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3 July 2014

To: Chairman – Councillor Ben Shelton
Vice-Chairman – Councillor James Hockney
All other Members of the Partnerships Review Committee

Quorum: 5

Dear Councillor

This is a supplement to the previously published agenda for the meeting of **PARTNERSHIPS REVIEW COMMITTEE** on **WEDNESDAY, 9 JULY 2014**, containing those reports which had not been received by the original publication deadline.

Yours faithfully
JEAN HUNTER
Chief Executive

AGENDA

5. SHARED SERVICES

Attached is a report scheduled to be considered by Cabinet on 10 July 2014 with regard to a proposed shared service relating to Building Control. This is in addition to the report included in the original agenda pack regarding other proposals for shared services.

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Agenda Item 5



South
Cambridgeshire
District Council

Report To: Leader and Cabinet

10 July 2014

Lead Officer: Chief Executive

Shared Services: Building Control

Purpose

1. To seek the approval of Cabinet to develop a business case for a shared Local Authority Building Control Service between Huntingdonshire and South Cambridgeshire District Councils, including use of the South Norfolk mobile working solution, and to work towards an Eastern Region Building Control partnership arrangement.
2. This is a key decision because it is likely to result in the Council incurring expenditure which is, or the making of savings which are, significant having regard to the Council's budget for the service or function to which the decision relates. It was first published in the May 2014 Forward Plan.

Recommendations

3. That Cabinet approve:
 - (a) Option 1: To develop a business case for a shared Local Authority Building Control Service with Huntingdonshire District Council
 - (b) Option 2: For the business case to include a viability assessment of the IT solution developed by South Norfolk District Council
 - (c) Option 3: To work with interested local authorities from Cambridgeshire and Bedfordshire to develop a proposal for a Local Authority Building Control cluster to operate within a regional network supported by South Norfolk District Council
 - (d) Option 4: To work with South Norfolk District Council and other interested local authorities to develop a proposal for an Eastern Region Approved Inspector Company, that will interact with the Cambridgeshire and Bedfordshire Local Authority Building Control cluster.

Reasons for Recommendations

4. In May, South Cambridgeshire and Huntingdonshire District Councils announced a commitment to work towards a Strategic Partnership including for building control. This report sets out the work that has been done, and seeks approval to develop proposals for new working arrangements.

Executive Summary

5. South Cambridgeshire District Council (SCDC) has considered a Building Control shared service on a number of occasions, but this has not been taken forward due to competing priorities and the upfront costs associated with integrating IT databases, and developing mobile working. A shared Building Control service has been operating in Norfolk since 2004. South Norfolk District Council has secured DCLG Transformation Funding to develop a regional Building Control partnership. The proposed partnership will provide Local Authority Building Control Services (LABC), and also set up an Approved Inspector Company. South Norfolk has developed an IT system that will support mobile working with the intention that it be used by participating authorities working as clusters across the region.
6. SCDC and HDC have worked together with South Norfolk DC since May to formulate outline proposals for a shared Building Control service that would form the basis of a Cambridgeshire Bedfordshire cluster within the regional Building Control partnership. A Memorandum of Understanding has been signed by the three authorities.
7. SCDC has invited all local authorities in Cambridgeshire and Bedfordshire to enter into discussions with the aim of setting up a Building Control cluster, and held an introductory meeting.
8. This report seeks approval to develop a business case for a shared service with HDC, that would be part of a partnership with South Norfolk DC and use the mobile working and automated billing IT system. As a linked but separate project, approval is sought to work with local authorities across Cambridgeshire and Bedfordshire to develop a partnership Building Control service within a regional network.

Background

Service Characteristics and changes to the Building Control market

9. South Cambridgeshire District Council (SCDC) and Huntingdonshire Council (HDC) currently operate separate Building Control Services. Both services are well-regarded, but issues associated with small teams have arisen such as covering for holidays.
10. SCDC's service is provided by 6.8 FTE and Hunts 8.8 FTE (full time equivalent staff). The teams processed a combined total of 2390 applications in 2013/14 with a split of 1240 (52%) in Hunts and 1150 (48%) in SCDC. Both authorities have a similar profile of domestic and commercial applications and generated incomes of £406,000 (Hunts) and £337,625 (SCDC) in 2013/14 respectively. The services have identified that 18% (Hunts) and 42% (SCDC) of the building control work is being done by Approved Inspectors and limited capacity within the existing teams would make it difficult for these Building Control teams to service new growth generated by the local Plans.
11. Current financial regulations stipulate that Local Authority Building Control (LABC) services cannot make a profit and statute requires the services to deliver a number of functions, such as enforcement for which costs are not recoverable. In light of budget constraints there is a need to generally maximise efficiencies.
12. Customers requiring a building control service can choose whether to use the local authority or an Approved Inspector (AI) to advise on building regulations and carry out the relevant inspections.
13. The Localism Act (2011) makes provision for local authorities to operate elements of their services on a commercial basis, subject to certain restrictions. As a result, the

