

Wiltshire Customer First Partnership

Joint Working for Building Control



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Wiltshire Customer 1st Partnership - Executive Summary

It is the recommendation of the managers of the Building Control sections to:

- 1 develop a joint in-house unit to deliver Building Control and related services within Wiltshire with effect from 1 April 2008;
- 2 provide the current services and standards of Building Control service from day 1 (ie same scope and quality), as a minimum; for detail of the services, see Appendix E;
- 3 move to a networked (mobile & flexible) structure in pursuance of the above;
- 4 locate core management and technical support at a central location;
- 5 deploy ICT to a greater extent to facilitate this.

The core reasons for the recommendations are to:

- 1 continue to improve and develop excellent and effective customer service;
- 2 retain and recruit key front-line service professionals;
- 3 minimise risk of service failure by establishing a more sustainable and resilient unit;
- 4 compete better with the private sector, maximising future revenues;
- 5 build strategic service capability to adapt to change to compete and survive.

For governance & performance purposes (see also Section 4.1) the report recommends that:

- 1 the partners establish a Joint Committee under s101 of the Local Government Act 1972;
- 2 the Committee comprises representatives from the four partner councils in equal numbers (one elected member and one officer);
- 3 the Committee sets and monitors the financial and service performance of the joint unit and sets targets for its future development;
- 4 the Committee 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.

In the interests of providing an option to debate, we would propose that any deficits or distributed surpluses be shared amongst the partner authorities pro-rata to services delivered in the geography of each partner. In Year 1 the combined surpluses are predicted to be £19K greater than by remaining separate, and by Year 3, £109K greater (see section 5).

Because Joint Committees cannot employ staff directly, we recommend that one of the partner authorities be nominated as the "host" for the joint unit, preferably the authority that most closely reflects the proposed benefits package. We recommend that all staff are TUPE transferred to the host authority on the formation of the new entity.

Retaining the loyalty & commitment of Building Control staff will be an essential element in making the joint unit a success. It is for this reason that we would recommend that staff remuneration in the new unit is (a) set at a level which will be competitive in the marketplace and is (b) harmonised, to support buy-in and minimise tensions in the staff team.

In addition to a host for employment, the new unit will need one or more partners to:

- act as the contracting and accountable body for the joint unit
- provide support services (HR, finance, legal, IT), for which the unit would make payment.

The Building Control Managers are mindful of the Secretary of State's recent announcement of possible reorganisation in Wiltshire. In our view this strengthens rather than weakens the case for the establishment of a joint unit; the key strategic drivers for change remain unchanged and we believe that we stand a greater chance of establishing a truly integrated customer-focused organisation by changing early. We fear that being caught-up in a major project moving services and staff from district to county councils would materially reduce the focus on Building Control's customers and the specific pressures facing the Building Control service.

1 Introduction: Joint Building Control Service project

- 1.1 This amended report sets out the case for the amalgamation of the four Wiltshire Building Control units into one service.
- 1.2 It is a 'gateway report' for approval and recommendation to proceed by the Wiltshire Customer First Partnership Management Board, at their meeting on 12 June 07.
- 1.3 This work was requested by the Officer Group at their meeting on 2 October 2006, with additional detail (Appendix F) requested at their meeting of 16 April 07.
- 1.4 The Building Control service is subject to increasing pressures from both internal and external drivers of change within the building control sector, and wider local government environments. This has created a challenge to the viability of the current strategies used, and systems adopted.
- 1.5 The building control managers hold the collective view that the pressure for change and its impact on key service resources and capabilities is overwhelming. We consider that if strategic actions are not taken in the short-medium term, the authorities may find themselves in a position of service failure, additional expenditure, and reduced revenues.
- 1.6 This report outlines a pro-active response to these drivers, setting out why a new structural form is required, and how this may safeguard strategic capability whilst allowing the development of service which is resilience to future strategic challenges.
- 1.7 The project team has made extensive use of good practice developed by other building control partnerships (actual and potential).
- 1.8 The possible impact of the introduction of a unitary authority on the proposed Joint Building Control service has been further reviewed as requested. Particular reference is made to Wiltshire County Council's recently produced paper "Local Government Review Planning Services Business Case" prepared by consultants Mouchel Parkman. Whilst it appears that little detailed analysis has been undertaken, some suggested figures in terms of redundancies and savings have been mooted. These amount to up to 10 redundancies within the Building Control and Enforcement teams and predicted savings of £500k. In view of the limited work done by Mouchel Parkman it is felt that this projection should be viewed with a degree of caution.
- 1.9 It is further considered that the analysis and design undertaken by the Joint Building Control Service project and the financial figures presented in this document are of good quality.
- 1.10 The report is split into the following key sections, namely;
 - Section 2 – Drivers of change
 - Section 3 – Stakeholder analysis and expectations
 - Section 4 – Service Governance and Organisation Structure
 - Section 5 – Financial Appraisal
 - Section 6 – Implementation plan
 - Section 7 – Risk register

2 Drivers of change: the Building Control environment(s)

2.1 Some of the previous work has looked at the nature and affect of the key internal and external drivers for change and their relevance to the key service resources and capabilities.

2.2 The list of these drivers, their scope and impact is shown in the table below.

Context	Name	Affect
Internal	Gershon efficiencies	Sharper focus required from all services in the delivery of cost efficiencies, whilst maintaining service needs and standards required by customers. The increased need to move resources away from management and support into front line service delivery.
	Changing role of Local Government	Moving from service provision to one of service facilitation and monitoring. Becoming more of a broker for community governance, and the provision of purely 'core' services. Building control provide a quasi-public service which is already open to free market competition.
	Transformational & E-Gov agenda(s)	Requiring services to re-appraise the electronic systems and resources used in service delivery and how these can be further leveraged for customer and cost advantage. The more for less scenario, using ICT as the integrating capability. Allowing greater flexibility in work-life issues, homeworking etc.
	Workforce demographics	The profession is an ageing one with few Councils employing trainees, assistants etc. Units are increasingly drawing on retired personnel to assist at times of shortage. The increasing pressure on the 'middle ground' professional is being witnessed by higher staff turnover rates, leading to competition between authorities and with the private sector.
External	Approved Inspectors	Pressure increasingly being felt from Approved Inspectors (private service providers) across all markets and for all key resources. Additionally, as privateers they can chose the market sectors to service, or not. This has the affect of making council provision 'the provision of last resort' as we cannot chose what customers to service. Again, surveyors have cited 'lack of variety' as a reason for moving
	Labour market dynamics	As noted, there is an increasing supply shortage of good quality staff. The lack of funding for trainees etc. is further exacerbating this. Many AIs are actively targeting the 'middle order' staff, as they are not as financially tied to Local Government via pensions etc. Many councils are now finding themselves in competition with each other for staff, with a knock on effect in the remuneration packages offered.
	Economic activity	The local building control market continues to be vibrant increasing the strength of competition from AIs. This has an impact on the current and future viability of the service insofar as merging into one would give a 'critical mass' better equipped to deal with variances in workload and resources required.

