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| Decision maker: | Cabinet |
| Subject: | Consideration of the option of entering the Building Control Partnership |
| Report from: | Kathy Wadsworth - Strategic Director for Regeneration |
| Report by: | Claire Upton-Brown City Development Manager and Rob Rimmer Corporate Programmes team |
| Wards affected: | Nil |
| Key decision (over £250k): | No |

Building Control Partnership - Feasibility Study October 2014

1. Purpose

- 1.1 The purpose of this briefing paper is to provide an update on the outcome of the Feasibility Study undertaken into the Building Control Service entering a partnership with the Fareham and Gosport Building Control Partnership.

2. Recommendations

- 2.1 That PCC explore entering into a new partnership, working within the Fareham and Gosport Partnership as the future service delivery model on the terms outlined in this report.
- 2.2 That implementation costs and ongoing revenue costs are met from within the existing City Development Service cash limit.
- 2.3 That the final decision is delegated to the Strategic Director for Regeneration in consultation with the Cabinet member for Planning, Regeneration and Economic Development.

3. Background

- 3.1 PCC has a statutory duty to provide a Building Control Service and in 2013, a review of the Planning Service was initiated as a result of a restructuring following the departure of the Head of Service. The Building Control team formed part of this wider Service and also lost the Building Control Manager and another officer at the same time as the Head of Service. As a result of these losses, the building control team then experienced:

- I. Difficulties with recruitment

- II. A lack of capacity and inability to provide a competitive service including the threat from the private sector as a result of the loss of the building control manager and a number of officers exercising the ability to flexibly retire
- III. A lack of capacity to deliver change or provide career development opportunities.

- 3.2 As part of the review, there was a 90 day consultation and a revised structure was proposed. However, staff had already discussed the option of partnership working as an opportunity to follow, and it was agreed that this should be a preferred option to be investigated under the review.
- 3.3. In July, funding was allocated to enable a feasibility study to be carried out to investigate in more detail the option of partnership working. This study was to build on earlier work and gain a greater understanding of the issues (including HR, Financial, IS and process), costs and risks associated with service delivery in a partnership environment and make a clear recommendation as to whether or not this should be pursued.

4. Reasons for recommendation

- 4.1 The proposed partnership will provide a strong platform on which to develop the building control service and address the key issues around capacity and resilience. It will place the service in a much stronger position to compete with the challenge of the private sector.
- 4.2 There are likely to be cost benefits associated with a larger team thus providing a more cost efficient service and provide flexibility to cope with increased levels of demand (when fully staffed). By joining the partnership, PCC will gain access to experienced surveyors and managers without the cost and risk associated with recruitment.
- 4.3 The Fareham and Gosport partnership is established, with an experienced building control manager and provides an opportunity for PCC to integrate into an efficient and customer focused business. It was formed in 2003 and by joining, PCC building control will become a quality assured service registered with BSI.
- 4.4 The new structure will provide a larger offer which will aid recruitment and provide development opportunities for less experienced staff.
- 4.5 If the partnership route is not followed then there will need to be a significant recruitment drive, and effort and management oversight will need to be expended on the service in terms of recruitment, process improvement, staff development and winning new business.

5. Outcome of Feasibility Study

- 5.1 The study has looked into the various elements that support the service delivery and also considered the wider issues that partnership working would generate in

areas such as HR and Finance and also, how the partnership would operate including the governance arrangements.

- 5.2 In determining the recommendation to move to an expanded partnership, the "recruit to the existing team" was used as the baseline against which the various changes were measured. In addition, consideration was also given to the level of change required if partnership working was not pursued and the issues and risks that would generate, particularly around the challenges of recruiting.
- 5.3 The following looks at each element individually, identifies the key issues and describes the proposed approach for each and how that would fit into the partnership model.

6 Financial

- 6.1 Appendix 1 shows the current cost of the Service along with that proposed following transfer to the BCP. This shows that the overall cost of the Building Control Service to PCC following transfer could be reduced by as much as £47,300. This reduction is, however, dependent upon additional income being generated by the BCP to meet support service costs totalling £57,800 which will be chargeable by PCC under the agreement. In the early years of transfer, there is a risk that income to meet the full cost of these recharges will not be achieved. Any early year's shortfall in income is anticipated to reduce as the partnership increases its market share and in the event that there is an income shortfall this will be met from within the existing City Development Service cash limit.
- 6.2 Appendix 2 details the current base establishment structure of the Service.
- 6.3 Appendix 3 details the proposed establishment structure of the Service following transfer to the BCP.
- 6.4 Appendix 5 illustrates the movement of income and expenditure between the current partners. This process would continue to operate in the same way if Portsmouth were to join the BCP.
- 6.5 The BCP budget is administered and monitored by Fareham Borough Council. All the operational costs of the BCP such as salaries, premises, transport and VAT are invoiced to the BCP on a monthly basis by each partner. The 'BCP Budget' column in Appendix 1 shows the costs that would be incurred by PCC, and invoiced to the BCP.
- 6.6 FBC collects all the chargeable income on behalf of the BCP. This is retained for the full year with any surplus or deficit returned to the partner authorities in the ratio that the income was generated by each partner. In the past, this has typically been GBC - 40% and FBC - 60%.
- 6.7 An invoice is raised by the BCP to the partner authorities for the non-chargeable work that has been carried out by the partnership on each partner's behalf. Service Level Agreements are in place with GBC and FBC in respect of these activities, a similar arrangement will need to be agreed with PCC prior to joining the BCP. PCC

