**REPORT TO:** Executive Board

**DATE:** 13 December 2018

**REPORTING OFFICER:** Strategic Director Enterprise Community and

Resources

PORTFOLIO: Physical Environment

**SUBJECT:** Building Control Joint Service

WARD(S) Borough-wide

### 1. PURPOSE OF REPORT

1.1 A Collaboration Agreement has been in place between Halton and Knowsley Councils since July 2015 with the aim of exploring the potential for a shared Building Control service. Working collaboratively has successfully reduced costs whilst maintaining the quality of service delivery.

- 1.2 In January 2018, the Leaders and Chief Executives of both Councils endorsed the undertaking of work to examine the potential establishment of a "Regulation 12" company (i.e. a company set up in compliance with Regulation 12 of the Public Contracts Regulations 2015), on the basis that such a company would be jointly (and equally) owned by both Councils.
- 1.3 In order to complete the above work, approval is now required to formalise an interim shared service agreement (until 31 March 2020) with Halton Council for the provision of Building Control services.

### 2. **RECOMMENDATION: That**

1) a shared service arrangement for Building Control services for Halton and Knowsley Councils is approved on the basis set out in this report and with a joint structure to be hosted by Knowsley Council for a period until 31st March 2020 commencing 1st January 2019;

- Authorise the Strategic Director Enterprise, Community and Resources to execute all relevant documentation required for the establishment of a shared service arrangement for Building Control services for Knowsley and Halton Council as set out in this report; and,
- 3) Endorse the proposal to explore the establishment of a Building Control "Regulation 12" company, which would be the subject of a future report to Executive Board.

### 3. SUPPORTING INFORMATION

- 3.1 Building Control is a statutory function and national regulations govern the work for which a fee is charged. The Building Control service's fee-earning work helps to cross-subsidise other vital but non-fee earning work, for example responding to concerns about potentially dangerous structures and buildings and recommending action to ensure public safety.
- 3.2 The Building Control service's core fee-earning activities are subject to direct competition from the private sector "Approved Inspectors" who also have the power to confirm that a building complies with the Building Regulations. In Halton and Knowsley, the presence of competing Approved Inspector companies has not only impacted upon the volume of work submitted to the Authorities' in-house services, but has also affected the Councils' ability to retain and attract qualified staff. Several private sector competitor companies offer more competitive financial remuneration packages to their employees alongside other inducements which can also make positions in these companies even more attractive.
- 3.3 As a result of this market position, Building Surveyors have left both Halton's and Knowsley's Building Control teams to take up positions with private sector companies. Knowsley's team currently comprises eight posts (three of which are currently vacant). Halton's Building Control team comprises four posts (three of which are currently vacant). Of the six vacant posts, four were vacated after employees left to take up positions with private sector Approved Inspectors.
- 3.4 In the event that either Council was unable to adequately resource a Building Control team, it would need to enter into a commercial relationship with a private provider in order to deliver the assessment and determination of Building Regulation applications. Even in that case, the Council in question would need to retain a qualified Building Surveyor in order to:-
  - manage the commercial relationship with the private sector provider;

- undertake out of hours responses to concerns about dangerous structures; and,
- ensure public safety at events and sports grounds.
- 3.5 In view of these recruitment and staffing challenges, Halton and Knowsley Councils' Building Control services have been working collaboratively since July 2015. This approach has proven successful and it is now considered timely to formalise such collaboration whilst work to consider the potential for a new delivery model is concluded.
- 3.6 The ultimate aim is to reduce the cost of the statutory function for both Councils and to create the capacity to generate increased future income at the same time as stabilising the service.
- 3.7 This report recommends the formalisation of existing arrangements under a Shared Services Agreement, with a longer-term aim to assess the suitability of setting up a "Regulation 12" company to deliver all Building Control-related work, thereby creating a sustainable future for the service to both Councils.
- 3.8 Formalising the existing shared service arrangement is now considered essential in order to:-
  - (i) reduce the costs of the Building Control service to Halton and Knowsley Councils;
  - (ii) provide greater resilience for the shared service in that a full staffing complement would enable better workforce planning and resourcing to match an increasing workload;
  - (iii) secure additional economies of scale;
  - (iv) increase partnership development with developers;
  - (v) provide certainty for the employees of the service about the partnership's future and their respective roles;
  - (vi) provide certainty in order that service delivery issues (for example, in relation to information technology and case handling) can be fully resolved, thereby ensuring that a "one service" model is fully embraced;
  - (vii) expand marketing capability; and,
  - (viii) compete on a robust basis with private sector Approved Inspectors operating within the two local authority areas.