3 Stakeholder analysis and service expectations

3.1 Work was also undertaken on establishing the identity and basis of each stakeholder interest in the service and what (if any) effect there would be by moving to a unified structure.

3.2 We saw the needs analysis as the starting point for defining the criteria against which judgements about success could be made. In that context 'success' itself begged a definition and again the collective view was that the services 'ability to compete and survive' was the overarching reason for strategic change.

3.3 Appendix A – "Stakeholder needs analysis for unified service" table shows this in more detail.

4 Service Governance and Organisation Structure

4.1 Service governance and delivery options

In developing this proposal, we have considered various options for the way in which Building Control services could be provided in future. In doing so, we have separated the issues of governance and delivery. This is because one is not dependent on the other. This gives the following matrix of options:

		Delivery options		
		In-house provision	Local Authority Company	Privatised
Governance options	Lead Authority	One authority provides the service on behalf of the others	One authority provides the service on behalf of the others, but delivers through a LACo	One authority provides the service on behalf of the others, but delivers through an external provider
	Joint Committee	This is the option proposed	The Joint Committee delivers through a LACo	The Joint Committee delivers through an external provider
	Individual authorities	This is the current position	Each authority establishes a LACo	Each authority externalises

Governance

The Wiltshire Customer First Partnership considered the governance options at its meeting in October 2006. It accepted that the Joint Committee structure represented the best option at this time because:

- (a) it offered benefits of scale that could not be achieved individually; and
- (b) it provided all authorities with a greater assurance that they would retain control over the service than would be likely under a Lead Authority.

Delivery structure under a Joint Committee

This then leaves the different delivery options. Each has potential advantages and disadvantages:

	Advantages	Disadvantages
In-house provision	Continued flexibility Staff most comfortable with this option Surpluses are retained by the authorities Maximises democratic accountability	May be perceived as less commercial
Local Authority Company	Looks novel/exciting Would enable the provision of a wider range of services (but none are currently intended)	Major potential procurement issue (it is likely that authorities could not award LACo with contracts for the provision of services without following the EU Procurement process - which would be time-consuming and expensive) Some additional costs (eg Finance function) Much more complex to establish (legal and regulatory issues) Potential conflict for Board Members (who are required to act in the best interests of LACo, not their authorities) Would be perceived by staff as less acceptable Would be more difficult to “unwind” than in-house provision Would require more rigid “contracts” with each of the authorities (rather than SLAs)
Externalised provision	Would transfer more risk	Would need to generate a profit for its owners Private sector providers are not likely to be interested in the bottom-end of the market (eg small works at residential properties) or some of the statutory functions There is no track-record for this approach There are likely to be legal problems in its application because some functions have to be carried out by local authority officers Would be difficult to “unwind” if it failed

Having considered these, we have concluded that:

- externalising the service is definitely not desirable (even if feasible); and
- establishing a Local Authority Company is not desirable at this time – there are no significant advantages, but many disadvantages (some of which are substantial). If, however, the benefits were to increase (eg there was a pressing demand for Building Control to provide other services) then the LACo would have more merit.

We would therefore recommend that the a joint in-house service managed by a Joint Committee is the best current solution but that the Joint Committee revisit this periodically in the light of experience and likely developments.

4.2 Organisation Structure and Establishment

The proposed structure is derived from the key aims of the unit and the strategic drivers; in particular, the structure must provide:

- Effective business development (hence Business Development role).
- Business support which is streamlined, focused, and able to implement change well (hence Business Support role)
- Strong management of the delivery of the Building Control services (hence team structure and Operations Manager role).
- Career development/specialisation opportunity, and a sense of 'home' and identity for the professionals (hence team structure and specialisms).

4.2.1 Roles

Director of Building Control (Managing)

Reporting to the joint board delivers the strategic direction and resource management of the new business arm. Holding responsibility for systems delivery, marketing and business management to ensure the delivery of quality managed building control service.

Operations Manager

Reporting to the Managing Director to direct all activities of the building control surveying teams. The scope of the service will initially be the provision of the current building control service, including building regulation checking/enforcement services and provision of public safety/specialist services. This role would have special responsibility ensuring effective communication on operational matters with councillors and key stakeholders and post holders of the council.

Surveying Team Leader

Reporting to the Operations Manager will be four Team Leaders responsible for the direct management of surveyors delivering the front line service.

Business Development Manager

The market place for building control services is aggressive. Over recent years a gradual chipping away of major work has been witnessed. In relative terms a Wiltshire wide organisation is large enough to become a major player in the market place, bidding for large scale contracts.

It is proposed that the Business Development Manager, under the guidance of the Director of Building Control and a robust marketing strategy, focuses on sales and account management, particularly cultivating new and existing major customers and developments. To liaise with the Team Leaders on a day to day basis to ensure good account management of key clients.

Business Support Team Leader

Under the direction of the MD ensure that new systems (such as new computer management suite. EDRMS, and remote working) are introduced on program expeditiously. To ensure the management of budget, preparation of performer statistics, supervision of the admin teams, to ensure the surveying team is supported adequately. The post holder will also be responsible for the introduction of quality control, unification of procedures, and implementation of systems to aid remote and mobile working.

Building Control Surveyor

Under the direction of the surveying team leaders ensure the provision of a professional building control surveying service, which will be undertaking appraisals of plans and buildings to ensure compliance with various regulations and statutory obligations.

Assistant Building Surveyor

Under the direction of the surveying team leaders to undertake general building control duties in line with a career development plan. The new organisation will be attempting to build resilience by ensuring that trainee surveyors are sponsored through to fully qualified surveyors in order to ensure a 'grow you own culture'. The role of training will become pivotal to each and every surveyors position to ensure that the ethos of learning the new organisation is of paramount importance.

Senior Admin Officer

Reporting to the business manager, the post holder will assist in the project management of systems development within the new unit and assist with daily work allocation and prioritisation.