non-chargeable work is estimated to be £65,000 per annum and is included in the 'Proposed PCC Budget After Transfer' column in Appendix 1. Income generated by the recharging of PCC support service costs and management time to the BCP will partially offset this cost.

- 6.8 There will be implementation costs of approximately £41,800 for PCC to join the BCP, shown at Appendix 4. The largest element is linked to the work required in support of IS activity and data migration. As Building Control is a cost recovery service, PCC cannot subsidise these and therefore the implementation costs will be recovered from in year savings realised from staff vacancies.

7 HR

- 7.1 Under the current partnership model, staff will remain employed by PCC and will continue to be managed in accordance with PCC policies and procedures. They will be line managed by the partnership building control manager on a day to day basis, who in turn will report to the City Development Manager (and their Fareham & Gosport counterparts). HR support including recruitment, will be provided by PCC HR staff.
- 7.2 From a staff perspective, one of the key issues in moving to the partnership is the different Terms and Conditions (T&C's) of each neighbouring authority. A benchmarking exercise has been carried out regards the salary differentials across these authorities and a comparison of the overall T&C's is at Annex A. The sources used for comparison are Southeast Employers (SEE) and IDS pay and these organisations have been agreed by the Pay Steering group as sources for PCC to use when looking for salary data comparisons. SEE is purely based on the Public Sector data whereas IDS allows us to look at the Private Sector data as well, however, when the data check was run there was no Private Sector data available on IDS pay.
- 7.3 RICS data was also considered but again most of the data available was Public Sector and the only Private Sector data available was for London, which is not comparable. At the time of researching, the one salary that is currently being advertised and is comparable in the Private Sector is in Sussex at £30,000 to £39,999, which is within the range that we are currently paying.
- 7.4 When looking at this data, PCC take the average salary of those on the market and match it against our current salary range. The difference between the two then makes up our Market Supplement Payment which goes on top of our basic salary and is reviewed every 2 years.
- 7.5 Under the current partnership arrangements, a harmonisation payment is made to compensate for the differing T&C's between Fareham and Gosport. On further discussion with the Head of HR and the Pay and Policy Team, it has been confirmed that we have no facility to pay harmonisation payments within our Pay & Grading Policy. Any such agreements could set precedence for the future partnership working with other Local Authorities and Services which may cause

barriers to any partnership agreements. On this basis, we cannot agree for such a payment to be part of the Pay & Reward package for PCC employees in this partnership.

- 7.6 T& C's will need to be amended to reflect the change in location from within the 'Portsmouth Boundaries' to 'work will be carried out across all three areas 'Gosport, Fareham and Portsmouth'. Following a period of consultation we will aim to seek agreement about the effective date regarding the change of work location.
- 7.7 Historically, there have been problems with recruiting staff due to of a lack of qualified surveyors who wish to work for the public sector. PCC has not attracted qualified and experienced Building Control Surveyors to work for the authority for a number of reasons not just salary (advertisements for surveyors have taken a number of attempts resulting in a low level response.)
- 7.8 From a HR perspective, there are no HR issues that would prevent PCC entering into the partnership, but the level of cultural change required and differing T&C's are noted. In terms of risks:
- a. PCC may wish to vary the terms of the contract because of the re-organisation of the business. Employee's will be fully consulted with about any proposed changes to their contract of employment with a view to reaching an agreement about the reasons for the change.
 - b. If PCC cannot reach an agreement with the staff, we will look to serve notice to terminate the existing contract and offer the employee re-engagement on the new terms. This will only be considered after full and thorough consultation with employees and their representatives and treated as a last resort (e.g. Local Pay Review).
 - c. Due to the differing T&Cs, staff may choose to move to a "better offer" but this is applicable regardless of whether or not we are in a partnership.
 - d. The risk linked to recruiting is again applicable to both, however, the partnership potentially offers a more attractive opportunity.