- 3.9 The proposed Shared Service would operate as follows:-
  - (i) A joint Building Control service would be established on terms outlined under a Shared Services Agreement" (in accordance with the key principles set out at Appendix A to this report);
  - (ii) Net of fee income, the cost of delivering the joint Building Control service would be borne equally by the two Councils. The fee income would also be split equally on the basis of an annual reconciliation:
  - (iii) The Building Control Team Leader would report to the Head of Planning Services (Knowsley) and Operational Director (Halton), who would meet regularly and would have joint responsibility for operational matters and decisions affecting the Building Control service. Elected Members of both Councils would be updated on a regular basis and any key decisions would be reported to the respective Cabinet/Executive Board as appropriate;
  - (iv) Knowsley would host the shared service, including acting as employer and providing case handling and customer service support;
  - (v) Halton's Building Control Officer would be seconded into the shared service on existing Halton Council terms and conditions and subject to day to day management by Knowsley Council under the Shared Services Agreement; and,
  - (vi) The shared service would operate in each Borough during normal office hours (with an equal level of staffing) alongside a joint emergency response service for out of hours.
- 3.10 It is proposed that either Council would be able to terminate the Agreement after giving at least three months' written notice of the intention to do so. In such circumstances, any costs associated with the termination would be assessed and proportional costs would be reviewed and agreed between both organisations.

### 4.0 POLICY IMPLICATIONS

4.1 In examining alternative options for service delivery, some key principles have been considered. The key principles applicable in this case are discussed below.

4.2 Public sector control should remain the preferred option, although the Council should ensure that the best model is developed for each individual service

The current proposal is for a shared service arrangement between Halton and Knowsley Councils, and control would therefore remain in the public sector. Any future establishment of a Building Control "Regulation 12" company would be on the basis that both Councils would jointly (and equally) own such a company.

4.3 Any new alternative delivery model should be badged separately from the Council

It is not proposed here that the Building Control service should move to an alternative delivery model. Instead, the proposal is for the formalisation of a shared service arrangement on the basis of an existing collaboration agreement with Halton Council. The badging of any alternative delivery model would be considered as part of later work in the event that the establishment of a Building Control "Regulation 12" company is recommended.

4.4 Any new Special Purpose Vehicle should, wherever possible, utilise the Council's support services, although they must demonstrate that they are competitive

In relation to the current proposal, the use of support services (for both Councils) would remain unchanged. Any change to such arrangements would be considered as part of the further work exploring the establishment of a Building Control "Regulation 12" company and having regard to this Key Principle.

4.5 The Real Living Wage would be a requirement for all partnerships/alternative delivery models

No changes are proposed to the salaries currently paid to staff. The Real Living Wage would be a requirement of any future Building Control "Regulation 12" company in the event that its establishment is recommended.

4.6 The terms and conditions of existing staff should be protected, including membership of the Local Government Pension Fund

No changes are planned to the terms and conditions of existing staff.

In the event that the establishment of a Building Control "Regulation 12" company is recommended in future, wherever possible new employees would be employed on the same terms and conditions as existing staff.

4.7 All alternative delivery models should recognise trade unions

All trade unions have been consulted during this work and will continue to be recognised by both Councils.

4.8 Elected Members should be part of any board arrangements and retain a majority vote.

Elected Members of both Councils will be updated on a regular basis as appropriate. In the event that the establishment of a Regulations 12 company is subsequently recommended, its governance arrangements would ensure Elected Members' control.

4.9 A clear communications strategy should be developed and maintained throughout the development of an alternative delivery model

A communication plan has been in place throughout the review and regular meetings have been undertaken with the employees involved in both Councils.

### 5.0 RESOURCE IMPLICATIONS

### 5.1 Financial

- 5.2 The 2018/19 Building Control service forecast net costs are £0.020m for Halton and £0.140m for Knowsley.
- 5.3 The proposed annual shared service cost would be £0.034m for each Council. This equates to an annual saving of £0.106m for Knowsley, which arises due to a reduction in Knowsley's significantly larger staffing structure (i.e. nine posts, of which three are currently vacant). Halton's existing structure has four posts (three of which are vacant). The proposal is for a joint structure of 10 posts (three fewer overall). Work associated with the current vacancies has been covered by the existing team and partly by an Agency Worker in Halton.