Admin Officers

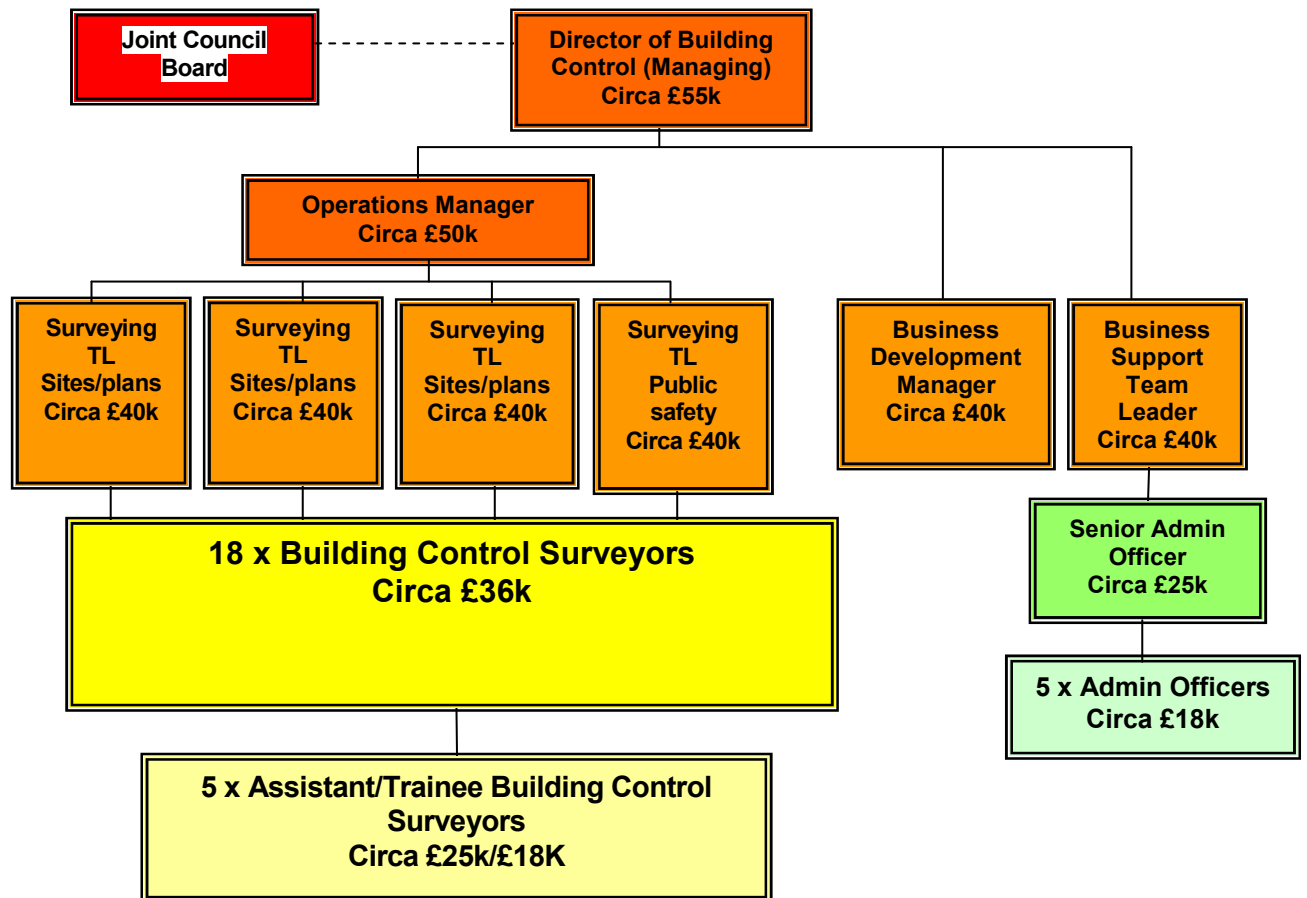
Responsible to the business manager for supporting the building control surveying teams.

4.2.2 Summary of key structural changes

The main points of note on the new structural form are its reflection of the key findings of the Gershon review, in that there is a renewed emphasis on directing resources to the front line. There are fewer layers of management and a greater emphasis on giving team leaders and surveyors the requisite autonomy and tools to do the job. In summary, the new structure;

- matches the challenges of the key internal and external drivers for change
- aligns more closely with the needs and expectations of our customers
- will allow the organic development of staff with the emphasis on retention
- gives surveyors more autonomy whilst ensuring systems of cohesion and co-ordination are still in place
- provides a more effective & efficient service
- follows the recommendation of the Gershon review
- will deploy more effectively ICT capabilities to develop mobile and flexible working.

4.2.3 Proposed structure



4.2.4 Comparison of current and proposed establishments

Post Level	Existing Establishment (posts)	Proposed Establishment (posts)	Resource Saving (posts)
A. Building Control Managers	4	2	2
B. Principal/Senior Surveyors	8	5	3
C. Building Control Surveyors	18	18	0
D1. Assistant / Trainee Building Control Surveyors	3	5	-2 (ie incr)
D2. Admin Manager/Systems Administrator	1	1	0
E. Admin Officers	10	6	4
Total	44	37	7

4.3 HR issues

4.3.1 Recruitment of Director and other senior posts

There are two options for the recruitment of the Director

Option 1 Advertise externally (nationally) and deal with all applicants, whether internal or external, at the same time.

The advantages of this option are:

- recruitment is from the widest possible field providing the best opportunity for appointing a
- candidate with the experience, skills, competencies and qualities required to successfully
- carry out the role of MD.
- one process so, assuming an appointment is made first time, no unnecessary delays.

The disadvantages are:

- more expensive due to advertising costs (and any interim salary costs)
- if an external candidate is appointed it reduces the number of posts available for
- redeployment of the existing building control managers which may increase set up costs.

Option 2 Consider the existing building control managers first then, if no appointment made, advertise internally and externally.

The advantages of this option are:

- there are no significant advertising costs if one of the existing building control managers is appointed.
- issues concerning existing building control manager applicants are cleared up early in the process.
- reassures existing staff facing a similar situation that, were appropriate, they will be given the first opportunity to apply for posts before they are advertised more widely.

The disadvantages are:

- if recruitment unsuccessful at the first stage the recruitment process is longer.
- there is no comparison of internal applicants against external applicants leading to a risk of not appointing the very best candidate to the role.

We would recommend option 1 for the recruitment of the MD post on the basis that the role is substantially different to the role of Building Control Manager/Chief Building Control Officer and crucial to the success of the whole venture.

We would recommend option 2 for the recruitment of the remaining roles that report to the MD on the basis that the existing building control managers could potentially fulfill the requirements of these roles. However, consideration should be given to recruiting to the post of business development manager via option 1 depending on the experience and skills mix of the successful candidate for the role of MD.

We have consulted Sharon Larkin of WWCD but not the other authorities' HR Managers concerning these recommendations.

4.3.2 Staff transfer

As part of our investigations we have considered the alternatives of staff transfer or secondment to the new unit. Having taken advice from our HR colleagues we are advised that the only feasible option is to TUPE staff at the time of establishment of the joint unit.

The option of secondment would disadvantage staff and would prove complex to manage for the partner authorities. We would further suggest that the foundation agreement include provision that should the joint unit be dissolved for any reason, then staff would TUPE back to the partner authorities.

4.3.3 Staff remuneration/benefits

To be successful the unit must ensure that the salary and benefits package for building control surveyors are comparable to those offered in the private sector.

All staff will transfer on their current terms, however if the grade of the post that they are transferred to is higher than their current top of grade then they will automatically attract an additional increment at the point of transfer. It should be noted that in the financial case, all staff costs are assumed to be at the top of the grade, so a pessimistic picture has been painted, which in reality will not be the case.

