**POLICY AND RESOURCES COMMITTEE - 25 JANUARY 2016**

**PART I DELEGATED**

**7. HERTFORDSHIRE BUILDING CONTROL PROJECT BUSINESS PLAN**

(DCES)

***The appendices to this report are NOT FOR PUBLICATION because they deal with information relating to the financial or business affairs of any particular person (including the authority holding that information) (Paragraph 3 of Schedule 12A).***

**1.** **Summary**

1.1 The report summarises the Business Plan and work to date that has been produced for the Hertfordshire Building Control project. The project is a joint venture between seven District Councils in Hertfordshire.

**2.** **Details**

Background

* 1. Local Authorities (LAs) have a statutory duty to provide a Building Control service. This means that if an application is submitted to the authority, it has a duty to ensure that the works comply with building regulations. Originally LAs were the sole supplier of this service. However, in 1997 the government gave powers that allowed Approved Inspectors (AIs) to also act in this capacity. This competitive environment has meant that it is more difficult for LAs to retain their market share and grow new commercial work. Consequently many LAs, including Three Rivers have struggled to ensure that the Building Control service they provide is both value for money and cost neutral. In order to sustain the service, new options for service delivery will need to be explored.
  2. Since 2010 Three Rivers has explored several models for delivery of Building Control, including a shared service arrangement with Watford and Dacorum Councils and outsourcing to a private sector provider. Neither of these options proved to be viable.

Current Position

* 1. In July 2013 Three Rivers approached all District Councils in Hertfordshire with a proposal to explore a wider arrangement across the County. Six other authorities showed an interest in progressing this idea: Welwyn Hatfield, North Herts, Stevenage, East Herts, Hertsmere and Broxbourne.
  2. Three Rivers took on the role of Project Sponsor and through the East of England Local Government Association (EoELGA) engaged consultants to support a mixed group of managers from across the seven authorities to form a “Solutions Centre” to generate ideas for different ways of delivering building control services within their joint area. The Solutions Centre highlighted the following common concerns regarding the current building control delivery:

* The majority of Hertfordshire LA Building Control services are run at a cost.
* LAs find it difficult to market their services to commercial clients and are struggling to maintain the householder client base as AIs are seen as more flexible and value for money.
* It is becoming increasingly difficult to recruit and retain high quality staff.
* Most LAs now have an ageing Building Control workforce.
* It is difficult to run services efficiently with current resources and overheads.

* 1. In January 2014 a proposal was put forward by the Solutions Centre to create a separate company owned by the seven local authorities that would deliver building control across district boundaries. The proposal suggested that the company would be virtual rather than wholly office-based, allowing officers to work remotely from site using a single IT platform.
  2. In order to take the model forward a project board was set up consisting of the seven Chief Executives or their nominated Directors and the EoELGA.
  3. Expert legal advice for the project has now been procured and this has led to the board deciding that a holding company would be the most efficient way to set up and run the arrangement, offering maximum flexibility with minimum exposure to procurement regulations and Corporation Tax. Sitting beneath the holding company would be two further arms, one to undertake the delegable non-profit making and non-fee-earning functions and one to undertake other functions on a commercial basis with the aim of making a profit. The majority of technical staff would be TUPE’d into the new company, with a limited number retained within the LAs to undertake functions that cannot be legally delegated, such as the signing of enforcement notices. The full structure can be found in Sections 3 and 4 of the Business Plan contained in Appendix A (which Members will consider under Part II business).
  4. Since the report to Policy and Resources Committee in January 2015 work on the project has been on-going:
* In September 2015 all seven Chief Financial Officers agreed the financial model;
* An interim Managing Director (MD) was appointed in September 2015 as a dedicated resource was required;
* Expert legal advice has been and is being sought for the project;
* A procurement exercise for a single IT office and mobile solution has commenced;
* A procurement exercise for expert PR and marketing advice has commenced.
* Expressions of interest were sought from each of the seven authorities in order to provide the company with start-up support services for two years;
* Initial meetings with building control staff have been undertaken by the MD at each local authority;
* Key leads for areas of the project are provided by participating authorities:
  + Legal: Stevenage
  + Finance: Broxbourne;
  + IT: Hertsmere;
  + Human Resources: Three Rivers;
  + Operations: North Hertfordshire.
* Director nominations have been requested from each of the seven authorities.
  1. As part of the expressions of interest process, Three Rivers have been awarded the work for Human Resources and Legal and will provide the company with these services for the first two years.
  2. A Best Value consultation has been placed on the Council’s website seeking views on the proposal to *enter into an arrangement to establish a wholly-owned company dedicated solely to provide Building Control functions on a non-profit making basis’.* The Consultation closed on 05 December 2015.
  3. The full financial model is detailed in Section 6 of the Business Plan in Appendix A (which Members will consider under Part II business). However a summary table has been included in Table 1 below. This gives an overview of the up-dated financial model over a three-year period for Three Rivers.
  4. Table 1. Summary Financial Table



* 1. The above table is inclusive of the fees that Three Rivers will charge the company to provide it with HR and legal services for the first two years. For legal TRDC can expect to receive a £40k return after costs and for HR at £20k return after costs.
  2. In Three Rivers if we remain with the current status quo our Building Control service will continue to cost the Authority £136k per annum (increasing year on year), which would be covered by existing budgets. However if the partnership were to go ahead without Three Rivers the workload and therefore fee income associated with Three Rivers Council could be significantly reduced. Entering the partnership would increase the costs each year within the three year period illustrated, however the future cost model underpinning the Business Case predicts that by year 6 the costs would be covered by existing budget levels and that the projection of returns after year 6 would be increasingly positive and represent underspends against budgets.