8 IS

- 8.1 The partnership use a different IT system (Ocella) to PCC (IDOX) which they have developed over the last few years. Given their investment in the system, the partnership would not consider moving to PCC's current system (IDOX) and therefore, the basis of any partnership agreement is that PCC would use their system. PCC recognise that they too have invested in IDOX which also has a developed Document Management System that is used by Planning to enable near paperless working. The use of 2 systems was very quickly discounted as inefficient and lessons learnt from other partnership case studies suggest that a key factor to success and deriving efficiencies was agreement on an IT strategy and early adoption of one system.

- 8.2 To reflect this, the feasibility study has focused on the issues and costs associated with migration to the Ocella system. Given the risks particularly around data migration, this work will be partly undertaken by IDOX and Ocella staff and the associated costs to achieve the migration and support the new ways of working are estimated at £25000.
- 8.3 In terms of process improvement, the partnership are keen to reduce the amount of paper records held and to enable this, surveyors will be provided with a ruggedized laptop that they will use on site visits. The set up costs, including the initial purchase of additional office hardware is £1200 per surveyor and this is included in the cost at paragraph 8.2.
- 8.4 From a technical perspective, there is no reason why IS integration cannot be achieved and to mitigate against the risk of poor data quality, the migration will initially be undertaken into a test environment. This will be repeated until quality checks provide a sufficient degree of confidence to allow full migration and hence use of one system. The timescale to carry out the supporting activity and enable migration is estimated at 3 - 6 months. This point will be aligned to the physical move of staff to the partnerships office in Fareham (Wallington).

9 Administration/Process

- 9.1 PCC and the partnership have different IS systems and processes and both hold information in a number of different formats (this is due to the length of time that records have been recorded over i.e from 1947 and the different technology that has developed over this time). A key element of planning for any successful transition will be to ensure that data/files that are in regular use remain available to the team once it is operating as part of the partnership. As the service will be split between sites and records maintained at both there needs to be a process whereby easy access is maintained to all the records.
- 9.2 Therefore, analysis was undertaken to establish the options for future access to the data currently held by PCC, and whether any back-scanning of data currently held in legacy formats (e.g. paper, microfiche) will be required in order to ensure the efficient running of the service in future. This analysis covered the following:
- a. Document storage
 - b. Archive storage
 - c. Electronic Records
 - d. Contact processes and volumes
 - e. Future processes
- 9.2 The following recommendations were made:
- a. An Administration resource is maintained at PCC Civic Office
 - b. Applications which arrive in post / person handled by CHD with cheques banked by cashiers. Files passed direct to BCP

- c. Use submit-a-plan for electronic applications until long term national portal emerges. BCP pc's have necessary software but licence needs to be extended to cover PCC.
- d. All open / decided but not yet commenced files from 2012 are to be relocated to BCP (15 metres approx. shelving space 950 individual files)
- e. Closed files to be moved to Modern Records archive by above resource
- f. Fiche to be maintained as is

9.3 The findings of the review highlighted no major issues and will help inform the implementation strategy, however, it did highlight the level of cultural change required if the service is to adopt to new ways of working, some change will also be needed in the existing partnership as it reduces its paper dependency. From an administrative and process perspective, a move to the partnership with revised processes would provide an improved level of service for customers and is likely to result in efficiencies. The partnership currently allows customers to submit a plan electronically and the partnership are currently purchasing a scanning machine and all requests that are not in electronic format on receipt, will be scanned in. The intention is that the overall process up to the surveyor at the place of work will be paperless. In terms of current paper holdings at PCC, all current and valid (up to 3 years) applications would be scanned in once IS integration had been achieved.

9.4 The risks of adopting the partnership processes can be mitigated by training and mentoring for PCC staff. There is a risk that access to information might be fragmented but this will be overcome by maintaining a staff presence at the Civic to manage information and records between PCC and the Partnership. To ensure that this key element of the transfer is dealt with effectively, the Administration team leader post will not be transferred to the partnership but instead this post will sit within the Planning Support Team. The post holder will work across the 2 disciplines and provide a link to maximise any potential leads such as pre planning applications.

9.5 The cultural shift necessary for staff (regardless of the outcome of the study) has been noted and due consideration will be given in any future change management arrangements and emphasis placed on staff engagement and participation.

9.6 The full Administration/process report has been discussed with the partnership manager.

10 Legal/Governance

10.1 The arrangements for partnership working are covered within a Memorandum of Understanding and signed agreement. In terms of governance, the current arrangements are centred on a monthly officers group which has responsibility to consider and agree partnership issues linked to finance, Health & Safety, staffing and operational issues such as workload and risks.

10.2 A panel group consisting of members and officers meets on a bi-annual basis and have responsibility to receive reports, review, monitor and make recommendations to the Officer group or upwards to the council executive. They will also consider any issues that require Council approval.