- 5.4 The Shared Services Agreement would commence on 1 January 2019 and would be subject to review after 31 March 2020, with three potential options at that stage:-
  - (i) Set up a Building Control "Regulation 12" company;
  - (ii) Continue with the Shared Service Agreement; or,
  - (iii) Cease the Shared Service Agreement and discontinue the arrangement.
- 5.5 Both Councils would equally share financial costs net of fee income until the arrangement ends. For the avoidance of doubt, these costs could include redundancy pay and pension contribution liabilities, as well as incremental and pay award pressures.
- 5.6 During the period of the Shared Service Agreement, it is proposed that the costs of support services (for both Councils) would remain unchanged, as they would be held outside the scope of the shared service. The joint service would continue to be based over two sites, each of which would retain their current support arrangements.
- 5.7 In the event that progression of a Regulation 12 company was recommended to a future Executive Board meeting, the most economic and effective ongoing support service arrangements would be considered and agreed at that point.

### 5.8 Human Resources

The shared service arrangement would result in a new staffing structure of 10 employees made up from current Knowsley and Halton officers (see Appendix B to this report). There are six existing employees who would be assimilated into the new structure. Halton's Building Control Officer would be seconded into the shared service on existing Halton Council terms and conditions and subject to day to day management by Knowsley Council under the Shared Services Agreement. This secondment arrangement would continue pending consideration of the establishment of the "Regulation 12" company.

### 5.9 Information Technology

Both Councils currently use the same software to support Building Control services, thereby enabling the relevant employees to work across both organisations and access plans and reports. Under the proposed arrangements, the intent would be for staff to work more flexibly across both Councils and to test new ways of working, including the potential for a mobile solution.

### 5.10 Physical Assets

- 5.11 It is proposed that the service would be delivered from a central base in Knowsley (i.e. the Yorkon Building in Huyton), with a satellite office in Halton (Municipal Building in Widnes). Opportunities would thereby be provided for more collaborative working through co-location. It is also proposed that there would be the capacity for home working and mobile technology, which would provide economies of scale and consistency of service.
- 5.12 Any future recommendation to progress with a Regulation 12 company would give consideration to ongoing accommodation arrangements, including information technology links and requirements.

### 6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

- 6.1 **Children & Young People in Halton**
- 6.2 Employment, Learning & Skills in Halton
- 6.3 A Healthy Halton

Building Control is fundamental to the provision of safe and fuel efficient buildings.

### 6.4 A Safer Halton

### 6.5 Halton's Urban Renewal

The proposal ensures that a pool of professional staff is retained to undertake the statutory duties of the Building Act 1984 and provide advice and guidance to the construction sector delivering urban renewal in Halton.

### 7.0 RISK ANALYSIS

- 7.1 The recommendations in this report are founded upon ensuring the resilience of the Building Control service and its future public provision within Knowsley. The aim is for the service to remain locally based, responsive to local needs, and knowledgeable about the needs of local communities.
- 7.2 Any failure to retain qualified Building Control staff within the Council would result in the necessity to enter into a commercial relationship with a third party in order to deliver statutory responsibilities. In that event, the social value benefits outlined in paragraph 5.2.1 above could be reduced.

7.3 The formalisation of a joint structure for a shared Building Control service with Halton Council provides the most sustainable solution to enable success in a very commercial market whilst minimising the costs of statutory service provision for both Councils.

### 8.0 EQUALITY AND DIVERSITY ISSUES

8.1 There are no Equality and Diversity arising from this report.

### 9.0 REASON(S) FOR DECISION

9.1 The Building Control Service requires sufficient resource and capacity to continue to provide high quality advice to residents, developers and investors. Following the departure of all Building Control Officers in November 2017, temporary arrangement have been in place to provide service continuity. The reason for the decision is to place the Service on a sustainable footing for future service delivery.

### 10.0 ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

- 10.1 Do nothing The current temporary arrangements (the use of an agency member of staff) are not cost effective, nor efficient, and the current team lacks capacity to offer a high quality service and generate income.
- 10.2 Outsourcing A higher quality, more cost effective service can be offered through a joint shared service. An in-house service is far more responsive in terms of support for public services (for example, public safety at events) and does not rely upon commercial contracts as the basis for delivery. The preferred approach retains local control over service delivery.

### 11.0 IMPLEMENTATION DATE

11.1 1 January 2019.

# 12.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972

None.