Benefits packages are likely to include lease cars and alternative cash allowances. Also it will be investigated whether it is appropriate to offer private health insurance and call out allowances. This would be inline with packages offered in the private sector.

4.3.4 Workforce development and profile

There are extreme problems across the districts with retention and recruitment and the general demographical issues illustrated previously. It is essential that the new organisation has sound structured training programs to ensure that it can develop a supply of qualified surveying staff in the future. A 'grow your own' culture will be developed within the new unit. Therefore it is planned to have trainee/assistant surveyors in order to ensure that the unit can cope with turnover amongst surveyors.

Recruiting unqualified staff will provide an opportunity to develop a more diverse workforce.

5 Financial Case – Summary

5.1 We have appointed KPMG to develop the financial case. The case concludes that:

- Using realistic projections, the joint unit will cost around £19k less to deliver building control services across Wiltshire in Year 1 than the current position with four authorities;
- The saving compared with the current position is likely to increase in Years 2 and 3. Our realistic estimate is that there will be a net benefit of £175k over three years;
- Our sensitivity analysis suggests that over three years the benefits could be as high as £876k (optimistic scenario), but there could be a cost of £271k (pessimistic scenario)
- Potential implementation costs could be up to £112k, which shows a maximum payback period of three years.

5.2 Year 1 comparisons

5.2.1 In order to make comparisons of the cost of delivering building control services through a joint unit compared with the cost of delivering four separate building control services, we have:

- Aggregated the 2006/7 budgets for the four authorities. In Kennet's case this has involved separating out the cost of the property management function delivered by the Building Control and Property Management Function; and
- Estimated the income and cost associated with operating the joint unit. Explanations of how individual lines of income and expenditure have been estimated are explained in the explanation below.

The overall picture is that the joint unit is estimated to achieve a benefit compared with individual provision of £19k in Year 1 (Exhibit 1).

Exhibit 1: Projections for Year 1 of the joint unit

	Kennet	N Wiltts	Salisbury	W Wiltts	Total	Joint Unit
Income						
Statutory fees	355000	492250	403710	415180	1666140	1707794
Other income	0	0	1030	1530	2560	2560
Net cost to General Fund	15686	257230	151770	130242	554928	554928
Total income	370686	749480	556510	546952	2223628	2265282
Expenditure						
Employees	276911	412010	399620	389460	1478001	1552576
<i>of which salaries</i>	<i>225123</i>	<i>304700</i>	<i>325570</i>	<i>316710</i>	<i>1172103</i>	<i>1231243</i>
Premises costs	10603	45680	11950	19362	87595	87595
Transport costs	21540	33085	25010	18590	98225	98225
Supplies & Services	20491	35310	30960	35580	122341	116224
Recharged staff	0	120485	0	0	120485	0
Support costs	41141	102910	88970	83960	316981	316981
Capital charges	0	0	0	0	0	75000
Total Expenditure	370686	749480	556510	546952	2223628	2246601
Surplus/deficit	0	0	0	0	0	18681

Note: the Subsidy from the General Fund is effectively an income stream for the Building Control service. It has been calculated by identifying the cost of Statutory non-fee earning activities and subtracting the surplus achieved on Fee-earning activity. As a consequence, the surplus/deficit shown at the bottom of the table must equal zero for each authority. To demonstrate the financial impact of the joint unit, we have assumed that the Net Cost to the General Fund remains the same for the joint unit as for the four individual authorities. Any beneficial impact of the joint unit is therefore shown as a surplus at the bottom of the table.

The derivation of individual lines of income and expenditure is:

- Income
 - Fee income. Given the additional focus on business development that is an objective of the joint unit and specifically allowed for in the staffing structure, we have assumed a modest increase in fee income of 2.5%.
 - Other income. For the purposes of the financial projection, this has been kept level. In reality, any surplus of the joint unit that is distributed back to the partner authorities will serve to reduce the net cost of general fund activity.
- Expenditure
 - Employee costs. This has been calculated using the staffing and grading structure proposed in Section 4.5. For the purposes of this projection all posts have been costed at the top of their grade. Other employee costs (principally Superannuation and National Insurance costs) have been assumed to be 26.1% of salary costs, which is in-line with the current level of such costs.
 - Premises costs are assumed at the same level. In reality, the joint unit is likely to reduce its usage of partner authorities' offices and operate a separate office to operate as it's HQ and Admin centre, but we have assumed that any expenditure on such accommodation will be offset by a reduction in charges from the partner authorities.
 - Transport costs are also assumed to be the same as operating a joint unit. Increased use of technology should lead to a greater degree of home and remote working which should reduce transport costs. However, this will be offset to some extent by increased costs for the management team (who will have to travel across the four authorities) and the business development function.
 - Supplies and services are expected to fall by 5% as a result of the establishment of the joint unit. This is mostly in respect of reduced subscriptions and licence fees.
 - Recharged staff. Currently North Wiltshire's Building Control Section receives a recharge for the provision of admin staff and other managers. Under the joint unit, all admin staff will be a part of the unit, so there will no longer be a recharge.
 - Support costs. Our work has identified significant variations in the level of support services and associated recharges paid by building control sections. *For the purposes of this case* we have made the prudent assumption that there will be no reduction in support service recharges in Year 1 of the joint unit.
 - However, provision of support services and payment for them has been the topic of considerable debate during this project and they are treated further under **5.2.2** below.
 - Capital charges. There are currently no capital charges, but as discussed in Section 2 (Drivers of Change), a key element of the joint unit's strategy is to improve service delivery through the introduction of new technology. To some extent it is likely that the partner authorities will have to invest in such technology whether or not they establish a joint unit, but in order to be prudent we have included the full cost of this technology within the financial projection. The figures used in the projection assume investment of £200k to be depreciated over three years, together with financing costs at 5%.

5.2.2 Support services

The new building control unit will need finance, HR, IT and legal support services. However these services are supplied (ie whichever partner(s) are responsible), the partners are concerned that they will end up receiving less total revenue (recharge plus surplus) with which to cover their support service commitments after the new unit is created than before, whether or not they are the providers of the support services.

It is our view that creating a joint unit will sustain the total funding available for support services and also improve the surplus available for distribution than remaining separate.

The project team have had extensive discussions regarding the options, and these are laid out in detail in Appendix D; however, in summary, KPMG's view is that in order to be successful, the joint unit needs to source support services from whichever provider best

meets the business's needs, rather than receiving support services from wherever it is least inconvenient for the partner authorities.

This being the case, we propose that the Joint Unit should undertake a "procurement" process to identify the best option for the provision of support services. This would include both price and quality considerations. The Building Control Managers would prefer to invite only the four district councils to participate in this process, and would not propose to invite other public bodies or private sector organisations to bid unless the Wiltshire Customer First Partnership were to require it.

This being the case, the project cannot predict exactly the costs of the support services to the joint unit as these have been neither specified nor tendered for. However, we propose staged "parachute" payments to partners not providing support services to the new unit to give time for them to realign their cost bases.

