report went to Cabinet and to Overview & Scrutiny Committee in September 2013, setting out the various service delivery options for Gloucester City Council's Building Control Service.
- 3.2 The report recommended that the Council agree the shared service option and open negotiations with Cheltenham and Tewkesbury Councils – an established neighbouring shared service whose Section 101 agreement was due for review in 2014. If not well matched, it was suggested that the Council should approach another neighbouring authority.

Cheltenham and Tewkesbury were unable to move this project forward within the timescales originally established so the Council approached Stroud District Council.

- 3.3 The service delivery options considered were:
  - 3.3.1 Keep the service in house and recruit into some of the vacant posts – this would depend on the type of service the Council wishes to pursue. If some posts were recruited into, there is an opportunity for the service to expand its market share with the potential to grow revenue by bringing in new business. However, the City Council would still have a small service which may not have the right skills set to deal with all areas of work and could leave itself open to challenge.
  - 3.3.2 Keep the service in house, recruit into some posts and restructure – amalgamate Building Control with Development Control (DC) with one service manager overseeing both services. Again, this would depend on the type of service the Council wishes to pursue. There would be no opportunity to bring in new business and expand the Council's market share, as the DC service is already at full capacity and under pressure, however savings could be realised by having one service manager.

- 3.3.3 Commissioning to outsource specialists – These are competition neutral and manage operations without taking Approved Inspector status. There are examples of a few authorities taking this route (for example Birmingham, Salford and Norwich), however none where there has been a stand alone Building Control Service, it has always been as part of a larger agreement.
- 3.3.4 Approved Inspectors - Approved Inspectors can be used to provide the building control service instead of the Local Authority; they are private businesses and must be licensed by the Construction Industry Council. They are in direct competition with the Local Authority's building control service. There is one example of a Local Authority implementing this option –however, it folded within 6 months and Local Authority Building Control (LABC) were preparing to take legal action as they considered that the local authority would not be fulfilling their legal obligations.
- 3.3.5 Mutual – This is generally owned, in whole or in part, by its employees and is often referred to as the 'John Lewis' model. The government is actively promoting mutuals across the public sector. However, the majority of successful case studies are within Health and Social care and there are no examples of a sole Building Control function transferring to a mutual. As a result, it is felt that the team is not sufficiently large enough to pursue this model.
- 3.3.6 Shared Service – This is a well established model of operation within Local Government for a building control service and has proved to be highly successful in delivering this function. Building Control has more shared service teams across the country than any other local authority function, with the exception of IT, and has proved successful on all measures. This type of arrangement leads to direct cost savings for all the authorities involved and can lead to closer working relationships and a more integrated form of working. It should bring some commonality of practices, both professional and administrative. By joining Building Control services with neighbouring authorities there are significant savings to be achieved from this model and if run correctly further savings and additional income streams could be realised.

#### Key Issues

- 3.4 Direct competition from private sector Approved Inspectors is growing fast with currently over 80 Approved Inspectors operating nationally. Unlike Local Authority Building Control services, they are not bound operationally within a geographic boundary and can operate anywhere within England and Wales, and are taking a larger market share.
- 3.5 Gloucester City Council were in negotiations with Cheltenham and Tewkesbury from September 2013, however these did not progress to the original timescales Gloucester were working towards and, due to a number of issues, it became clear this project was not going to make the required savings originally projected.
- 3.7 Gloucester has reviewed its service delivery options, with a shared service option still being the most favorable both from a financial position and from a service delivery view.
- 3.8 As confirmed at the Overview and Scrutiny Committee meeting in September 2013 and outlined in the City Council's Money Plan and Budget 2014/15

*'If the negotiations are unsuccessful, alternative shared services with other local councils will be considered and would be estimated to generate a similar level of saving'*