**3.** **Options/Reasons for Recommendation**

3.1 Forming an independent company (with an AI subsidiary) to provide building control services has a number of benefits:

* It will create efficiencies in terms of back office costs such as ICT and building charges.
* It will allow for rationalisation of resources.
* There can be greater flexibility in the way that staff are deployed, based on market need.
* The set up will allow for greater flexibility in terms of incentives and training for staff, improving retention and job satisfaction.
* The model allows for a minimum surplus to be re-invested in both the company and the Local Authorities.

Not exploring this delivery model will mean that Three Rivers Building Control will continue to run at a cost to the Council of approximately £175k per annum and is likely to continue to lose its market share (and thus cost more) as pressure from AIs builds. In addition, if the other Herts authorities proceeded with the AI model but without Three Rivers they would have the ability to take work from this District putting the service in an even more untenable position.

**4.** **Policy/Budget Reference and Implications**

4.1 The recommendations in this report are not within the Council’s agreed policy and budgets.

**5.** **Environmental, Community Safety, Customer Services Centre, Communications & Website**

5.1 None specific.

**6.** **Financial Implications**

6.1The financial implications are contained within the report.

*7.* **Legal Implications**

7.1 Addressed in the Business Plan in Appendix A (which Members will consider under Part II business).

**8.** **Equal Opportunities Implications**

8.1 **Relevance Test**

|  |  |
| --- | --- |
| Has a relevance test been completed for Equality Impact? | Yes |
| Did the relevance test conclude a full impact assessment was required? | No |

**9.** **Staffing Implications**

9.1 The staffing and HR implications have been detailed in the Business Case.

**10.** **Environmental Implications, Community Safety Implications, Customer Services Centre Implications, Communications and** **Website Implications,**

10.1 None specific.

11. **Risk Management and Health & Safety Implications**

* 1. 11.1 The Council has agreed its risk management strategy which can be found on the website at http://www.threerivers.gov.uk. In addition, the risks of the proposals in the report have also been assessed against the Council’s duties under Health and Safety legislation relating to employees, visitors and persons affected by our operations. The high level risk management implications of this report are detailed below. A more detail assessment of the project risks has been set out in the section 2, page 13 of the Business Plan in Appendix A That Members agree to continue with the project based on the current financial information and updated Business Plan in Appendix A (which Members will consider under Part II business).

11.2 The subject of this report is covered by the Regulatory Service Plan. Any risks resulting from this report will be included in the risk register and, if necessary, managed within this plan.

11.3 The following table gives the risks if the recommendations are agreed, together with a scored assessment of their impact and likelihood:

|  |  |  |  |
| --- | --- | --- | --- |
| Description of Risk | | Impact | Likelihood |
| 1 | That Members from one or more authorities decide that the Business Plan is not viable. | II | D |
| 2 | That the company fails or is not profitable and has to be disbanded | III | E |

11.4 The following table gives the risks that would exist if the recommendation is rejected, together with a scored assessment of their impact and likelihood:

|  |  |  |  |
| --- | --- | --- | --- |
| Description of Risk | | Impact | Likelihood |
| 2 | That the current local authority arrangements for building control continue. The service continues to run at a cost to the authority. | IV | B |

11.5 The above risks are plotted on the matrix below depending on the scored assessments of impact and likelihood, detailed definitions of which are included in the risk management strategy. The Council has determined its aversion to risk and is prepared to tolerate risks where the combination of impact and likelihood are plotted in the shaded area of the matrix. The remaining risks require a treatment plan.

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Likelihood** | A |  |  |  |  |  | Impact | Likelihood |
| B |  |  |  | 2 |  | V = Catastrophic | A = >98% |
| C |  |  |  |  |  | IV = Critical | B = 75% - 97% |
| D |  | 1 |  |  |  | III = Significant | C = 50% - 74% |
| E |  |  |  |  |  | II = Marginal | D = 25% - 49% |
| F |  |  |  |  |  | I = Negligible | E = 3% - 24% |
|  | I | II | III | IV | V |  | F = <2% |
| **Impact** | | | | | |  |  |

11.6 In the officers’ opinion none of the new risks above, were they to come about, would seriously prejudice the achievement of the Strategic Plan and are therefore operational risks. The effectiveness of treatment plans are reviewed by the Audit Committee annually.

12. **Recommendations**

* 1. That Members agree to appoint the Chief Executive, Steven Halls, as the nominated company Director for TRDC and apply the usual indemnity for such appointments.
  2. That Members agree to delegate further decisions for the project to the Director of Community and Environmental Services in consultation with the Lead Members for Housing, Planning and Strategic Schemes.

Report prepared by: Rebecca Emmett, Head of Regulatory Services

**Data Quality**

Data checked by: Rebecca Emmett

|  |  |  |
| --- | --- | --- |
| 1 | Poor |  |
| 2 | Sufficient | **✓** |
| 3 | High |  |

**Background Papers**

None