We would comment that this issue is not properly within the remit of the project as the partners' overhead costs and how they can be reduced are outside its control. This issue has, however, caused other promising building control partnerships fail to come to fruition, and will also be a recurring barrier to other WCFP joint/shared services proposals if we allow it to. In making a decision on Building Control, we should be making the assumptions that (1) Building Control is the first of many services that we will join or share, and that (2) support services will be among the others, so the balance between supply and demand will be addressed in the near future.

5.3 Years 2 and 3

5.3.1 We have also made projections for Years 2 and 3 of the joint unit. This shows the benefit compared with individual provision increasing to £47k and £109k. The reasons for this improvement are:

- Continued growth of fee income, at 2.5% pa; and
- A further reduction in costs of supplies and services of 5% from Year 1 to Year 2
- A reduction in support service recharges to the level currently charged by the second lowest district, phased in Years 2 and 3 (see Appendix C – recharges)

Exhibit 2: Financial advantage of joint unit, Years 1-3

	Year 1	Year 2	Year 3
Income			
Statutory fees	1707794	1712063	1754865
Other income	2560	2560	2560
Net cost to General Fund	554928	554928	554928
Total Income	22655282	2269551	2312353
Expenditure			
Employees <i>of which salaries</i>	1552576	1552576	1552576
Premises costs	87595	87595	87595
Transport costs	98225	98225	98225
Supplies & Services	116224	110107	110107
Recharged staff	0	0	0
Support Costs	316981	298633	280285
Capital Charges	75000	75000	75000
Total Expenditure	2246601	2222136	2203788
Surplus/deficit	18681	47415	108565

5.4 Sensitivity Analysis

- 5.4.1 Whilst we have taken care in developing the financial projections to err on the side of caution (after all, we as service managers will be tasked with delivering the service if the case for a joint unit is accepted) we have considered optimistic and pessimistic scenarios.
- 5.4.2 The optimistic scenario suggests that the benefit over the three year period could be as high as £876k. In deriving this figure we have assumed that fee income increases by 5% pa, premises costs reduce by £30k (to reflect the high cost of provision in North Wiltshire), spend on supplies and services can be reduced by 10% in Year 1, and support costs can be reduced to the level of the lowest authority in Year 1.
- 5.4.3 The pessimistic scenario suggests that the joint unit could have an additional cost of £271k over three years. To obtain this figure we have assumed that fee income remains static, accommodation costs increase by £30k pa, supplies and services can only be reduced by 5% in total, support costs can never be reduced, and the investment in technology costs £300k (a 50% increase from the current best estimate). In reality, it is very unlikely that all of these factors would occur at the same time, as managers would take mitigating action to reduce expenditure in other areas.

Exhibit 3: Benefit compared with individual provision – Realistic, Optimistic and pessimistic scenarios

	Realistic scenario	Optimistic scenario	Pessimistic scenario
Year 1	£19k	£203k	(£90k)
Year 2	£47k	£290k	(£90k)
Year 3	£109k	£382k	(£90k)
Total	£175k	£876k	(£271k)

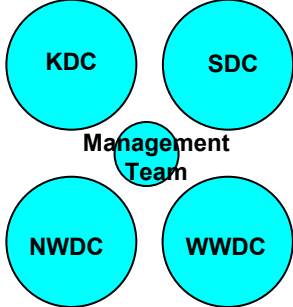
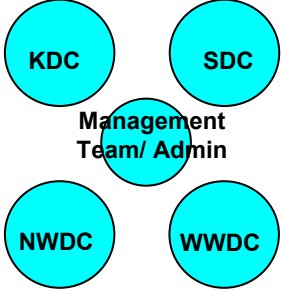
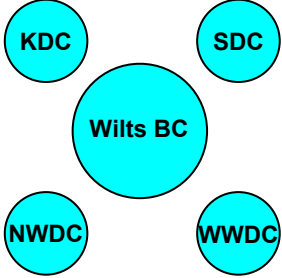
Fuller cost models showing the calculation of these figures are shown at Appendix B

5.5 Implementation costs

5.5.1 Implementation costs could include:

- Potential redundancy costs for some or all of the existing Building Control Managers. The extent of this will depend on whether the Managing Director is appointed from within the four authorities, whether any of the managers accept a lower-graded post on a mark-time basis, and any other changes that might happen in the intervening period. For the purposes of this evaluation, we have assumed one redundancy at a cost of £30k;
- The costs of appointing staff to the new structure in Year 0. This could comprise:
 - Managing Director Designate (nil-£6,000 for internal candidate, up to £50,000 for external candidate)
 - Business Support TL Designate (potential cost nil-£22,000)
 - Operations Manager Designate (nil net cost)
 - Business Development Manager (nil net cost)
- Change management costs of £10k.

5.5.2 In total, implementation costs could be in the region of £40-112k. Using the lower figure would show a payback period of less than two years, and using the higher figure would show a payback period of less than three years.

6 Implementation Plan			
	Setup	Project Go live	One year in
	Year 0	Year 1 – envisaged April 2008	Year 2 Year 3
Process	Process integration & training <ul style="list-style-type: none"> • datasets • quality management • service performance framework 	Implemented key elements of <i>Building Control Performance Standards</i> (DCLG, June 2006) - further progress in future years.	Investigation of diversification opportunities: <ul style="list-style-type: none"> • access audits • fire audits • Energy performance certificates • HIPS....
Organisation	 <p style="text-align: center;">Year 0 - 1</p> <p>Legal</p> <ul style="list-style-type: none"> • governance structure approval & establishment of joint committee • selection of hosting authority • TUPE transfer of staff • union/staff/stakeholders consultation <p>Corporate Identity/Branding Marketing Strategy adoption</p>	 <p style="text-align: center;">Year 1 - 2</p> <ul style="list-style-type: none"> • centralise management & administration teams • surveying teams remain in house in each Local Authority 	 <p style="text-align: center;">Year 2 - 3</p> <p>Daily presence will be provided by surveying team member in each Local Authority office and will appraise plans when his services are not required.</p>

<p>People</p>	<ul style="list-style-type: none"> ▪ Managing Director Designate appointed as project manager (-9 months*) (potential cost of nil-£6,000 for internal candidate, up to £50,000 for external candidate) ▪ Business Support TL Designate appointed (-8 months*) (potential cost nil-£22,000) ▪ Operations Manager Designate (-3 months*) (nil net cost) ▪ Business Development Manager (-3 months*) (nil net cost) <p>*All dates quoted are timed from envisaged go live date of April 2008</p> <p>Key management/professional support services during year nought provided by the DC partners as agreed.</p>	<p>See box above</p>	<ul style="list-style-type: none"> • transfer of surveying teams to a single office • utilise use of mobile working technologies • implementation of single desk presence in each authority to provide: <ul style="list-style-type: none"> - local customer advice contact - development/access advice - HIMO/Licensing queries - local point of contact Surveyor
<p>Information & communication technology</p>	<p>IT consultants to advise in the following areas. Dates to be set for implementation subject to the agreement of an IT implementation strategy:</p> <ul style="list-style-type: none"> • Unification of data management system for go live on year one commencement • remote/mobile working • edrms • website development • computer suite choices (Microsoft vs lotus system?) • electronic submission/payment delivery <p>Renewal of mobile/equipment contracts with host authority having let existing contracts run their course, i.e. mobile phones, laptops, online provider.</p>		
	<p>Specification and selection of data management system + training</p>	<p>Single submission material electronic and paper</p>	