- 3.9 Gloucester has, over the past months, held talks with Stroud District Council, discussing service delivery and sharing service specific data. Further discussions with Stroud suggest there is a real desire to progress and develop a shared service with Gloucester.
- 3.11 Stroud are continually focused on reviewing their practices, streamlining their processes and scrutinizing service delivery, as well as making good use of technology and best practice.
- 3.12 Gloucester and Stroud are currently operating a successful Audit and Assurance shared service, with a proven track record. The feedback from this arrangement has been extremely positive.
- 3.13 Stroud has assisted Gloucester in recent months with its building control service delivery, to enable Gloucester to meet its statutory responsibilities. From the end of April 2014 Stroud has been carrying out the 'plan checking' function on Gloucester City Council's behalf and since September, Stroud's Building Control Manager has been supporting our service and staff.

#### **4.0 Reasons for Recommendations**

- 4.1 There is a clear business case for the shared service between Gloucester City Council and Stroud District Council. The key drivers are efficiency savings, additional resilience, strengthening the quality of service and enabling the Council to generate additional income.
- 4.2 This option will create a more robust and resilient service that offers the possibility of providing a stable, competitive and self-financing shared service arrangement.
- 4.3 The Building Control Service is difficult to recruit to from a relatively limited market of surveyors. This, combined with competition from the private sector, makes it increasingly difficult for smaller sized Local Authority Building Control services to deliver, and reduction in quality of service is a risk. This shared service would provide the opportunity to provide a larger, more sustainable service, enabling it to compete more effectively in the market, with the ambition to increase resilience, invest in staff and strengthen the service offer. Coupled with an effective marketing strategy, this will generate additional income to both authorities.
- 4.4 Both authorities provide a good quality service but Gloucester's Building Control Service has suffered over the past few years struggling with retaining and recruiting staff and having to rely on the use of interim staff. Stroud currently has a fully staffed service but has suffered from similar staff shortages in the past.
- 4.5 The shared service would be better able to recruit and retain a skilled workforce giving greater opportunity for career progression for the staff.

- 4.6 A shared service is an option that will improve efficiency and effectiveness and save money by reducing overheads, removing duplication and achieving economies of scale.
- 4.7 A shared service will enable Stroud and Gloucester to secure and maintain a local and reputable building control service which continues to deliver a quality and impartial provision to meet the current and future needs of its local communities.

## **5.0 Future Work and Conclusions**

### **5.1 Partnership Agreement**

- 5.1.1 A Section 101 agreement will need to be drawn up and approved by both parties. The scope of the services to be provided under the Section 101 agreement needs to be defined but would include:
- A self funded building regulation service
  - Statutory non fee earning services (including Building Control enforcement, the control of demolition work and dangerous structures)
  - Marketing / fee earning services
  - Other non fee earning services (including responding to local land charge enquiries, technical advice, liaison and support to other Council services such as Development Control and Environmental Health)
  - Out of hours response
- 5.1.2 A five year business plan for the service will also need to be developed and agreed. This will include start up costs and respective charges to all parties.

### **5.2 Information Technology / Website development**

- 5.2.1 Stroud and Gloucester both use Idox IT solution. This would need to be integrated, moving to a shared platform, which has the potential to make further savings in management, hardware, software and services and support costs. However, there will need to be investment by both parties as a single IT database and information system is critical to the future operational and business efficiency of the service, along with ensuring customer satisfaction when helping with enquiries.
- 5.2.2 An integrated website, using best practice from both authorities will need to be developed in order to simplify customer access to the service.

### **5.3 Branding**

- 5.3.1 Combining both services into a shared service arrangement will require a clear and recognisable branding scheme to be developed, that creates an identity for the service, projects a professional image and is one which customers recognise. This will need to include a proposed branding name and logo that can be used for marketing and promotional purposes. This will require careful consideration and agreement of both parties.