10.3 If we pursue working with the partnership we will need to agree a joint working agreement with the other parties. This will be where all matters are dealt with including:

- a) The placing of staff at the disposal of other authorities is enabled by s113 of the LGA 1972 - this would allow the Partnership Manager to manage the employees, but for their employment to be retained with the originating employer.
- b) The agreement will need to deal with:
 - a. Working protocols
 - b. Reporting on operational matters
 - c. Escalation and reporting on staffing matters (including reference to obligation to reserve the respective procedures)
 - d. Delegation to the partnership manager of decisions, (including exceptions)
 - e. Arrangements for access, accommodation, information provision, computer support, supervision of the Partnership Manager
 - f. Funding arrangements
 - g. Liabilities - including liability for TUPE and pre-transfer matters.
 - h. Reference to any contracts necessary to carry the work on.

11 The partnership model

- 11.1 The partnership will operate out of the Fareham offices in Wallington but retain a daily presence at the Civic Offices in order to answer customer queries and enable access to records. It is anticipated that this would operate on the basis of customers being offered a bookable slot.
- 11.2 Surveyors will be based at Wallington but as they work in a more mobile fashion, they will use hot desk facilities at the Civic as the location of work dictates. A key facet of the partnership working will be that the geographical boundary that PCC surveyors cover will be extended to include the Fareham and Gosport areas.

12. Implementation

- 12.1 If the recommendation is accepted, then the first activity following any decision will be to undertake a planning phase in order to drill down into the detail to identify the tasks and develop any specifications. It is estimated that this phase of activity will take 4-5 weeks and to increase the likelihood of a successful transition to the partnership, Building Control staff will be fully engaged in the planning phase.
- 12.2 In terms of the actual implementation, the longest individual activities will be centred around the HR and IS elements and both can be initiated in parallel to the planning phase. With regard to the HR element, we believe there is a genuine business reason to vary the current terms and conditions therefore after full and thorough consultation if no agreement is reached and PCC wish to go ahead with a change,

this will result in the dismissal and reengagement of staff. However, whilst we will need to include this in the implementation plan as a consideration, this will not affect the critical path in terms of the activity required to be complete before integration can be considered.

- 12.3 During the planning phase, the specification for any IS migration will need to be developed prior to any useful dialogue with IDOX. The suggested approach would involve migration to a test environment until confidence is gained on the quality of data migrated. This is an iterative process and likely to define the critical path to when full integration would occur and the point at which the physical move of staff to the partnership offices would be aligned. From experience, it is considered that only after the first data migration has been achieved can a useful estimate be given as to the likely overall timescale and this review point is likely to occur 3-4 months after the planning phase is initiated. At this point it may take another month or several further iterations drawn out over a number of months.
- 12.4 This period will include site visits, staff training on new systems and processes and the associated administrative changes to reflect partnership working and completion of a joint agreement on ways of working.

13 Summary

- 13.1 The benefits of the partnership model is that it provides a bigger critical mass of skilled staff to compete with the threat of the private sector and will provide a more cost efficient service (when fully staffed). The capacity it generates will provide a degree of flexibility to cope with peak demands thus ensuring that customer requests are met in a timely manner. In addition, the proposed structure allows career development opportunities through the creation of trainee posts.
- 13.2 The benefits of moving to the partnership outweigh the identified risks and implementation costs. The issues as a result of different Terms and Conditions are noted and the associated risks around recruiting or moving as a result of a better offer are applicable regardless whether or not the partnership route is taken.
- 13.3 If the partnership route is not followed, considerable effort and cost will still need to be made in terms of recruitment and process improvement.

14. Equality Impact Assessment (EIA)

- 14.1 There are no equality issues arising from this report and its recommendations. Therefore, an Equality Impact Assessment is not required.

15. Legal's comments

- 15.1 Legal's comments are contained within the body of this report.

16. Head of Finance's comments

- 16.1 Following the approval of the recommendation contained in this report, further work will be carried out to formalise the financial details of the Partnership Agreement.
- 16.2 The savings reported at Appendix 1 are dependent upon the Partnership being able to achieve the increased income of £57,800 required to meet support service costs.
- 16.3 In the early years of the partnership, there is a risk that this income target will not be achieved resulting in an increased cost of the Building Control Service compared to the cost of present arrangements. Any additional cost will be met from within the existing cash limit of the City Development Service.
- 16.4 Over the longer term it is anticipated that income will increase as the Service develops within the Partnership and that the financial as well as the operational benefits highlighted in this report will be realised.

.....Signed by:

K Wadsworth - Strategic Director for Regeneration

Appendices:

- 1. BC Budget
- 2. Current BC staff structure
- 3. Proposed partnership staff structure
- 4. Implementation costs
- 5. Partnership Financial Model

Annex:

- A. Terms & Conditions

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

| Title of document | Location |
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The recommendation(s) set out above were approved/ approved as amended/
deferred/ rejected by on