7 Risk Log: Building Control project

Risks to project	Impact	Likelihood	Mitigation
Project Manager unable to allocate enough time to project in phase 2	M-L	M	This phase is led by external consultants to an agreed timescale – low PM burden. Risk closed.
Unable to procure suitable consultancy support	H	M	Procured KPMG via competitive tender; their resource has just completed similar project in Derbyshire. Risk closed.
Corporate Management Teams (CMT) of the partners refuse to back a recommendation to proceed with project due to perceived impact on overhead allocation and less control of surpluses	L	M-L	Financial case does not depend on overhead costs or savings. Partners control partnership board, which allocates surpluses.
Members do not support a recommendation to proceed eg due to perceived reduction in their control of the service	H	M-L	The project was mandated by the Partnership's joint committee, which includes two DC leaders and two DC deputy-leaders. The report will be tabled before the DC elections (in May). BC is not a politically sensitive service and with suitable stakeholder management and CMT support the project is likely to proceed.
Combined service fails to achieve expected benefits to customers and to partner organisations	M	M-L	Customer service: during transition, analyse service performance and redesign service processes where appropriate, starting with the customer. Financial: make conservative estimates of surpluses. Manage costs of transition and operational costs closely. Monitor market share and forward pipeline and increase business development activities as needed.
Staff unhappy with change: key staff leave, or reduced co-operation.	H-M	M-L	Good communication; involving staff in developing services and operational improvements; emphasise career and potential financial benefits to staff of new unit.
Fail to implement successful technology solutions and improvements so fail to achieve mobile/flexible working.	M	L	Well-established technology already deployed elsewhere; essential to partner organisations' success irrespective of this project.

Risks to project	Impact	Likelihood	Mitigation
Union opposition delays project or results in increased costs, prejudicing business case.	M	L	Early and comprehensive union consultation and involvement.
The authorities cannot deliver non-fee-earning work as efficiently as at present	M	L	The joint unit will deliver all those services that are currently provided by building control, including their mandatory non-fee-earning services. The SLAs will define the range of activities and act as a "contract" for services to the partner authorities.
Too much focus on external clients	L	M	There is no reason why this should be more of an issue with the Joint Unit than it is for authorities individually at the moment. The Joint Committee which governs the service will ensure that the focus is kept to an appropriate level. The establishment of a Business Development function which is separate from the delivery arm of the joint unit could also reduce this risk.
Reduction in local knowledge	M	M	Whilst there will be opportunities for greater specialisation across the joint unit, delivery of services will still be through area-based teams who will retain local knowledge as at present.
Joint unit fails to achieve projected fee levels	M	M-H	This is a bigger risk for the authorities if they do not create a joint unit; the new unit will be more financially robust. In addition, the managers of the joint unit will be required by the Joint Committee to deliver the required trading surplus; managers will therefore reduce expenditure in line with reduced income.
Authorities are unable to reduce support costs	M	M-H	This would not eradicate the strategic and operational benefits of joint working, but might reduce the financial benefit. If the WCFP approves the establishment of the joint unit then we will undertake detailed work on the provision and costing of support services. If the total cost of support services plus costs that cannot be saved is greater than the projected cost of support services then we will report back to WCFP with proposals which could include either cancelling the project or making "parachute" payments to those authorities that would otherwise "lose out".

Risk to DCs	Impact	Likelihood	Mitigation
Risk of pay claims from non-BC staff	L-M	L	In host authority: this issue could be reduced or eliminated by appointing as "host" the authority with the pay and conditions closest to that proposed for the joint unit. In non-host authorities: non-BC staff 'left behind' in the non-host authorities are tied to job evaluations in their authorities; where these differ from the market, this is an issue that has not been created by the creation of a joint BC service.
Reduced surplus from Building Control	M	M	The financial plan shows that an additional surplus should be generated beyond the surpluses which are currently delivered by the authorities individually. The only reason why the surplus would reduce is if there were substantial changes in the marketplace which has an adverse effect on the Joint Unit's trading position. However, such changes would impact more heavily on authorities which operated individually than they would on the Joint Unit.
Disagreement over the division of surpluses	M	M-H	Firstly, the financial projection assumes that the current level of surpluses is retained by each authority (in the form of a reduced charge to the General Fund for non-fee-earning services). Whilst we do not think it would be appropriate to tie the hands of the Joint Committee, we have set out in the business case our proposals for a default method for apportioning distributed surpluses.
Financial controls are weaker	L	M	One authority will have clear responsibility for accountancy and audit services, and other partners will be entitled to rely on that authority's controls. This issue will also fall within the remit of the Joint Committee to manage.
Loss of democratic control	L	M	Building Control has a relatively low profile with Members, so this is a lesser problem than it would be for other services. In addition, the Joint Committee will have elected Member representatives from each authority.

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Stakeholder needs analysis for unified service

Stakeholder Group	Current service needs & expectations <i>(What success looks like)</i>	Future service needs & expectations of unified structure <i>(What success will look like in future in addition to the present)</i>
Customers	Effective service Cost efficient service (<i>value for money</i>) Professional advice & guidance Quick resolution of issues Consistency of approach	Value adding products (<i>warranty schemes etc.</i>) Value adding services where appropriate (<i>fire safety audits etc</i>)
Management teams & elected members	Service viability Cost efficient (<i>reduced contribution from general fund</i>) Operational fit, with other internal services Few or no complaints All other non-fee (building control) services still provided	More sustainable service Greater cost efficiency Better service standards Improved service innovation Greater flexibility in cost control All other non-fee (building control) services still provided, but with possible increase in scope, e.g street naming service for all districts. See Appendix G for further detail
Staff	Enjoyable and interesting work Professional development Job stability (<i>for most but not all</i>) Personal value and self-esteem	Greater diversity in workload Opportunity for wider skill use and development Improved morale and entrepreneurial ethos Market-aligned terms & conditions Improved recruitment & retention Improved career opportunities
Partner organisations	Development of nationally agreed partnership frameworks	Improved consistency Solution-based service delivery Improved access to specialist skills
Community	Healthy, safe & sustainable local built environment	As opposite but more effectively and efficiently delivered (<i>more or same for less</i>)