Building Control market is changing with a number of local authorities exploring how they can enter the AI market. Approved Inspectors are able to be profit-making, and have freedom to operate across wider geographical areas. If local authorities set up AI companies, profits could cross-subsidise other aspects of Building Control or other services.

14. There are a number of different AI models which are developing. South Norfolk District Council has developed and secured DCLG funding to support the development of a regional Building Control network including a Regional LABC and an Approved Inspector partnership. In parallel they are developing an integrated IT solution including mobile working and shared marketing material.
15. A LABC partnership has been operating in Norfolk since 2004. It is led by South Norfolk and includes Broadland, Norwich, Kings Lynn and West Norfolk. South Norfolk District Council is developing partnership arrangements with other local authorities in the eastern region. Currently Essex and Hertfordshire authorities are setting up shared service arrangements, with the intention that each county area will operate as a cluster in a regional hub and cluster arrangement to provide LABC and AI services. We have been asked to work with local authorities in Cambridgeshire and Bedfordshire to set up a cluster covering these areas, and invited the local authorities to an introductory meeting. South Norfolk DC intends to share some of the DCLG Transformation Funding with each cluster. A Memorandum of Understanding has been signed by South Norfolk DC, HDC and SCDC agreeing to share information and develop outline partnership proposals.

Considerations

16. As identified above, at a time of reducing budgets, shared service and commercially minded arrangements can offer an opportunity to sustain and improve the current levels of service.
17. Following the Cabinet decision in May 2014, HDC and SCDC have been exploring a number of service design options for delivery of a shared LABC service and in particular one which would meet the following objectives:
 - Maximise potential to generate income
 - Increase resiliency to drive competitiveness and enhance the customer experience
 - Creating efficiencies by maximising other shared infrastructure as well as IT
 - Maximise staff development opportunities

Service Design Options

Option 1: Stand Alone Shared Local Authority Building Control Service between Huntingdonshire and South Cambridgeshire

18. Our initial work together has identified that Huntingdonshire and South Cambridgeshire have commonalities in service delivery and culture which is advantageous in this context. Both have drive and enthusiasm to deliver high quality and efficient services, which are reflected in the shared objectives above. The alignment in strategic direction has enabled efficient working at this first stage in the project and will continue to provide a sound building block.
19. There are also differences, for example, the authorities use different IT operating systems. There are also differences in numbers of applications and the percentage of non-fee work.

20. Whilst preferable to a single service operating alone, the bringing together of two local authority services would not provide sufficiency resiliency for the LABC to maintain current market share within an increasingly aggressive Approved Inspector market. This presents a risk to both authorities in potential income reduction, placing additional pressure on the services when delivering their non-fee statutory services.
21. Additional investment in technology is essential to gain efficiencies required and would only be achieved by a mobile operating system. This would significantly reduce travel time and costs and to a lesser extent the need for people to provide some support services back in the office. The cost of the two authorities providing and supporting this type of system would be expensive and would exceed any other efficiencies which would be achieved by bringing two services together.

Option 2: Adopt South Norfolk mobile IT solution for the Shared Service

22. The Norfolk Building Control partnership has developed and implemented an integrated IT solution. This solution supports mobile working and allows on-line applications and automated billing. Surveyors are able to do their jobs without coming into the office every day: to collect their programmed site visits; and access and update records. There are also efficiencies in support services.
23. This system is fully operational in South Norfolk and is being implemented at the Kings Lynn office. As a result of the investment, the numbers of applications each officer deals with at the South Norfolk office is notably higher than at Kings Lynn. Our surveyors have been asking for mobile working for many years.
24. South Norfolk is offering its IT system to the East Region Building Control partners and, due to the number of potential partners, has negotiated a significant saving in cost from the supplier. These savings will be passed on to all partners in terms of both set up and operational costs.
25. With this option, HDC and SCDC data would be transferred onto the partnership system, with appropriate access and provision for the data if the partnership ceased. HDC and SCDC would be able to make a step-change in the way services are delivered. South Norfolk has provided estimated set up and operation costs, however these need to be refined to reflect our exact requirements.
26. South Norfolk has advised that each cluster will be given DCLG transformation funding of £100,000 to help meet the IT set up costs. The use of which for option 2 and the other options will be determined as we develop a detailed business case with partners.
27. Approval is sought to develop a detailed business case for this option, combined with Option 1, to be the subject of a further report in September 2014. The report will be supported by a draft legal agreement. This option is not dependent upon Options 3 and 4.