# KEY PRINCIPLES OF THE JOINT BUILDING CONTROL SHARED SERVICE BETWEEN KNOWSLEY METROPOLITAN BOROUGH COUNCIL AND HALTON BOROUGH COUNCIL

### Context

- Halton Council's and Knowsley Council's Building Control services have worked collaboratively since July 2015.
- Formalising a shared service arrangement is now considered essential in order to meet the Councils' shared objectives.
- Both Councils aspire to the establishment of a Building Control "Regulation 12" company as long as a business case is developed to do so.
- In the event that a Regulation 12 company is established, it would be jointly and wholly owned on an equal basis by Halton Council and Knowsley Council.

### **Proposed Shared Service**

### **Length of Contract and Scope of Services**

- From 1 January 2019 to 31 March 2020.
- The Scope of the Services and the Key Objectives will be set out in the agreed Service Specification.
- The Councils will work collaboratively to achieve the Key Objectives.
- Knowsley will act as Host Authority to manage and deliver the Shared Service.
- The Shared Service will operate in each Borough during normal office hours (with an equal level of staffing) alongside a joint emergency response service for out of hours.
- The service will be delivered from a central base in Knowsley (i.e. the Yorkon Building in Huyton) with a satellite office in Halton.
- The Councils will ensure that all consents are in place for the Host Authority to deliver the Shared Service.
- Either Council will be able to terminate the Agreement after giving at least three months' written notice of the intention to do so. In such circumstances, any costs associated with the termination will be assessed and proportional costs will be reviewed and agreed between both organisations. Any notice of termination may not be given by a Council before 1 July 2019.

### Governance

- The Shared Service Team Leader will report to a Management Board consisting of the Head of Planning Services (Knowsley) and Operational Director (Halton), who will together have joint responsibility for operational matters and decisions affecting the Shared Service.
- The Management Board will be responsible for strategic direction of the Shared Service and will be responsible for the functions agreed by the Councils.
- The Shared Service Team Leader will be responsible for day to day delivery of the Shared Service and will have a scheme of delegation agreed by the Councils.
- Unanimous decisions of the Management Board will be required to change the scope of the agreed Services or to change the structure of the Shared Service.
- Elected Members of both Councils will be updated on a regular basis as appropriate.
- The Management Board will undertake an annual review of the agreement and the Shared Service. Interim reviews will take place as necessary.

### **Finance**

- Net of fee income, the cost of delivering the Shared Service will be borne equally by the two Councils. For the avoidance of doubt, these costs could include redundancy pay and pension contribution liabilities, as well as incremental and pay award pressures.
- The fee income will be split equally on the basis of an annual reconciliation.
- The costs for support services will remain unchanged.
- Knowsley, as the Host Authority, will have the right to enter into third party agreements subject to compliance with its Constitution.
- The Council which gives notice to terminate early will be responsible for any costs incurred by Knowsley as the Host Authority in reducing the number of employees employed by the Host Authority to deliver the Shared Service as a result of the notice to terminate.

### **Premises, Information Technology and Support Services**

- Both Councils currently use the same software to support Building Control services, thereby enabling the relevant employees to work across both organisations and access plans and reports. Under the proposed arrangements, the intention will be for employees in the Shared Service to work more flexibly across both Councils and to test new ways of working, including the potential for a mobile solution.
- The Council which provides the information technology shall remain the owner of such facilities and equipment. As the Host Authority, Knowsley will maintain an inventory of all information technology use and make it available to Halton upon request.
- As the Host Authority, Knowsley shall enter into lease or licence arrangements for the Shared Service.

### **Human Resources**

- Knowsley will host the Shared Service, including acting as employer and providing case handling and customer service support.
- Halton's Building Control Officer will be seconded into the Shared Service on existing Halton Council terms and conditions and subject to day to day management by Knowsley under the Shared Services Agreement. There will be a Secondment Agreement to cover this secondment.
- As the Host Authority, Knowsley shall be entitled to recruit to posts required for the Shared Service, and any such employees recruited shall become employees of Knowsley as the Host Authority. Any recruitment and employment costs shall be treated as costs of the Shared Service.
- Any employee recruited by Halton to fill a vacancy or replace a secondee shall be employed by Halton and seconded to Knowsley as the Host Authority.
- Upon termination of the Shared Services Agreement, the secondment of any secondee to the Shared Service shall terminate and all such secondees shall return to Halton.
- Further, upon termination and a separation of the Building Control function, there may be a need to TUPE transfer staff who have been appointed by Knowsley for the Shared Service to Halton based on the service requirements of each individual Council.
- Staffing levels for the Shared Service shall be reviewed annually by the Management Board.