Optimistic and Pessimistic scenarios

Optimistic

	Year 1	Year 2	Year 3
Income			
Statutory fees	1749447	1836919	1928765
Other income	2560	2560	2560
Net cost to General Fund	554928	554928	554928
Total Income	2306935	2394407	2486253
Expenditure			
Employees <i>of which salaries</i>	1552576	1552576	1552576
Premises costs	57595	57595	57595
Transport costs	98225	98225	98225
Supplies & Services	110107	110107	110107
Recharged staff	0	0	0
Support Costs	210493	210493	210493
Capital Charges	75000	75000	75000
Total Expenditure	2103996	2103996	2103996
Surplus/deficit	202939	290411	382257

Pessimistic

	Year 1	Year 2	Year 3
Income			
Statutory fees	1666140	1666140	1666140
Other income	2560	2560	2560
Net cost to General Fund	554928	554928	554928
Total Income	2223628	2223628	2223628
Expenditure			
Employees <i>of which salaries</i>	1552576	1552576	1552576
Premises costs	117595	117595	117595
Transport costs	98225	98225	98225
Supplies & Services	116224	116224	116224
Recharged staff	0	0	0
Support Costs	316981	316981	316981
Capital Charges	112500	112500	112500
Total Expenditure	2314101	2314101	2314101
Surplus/deficit	-90473	-90473	-90473

The provision and cost of support services (Recharges)

KPMG’s view is that in order to be successful, the joint unit needs to source support services from whichever provider best meets the business’s needs, rather than receiving support services from wherever it is least inconvenient for the partner authorities.

This being the case, we propose that the Joint Unit should undertake a “procurement” process to identify the best option for the provision of support services. This would include both price and quality considerations. The Building Control Managers would prefer to invite only the four district councils to participate in this process, and would not propose to invite other public bodies or private sector organisations to bid unless the Wiltshire Customer First Partnership were to require it.

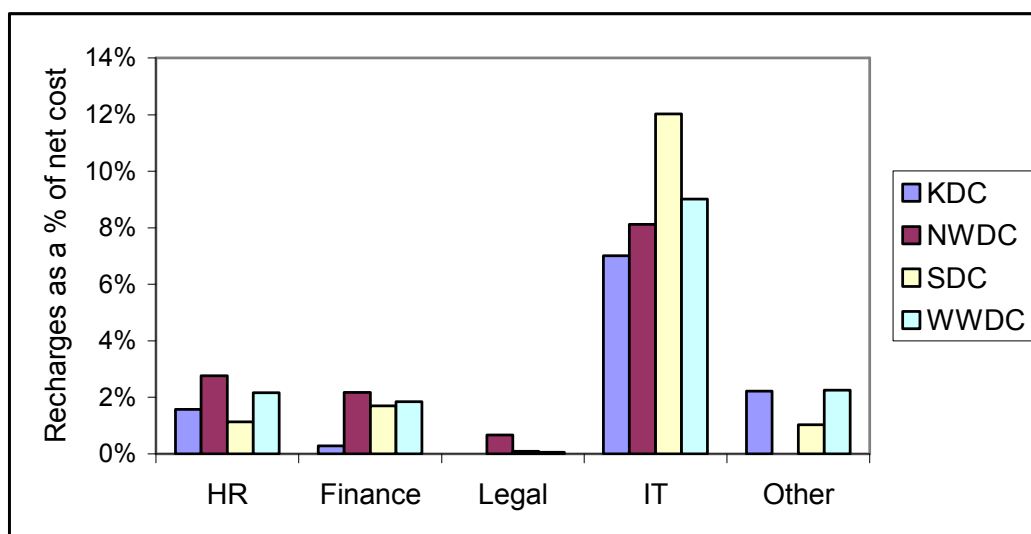
However, one issue that has caused particular debate has been that of residual costs; it would be easy to make the assumption that any costs that are currently charged to building services for the provision of a support service would be saved if an authority were not selected to provide that support service in future. In reality, it is possible that reductions in the charge to building control are not matched by reductions in the cost of support services, or that it takes time to achieve a reduction in support service costs. If this were the case there is a possibility that one or more authorities may “lose out”. Unfortunately, developing a reliable estimate of the scale of this potential problem would be time-consuming as it could only be identified after the “procurement” process is complete.

Nevertheless, in developing the financial case for joint working we are required to take a view on the likely level of future costs. We have considered this in two parts:

1. The level of charges to the Joint Unit for the provision of support services
2. The level of residual costs that authorities cannot save if they are not the provider of support services to the Joint Unit.

Recharges to the Joint Unit

We have identified the current cost of support services recharged to building control sections and expressed this as a percentage of the total income of each section. This shows significant variations between authorities, as shown below:



In our view, it would seem reasonable to target a reduction in costs to those of the second lowest authority. This would reduce recharges from their current level of £317k pa to £280k pa. A more optimistic target would be to target a reduction in costs to the level of the lowest authority, which would reduce recharges to £210k.

	Lowest authority	cost at lowest	2nd lowest authority	cost at 2nd lowest
Human Resources	1.13%	25,173	1.58%	35,104
Finance and payroll	0.29%	6,513	1.69%	37,679
Legal	0.00%	0	0.06%	1,431
IT	7.00%	155,752	7.00%	155,752
Other	1.04%	23,055	2.26%	50,319
		210,493		280,287

This method predicts a reduction of around 12% in the cost of support services. Interestingly, staffing for the joint unit is predicted to reduce from 42.5FTE to 37.0FTE, which is almost exactly the same scale of reduction. On this basis, we believe that the figures used in the financial projection are conservative. The reduction in support service costs would take effect from the inception of the Joint Unit (on the basis that the procurement process will have been undertaken during the implementation phase).

Residual costs

As we have noted, a reduction in the cost of support services to the Joint Unit may not necessarily be equalled by a reduction in the cost of support services for the partner authorities. If this is the case then the authorities could incur residual costs.

Without completing the procurement exercise for support services, it will be impossible to identify which authorities would be affected by residual costs and to what extent. This is because current costs vary, as does the pattern of expenditure (arguably, staff costs should be easier to reduce than, for example, IT hardware costs). In addition, the attitude of authorities may also vary, with some treating support services in a quasi-commercial manner and expecting them to reduce their costs in line with a reduction in income, and others taking the view that costs are fixed and cannot be reduced.

Further complexity is added because even residual costs could reduce over time. For instance, an IT server, which hosts Building Control applications, may also host applications for other services and its cost would not reduce if Building Control were to move elsewhere. However, in time, all servers are replaced and/or new demands for server space arise.

In order to recognise the issue of residual costs, we have assumed that the reduction in support costs to the joint unit in Year 1 (12%) is matched by residual costs incurred by the authorities. In Year 2 we have assumed that half the reduction in support costs is matched by residual costs. For Year 3, we have assumed that there are no further residual costs.

“Compensation” for residual costs

As described previously, it is proposed that all four authorities be invited to “bid” for the provision of each support service (Finance, HR, Legal and IT). As well as quality submissions, the authorities will be required to submit figures showing, for each support service, and for each of three years:

- The current amount recharged to Building Control
- The proposed charge for the Joint Unit
- The level of residual costs that could not be saved in the event the authority were not selected.