Option 3: Local Authority Building Control Cluster

28. As stated above, South Norfolk DC is working with local authorities across the Eastern region to set up a Building Control partnership. Work is taking place within other counties to set up shared service arrangements that will form county clusters within a regional partnership. It is intended that each cluster will be represented on a Regional Board. South Norfolk is not being prescriptive about how each cluster should operate, recognising that one shape does not fit all and that there will be a need to respond to local organisational cultures, operations and customers.
29. Each cluster would form part the East Regional Building Control (ERBC) partnership. The ERBC and cluster arrangement offers potential benefits including additional service resiliency; potential to share costs of future service improvements, including internet self-service, opportunities to share best practice, secondment and other staff development options, and shared apprentice schemes.
30. All local authorities operation LABC services in Cambridgeshire and Bedfordshire, including Peterborough, have been asked if they would like to explore the viability of a cluster within the regional partnership.
31. Approval is sought to continue this work with authorities across Cambridgeshire and Bedfordshire to develop proposals for a LABC partnership. Any proposals would be the subject of future reports.

Option 4: Regional Approved Inspector Company

32. As referred to above, the Localism Act 2011 made provision for local authorities to operate on a commercial basis and set up as Approved Inspectors. There are strict restrictions and requirements, including rules regarding geographic boundaries.
33. South Norfolk DC has applied for Approved Inspector status to set up a Regional Company involving local clusters as equal shareholders. Each shareholder would receive a proportion of the profit share. South Norfolk DC has taken legal advice which has confirmed they can undertake work under a regional partnership arrangement in individual local authority areas. This arrangement would potentially benefit SCDC, HDC and the other partner authorities by enabling them to secure a proportion of the profit gained by the AI.
34. A significant amount of further work is required before the Regional Approved Inspector Company becomes established.
35. Approval is sought to continue to work with South Norfolk DC and local authorities across the region to develop a business case for a Regional Approved Inspector Company. Further approval will be required before any commitment is made.

Implications

36. In the writing of this report, taking into account financial, legal, staffing, risk management, equality and diversity, climate change, community safety and any other key issues, the following implications have been considered:-

Financial

37. The detailed financial implications will be considered carefully in the preparation of the business case for each option.

38. HDC and SCDC are not expected to bear the full costs associated with the recommended options, because South Norfolk DC has advised that DCLG transformation funding of £100,000 will be made available to each cluster. In addition, SCDC and HDC have bid for additional transformation funding to help develop partnerships.
39. The initial financial analysis shows a cost saving by year 5 in revenue costs for the LABC service compared to current costs. In addition, the proposed Approved Inspector Company is estimated to achieve significant profit.
40. SCDC is providing project management resources from existing approved budgets. If work continues on the cluster proposal, partners will be asked to make financial contributions.

Legal

41. A Memorandum of Understanding has been signed by SCDC, HDC and South Norfolk DC. In preparing a business case for a shared service and working in partnership with South Norfolk DC, a draft legal agreement will be prepared. Each authority is expected to obtain independent legal advice.

Staffing

42. There will be staff implications arising from a shared service. These will be covered in more detail in the proposed business case.

Risk Management

43. There are potential benefits arising from the options in this report including significant income, but also risks associated with large IT projects and partnership working. They will be assessed in the proposed business case.

Consultation responses (including from the Youth Council)

44. The Building Control teams at HDC and SCDC have been jointly briefed on the contents of this report.

Effect on Strategic Aims

45. The proposed options support the following Council's Aims and Objectives: ensure best use of Council assets and benefit from opportunities to achieve efficiencies from partnership working, and to move towards commercial approaches. The proposal is to work with HDC and South Norfolk DC to create an effective and efficient Building Control Partnership, and to set up a commercial company to provide Regional Building Control Approved Inspector Services.

Background Papers: the following background papers were used in the preparation of this report:

Planning and Economic Portfolio Holder Meeting on 18 December 2012: Building Control Shared Service (agenda and associated documents)

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