### **Contract Management**

- Any complaint which relates to the Shared Service shall be dealt with by the Council which receives that complaint. The Shared Service Team Leader will assist that Council in providing any information or support required to deal with the complaint.
- Any financial liability and/or compensation arising from a complaint shall be treated as a cost of the Shared Service.

### **Dispute Resolution**

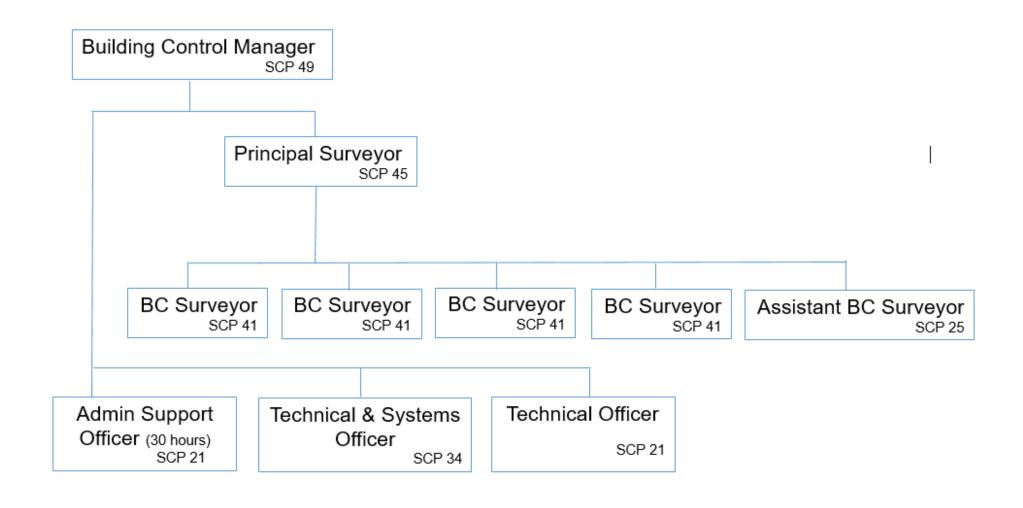
- The Councils are members of the Local Authority Building Control Partner Authority Scheme, which is a mechanism to resolve disputes between local authorities which are members of the scheme.
- The Councils agree to abide by the provisions of Local Authority Building Control's Code of Practice.
- Issues shall in the first instance be resolved by the Shared Service Team Leader.
- Unresolved issues shall be considered by the Management Board.
- The Management Board shall attempt to resolve such issues acting in good faith.
- If the Management Board fails to resolve any such issue within 30 days, the issue shall be referred to the Chief Executives of the Councils for joint resolution.
- If the Chief Executives of the Councils fail to resolve such an issue within 60 days, the issue shall be referred to the Regional Chairperson of Local Authority Building Control for mediation or arbitration.
- If such an issue is unresolved by the Regional Chairperson of Local Authority Building Control, the matter shall be referred to the Local Authority Building Control Partner Authority Scheme Arbitration Panel, which will provide a professional opinion.
- If such an issue is unresolved by the Local Authority Building Control Partner Authority Scheme Arbitration Panel, the matter shall be finally resolved in the Courts.

### **Liability and Insurance**

- Each Authority will ensuring adequate insurance cover for the Shared Service to operate within its boundary.
- Halton will be responsible for any claims arising in Halton and Knowsley will be responsible for any claims arising in Knowsley.
- Insurance premia or costs for the Shared Service shall be treated as a cost of the Shared Service.
- In so far that a claim is not covered by insurance, the Councils shall be jointly liable and the costs arising from any such claim shall be treated as a cost of the Shared Service.
- Costs arising from any data breach shall be treated as a cost of the Shared Service.

### **APPENDIX B**

### DRAFT ORGANISATIONAL STRUCTURE OF THE JOINT SHARED SERVICE FOR BUILDING CONTROL SERVICES



### **APPENDIX C**

## **EQUALITY IMPACT ASSESSMENT**

Service Area Building Control – Joint Service Development	Head of Service:	Completed by: T Gibbs	Date: 8 November 2018			
Title: (Plan/Project/Policy etc.)	Building Control					
Brief description:	To formalise a shared service arrangement for the provision of Building Control services with Halton Council					
Although this proposal has an effect on people, the proposed joint staffing structure (to be hosted by Knowsley) will provide certainty for the Building Control team about the partnership's future and their respective roles.  A separate Equality Impact Assessment will be carried out on the proposal to explore the setting up of a "Regulation 12" Building Control company.						
Does the proposal have a direct impact on people?	Yes					
If yes, please complete the grid below. If no, consider we Equality Impact Assessment is necessary, if not state we process:						

Have you conducted a consultation? **Yes** (if yes please attach evidence or include link)

Staff have been involved within the process since the inception of the collaborative working arrangement in 2015.