### **5.4 Opportunities to increase income streams.**

- 5.4.1 The shared service will need to understand its market share as there is potential to grow revenue. A business plan for market growth will therefore need to be developed and value added services selling surveyor skills in building consultancy promoted.
- 5.4 Continuous business improvement and development is essential to maintain and develop the business in a competitive environment. All of Gloucester's processes will be reviewed in line with Stroud's and streamlined to deliver an effective, efficient and consistent service.
- 5.5 Additional work.
- 5.5.1 A new fee structure will need to be developed to bring the authorities in line with each other.
- 5.5.2 A Marketing Strategy for the new shared service will need to be developed.
- 5.5.3 A new structure will need to be agreed and recruited into to ensure any additional income streams can be delivered. (See appendix 2)
- 5.5.4 A Project Team will need to be established for the implementation of the Building Control shared service.
- 5.5.5 A dedicated risk log will need to be set up for the monitoring the Shared Service to ensure that risks are identified and managed. In addition, specific operational risks will be identified and managed through the business plan process.

## **6.0 Financial Implications**

- 6.1 There are no savings to be made keeping the service in house and unless significant investment is made in the service it could still compromise the Council's position due to its lack of resilience. GCC carried out an options appraisal, considering 2 in house service options. These options were discounted as a result of the investment required for the resultant service size. As the in house service options would leave the Council with financial and reputational risk.
- 6.2 It is estimated that a shared service would need an initial investment from both authorities to integrate the IT system and for set up costs. The estimated costs are:
- IT investment of £30,000 to be shared equally between the two authorities
  - Section 101 agreement to be drawn up £5,000 to be shared equally
  - Recruitment of staff £3,000 to be met by Gloucester City Council
- 6.3 The proposed shared service is expected to deliver financial savings to both authorities. Further details of the level of savings are detailed in Appendix 3.
- 6.4 There will be a minimal hosting fee to be paid to Stroud District Council.

## **7.0 Legal Implications**

- 7.1 Under Section 91 of the Building Act 1984, the Council is under a duty to 'execute' the Act, including enforcement of building regulations, within its area. The charges that can be made by the Council for the performance by it of certain functions under the Act are regulated by the Building (Local Authority Charges) Regulations 2010.
- 7.2 In terms of procurement, the Supreme Court ruling on the Local Authorities Mutual Limited (LAML) case has confirmed that non-commercial cooperation arrangements between public authorities designed to share costs and pool public service tasks fall outside the procurement rules. However, if there is a desire for the shared service to offer public service to other authorities "for profit", this would be subject to the procurement rules.
- 7.3 Any agreement for the performance of the Building Control function needs to set out clearly what the governance arrangements are, together with precise terms as to what functions/services are to be delivered and by whom and any associated payments or charges. It is also prudent to agree from the outset how changes in income or expenditure will be shared between the parties to avoid any future misunderstandings.

## **8.0 Risk & Opportunity Management Implications**

- 8.1 There is a lack of resilience within the current service, which leaves itself open to challenge and the Council's statutory obligations remain compromised. By joint working, there is an opportunity to create a more robust and resilient business model with greater consistency and cost savings. The shared service would have the skill set to meet statutory responsibilities and secure future work as the service would be better placed to compete with Approved inspectors.
- 8.2 This service is the only statutory Council function that is in direct competition with the private sector, it cannot meet its statutory obligations indefinitely by relying on temporary staff. The options appraisal identified that a shared service would allow these obligations to be met and provide an opportunity to improve service delivery.

## **9.0 People Impact Assessment (PIA):**

- 9.1 The PIA Screening considered issues of discrimination for staff, service users, businesses and residents of Gloucester that could arise from this option.
- 9.2 The PIA Screening Stage was completed and did not identify any potential or actual negative impact, therefore a full PIA was not required.

## **10.0 Other Corporate Implications**

### Community Safety

- 10.1 None.

### Sustainability

- 10.2 None.

### Staffing & Trade Union

- 10.3 One member of staff from Gloucester City Council is affected, and would be transferred to Stroud District Council in accordance with the TUPE Regulations.