The financial evaluation of bids will identify the lowest cost option for the four authorities combined. This will take account of both the cost of providing the service by the successful authority AND the residual costs that would be incurred by the unsuccessful authorities.

If the outcome of this calculation is that the total cost of support services is lower than currently charged then it is proposed that the successful authority is paid to provide support services and unsuccessful authorities are paid an amount equal to their residual costs ("compensation").

If, however, the total cost of support services increases above the current cost level, then we will bring a further report to the Wiltshire Customer First Partnership to determine options for the way ahead on this issue.

Financial Projection – support services

	<i>Year 1</i>	<i>Year 2</i>	<i>Year 3</i>
Cost of support services to the Joint Unit	£280k	£280k	£280k
Residual costs in unsuccessful authorities ("compensation payments from the Joint Unit)	£37k	£19k	£0k
<i>Total cost of support services</i>	<i>£317k</i>	<i>£309k</i>	<i>£280k</i>

Other examples of partnership working in Building Control

Name	Local Authorities	Details
CNC Consultancy	Broadland District Council Norwich City South Norfolk	Commenced 1 April 2004 Joint Committee Host Authority - Broadland Strong brand image Clear and early communication with customers
Devon Building Control Partnership	South Hams District Council Teignbridge District Council West Devon Borough Council	Commenced April 2004 (Teignbridge & West Devon) South Hams joined partnership August 2006. Hosted strategic local authority partnership A developing partnership based on existing area based structures.
Dorset Building Control	Poole Borough Council + 8 neighbouring authorities.	Not yet established possibly due to large number of partners.
Horsham and Crawley Building Control Partnership	Horsham District Council Crawley Borough Council	Commenced 2006? Joint Partnership Board Horsham acting as host
North Derbyshire	Bolsover Chesterfield North East Derbyshire	Due to commence October 2007 Joint committee with Chesterfield acting as host including provider of all support services. This was one of several joint-working initiatives that the authorities considered at the same time.
Ipswich	Ipswich Suffolk Coastal	Lead authority model with Ipswich providing services to Suffolk Coastal under contract.

Full service catalogue

Building Control defined:

The main function of all Building Control sections is to ensure that new building work meets the requirements of the Building Regulations. These Regulations cover matters such as structural stability, fire safety, conservation of fuel and power and access and facilities for disabled persons. This is achieved by checking and approving plans of proposed works, and then carrying out inspections of the work on site as it proceeds.

Building Control also:

- Ensures that dangerous structures are made safe.
- Demolition of existing structures do not endanger public health and safety.
- Offer general advice about building matters.
- Gives advice about access and facilities for people with disabilities.

Proposed Building Control Level of Service:

The existing teams cover all or some of the services noted in the above table; we proposed to maintain this level of service within the new structure. However, opportunities exist for the Districts to choose to retain, or pass over services to be undertaken by the newly formed establishment. An example of this is the street naming service. Currently, two districts provide this through building control and two don't. It may be more logical from an information management context for the new unit to provide this service county wide.

Excluded from this list is the property work currently covered by Kennet District Council.

Chargeable account Works	Funding stream	Source of Duty
Building Regulation Work		
1, Plan checking & consultations	Building Regulation fee income	Statutory Duty
2, Structural engineering checks		
3, Site Inspections		
4, Preliminary enquiries in connection with future projects		
5, Administration associated with LA controlled submissions		
Non-chargeable account works (building control)	Funding stream	Source of Duty
Building Act/Legal/Enforcement		
1, Enforcement/Appeals/Disabled Fee/Exempt Works etc.	Council Tax funding	Statutory Duty
2, Public Advice/Complaints/Political		
3, Approved Inspector registration		
Development Control & Conservation		
1, Planning Condition checks	Rechargeable work	Best Practice consultation
2, Planning Application Consultations etc.		

Non-chargeable account works (building control)	Funding stream	Source of Duty
Public Safety Services		
1, Action on dangerous structures	Council Tax funding ¹	Statutory Duty
2, Control on demolitions		
3, Fire Authority enforcement checks		
4, MOE, Ingress & Egress (S71/S72)		
5, Emergency Planning		
6, Emergency callout provision for dangerous buildings		
Other Internal Services		
1, Consultation Service, i.e, housing	Rechargeable work	Discretionary consultation
2, Land charge searches		
3, Licensed premises consultation		
4, Means of Escape advice		
5, Housing returns	Council Tax	Stat Duty
6, Solicitors Query replies		
Corporate Development Unit		
1, Departmental work for people with disabilities	Council Tax	Discretionary
Street Naming & Numbering		
1, Naming & Numbering	Council Tax	Statutory
2, Re-naming & Re-numbering	Fee income	Discretionary
3, LLPG	Council Tax	
Other surveying work outside of trading account		
1, MOD work	Fee income	Discretionary
2, Access audits		
3, Fire Audits		
4, Energy surveys		

¹ Note that for dangerous structure work, costs may be recovered if rectification works are undertaken by LA

Issues for resolution, 16 April

LGR - impact of a unitary authority

Work requested: analysis of the impact of a unitary authority on a joint BC service, making reference to WCC's One Council for Wiltshire paper on planning services

Governance

Work requested: brief summary which outlines governance options and the rationale for selecting the joint committee option in preference to a separate legal entity

Organisation structure and establishment

Work requested: explanation of why the proposed structure is fit for purpose – ie its form follows its function. Detailed structure chart

Reference to good practice

Work requested: reference to other projects studied/consulted in creating this solution; which aspects adopted.

People/HR

Work requested: research the options around appointing MD-designate from current BC managers v/s open competition, and recommend; confirm that Ops Mgr, Bus Dev Mgr and Bus Support Team Leader can be appointed from internal candidates.

Work requested: analysis of implications for both transferring officers and for other officers remaining in the councils wrt personnel issues, including job evaluation/pay reform, pensions and redundancy.

Work requested: more analysis/rationale to support the proposed level of terms and conditions for the new unit

Statutory services – provision

Work requested: explanation of how non-fee paying services (30%) will be commissioned, delivered, managed, paid for ie how proposed solution will enable local authorities to fulfil their statutory duties.

Support/professional services – costs, recharges

Work requested: develop a solution for treatment of partners' support costs, recharges, surpluses (ie benefit share)/deficits, and start-up costs which satisfies DC heads of finance and which enables them to recommend we proceed.

Key risk assessment – DC perspective

Work requested: log of key risks to DCs of going ahead, as well as those to the project and the risks of doing nothing.

Reduction to three BC partners

Work requested: analyse the impact if one of the four councils withdrew and there were three, and risk analysis for the stand-alone council. We propose to undertake this work only if it becomes necessary ie the revised business case does not satisfy one or more partners. The risks of going it alone are represented by the drivers for going ahead together.