There will be one member of staff seconded into Knowsley Council from Halton Council. That employee will continue to be employed on Halton Council terms and conditions, based at Halton Council, and line managed by a Joint Building Control Team Manager.

Who did you consult with?

- Some initial engagement has taken place with affected staff as part of the initial review process. This engagement has focussed on the positive outcome of a shared service for both authorities.
- 2. Stakeholders, customers and other Building Control bodies.
- 3. The service management team
- 4. Partner organisations (Halton Council, Local Authority Building Control, relevant Elected Member leadership)

How and when did you consult?

A log of Frequently Asked Questions and actions is being maintained. These Frequently Asked Questions are attached at the end of this Assessment.

At the inception of the scheme and regularly throughout, mainly through meetings and Continuing Professional Development events.

Senior management have been consulted on a quarterly basis with regard the progress of the shared service.

Consultation with partner organisations has taken place at least every two weeks since the commencement of the programme in 2015.

The project structure has involved Knowsley Council Steering Group meetings, Programme Board and Work Stream meetings.

What was the feedback?

Specific feedback from all staff about jobs, pay, pensions, terms and conditions and a two-tier workforce.

That it would improve the service and benefit customers.

Positive, especially with regard to improving the service and saving the council money.

Plans have been adapted, or considered for adaptation based on the feedback and professional advice gathered at these meetings.

	Is there any potential positive Impact?	Is there any potential negative Impact?	What evidence do you have? (e.g. complaints, statistics, surveys etc. disaggregated by equality groups.)	What action will you take to mitigate negative impact? Please state if negative impact is intended due to positive action.	How will you monitor and review the actions that you have taken to mitigate the impact?
Age	Yes	No	There will be no change in service for customers and the shared services arrangement doesn't result in any job changes.	N/A	N/A
Carer's Status	Yes	No	There will be no change in service for customers and the shared services arrangement doesn't result in any job changes.	N/A	N/A
Disability	Yes	No	There will be no change in service for customers and the shared services arrangement doesn't result in any job changes.	N/A	N/A

Gender	Yes	No	There will be no change in service for customers and the shared services arrangement doesn't result in any job changes.	N/A	N/A
Gender Identity	Yes	No	Data is not collected for gender identity. There will be no change in service for customers and the shared services arrangement doesn't result in any job changes	It will be important to keep all stakeholders engaged in the process.	Any concerns will be captured in the risk plan for the project and through the formal consultation.
Offending Past	Yes	No	Data is not collected for offending past. There will be no change in service for customers and the shared services arrangement doesn't result in any job changes	It will be important to keep all stakeholders engaged in the process.	Any concerns will be captured in the risk plan for the project and through the formal consultation.

Sexual Orientation	Yes	No	Data not gathered for sexual orientation. There are no targeted services which are aimed at sexual orientation within this proposal. There will be no change in service for customers and the shared services arrangement doesn't result in any job changes.	It will be important to keep all stakeholders engaged in the process.	Any concerns will be captured in the risk plan for the project and through the formal consultation.
Race (including Gypsies and Travellers)	Yes	No	There will be no change in service for customers and the shared services arrangement doesn't result in any job changes.	It will be important to keep all stakeholders engaged in the process.	Any concerns will be captured in the risk plan for the project and through the formal consultation.
Religion or Belief	Yes	No	There will be no change in service for customers and the shared services arrangement doesn't result in any job changes.	N/A	N/A

Social	Yes	No	There will be no	N/A	N/A
Economic			change in service		
Status and			for customers and		
Child			the shared services		
Poverty			arrangement		
			doesn't result in any		
			job changes.		
Armed	Yes	No	There will be no	N/A	N/A
Forces			change in service		
personnel,			for customers and		
Veterans			the shared services		
and their			arrangement		
Families			doesn't result in any		
			job changes.		

R-Race D-Disability G-Gender (including Pregnancy and Maternity) SO-Sexual Orientation RB-Religion & Belief A-Age CR-Caring Responsibility OP-Offending Past GI-Gender Identity SS-Socio Economic Status AFV – Armed Forces, Veterans and their Families