

CABINET

Potential for the Provision of Building Control Services by South Lakeland District Council 27 May 2014

Report of Chief Officer (Regeneration and Planning)

PURPOSE OF REPORT			
To seek Cabinet approval to enter into formal arrangements with South Lakeland District Council to provide Building Control services on behalf of the City Council			
Key Decision	X	Non-Key Decision	Referral from Cabinet Member
Date of notice of forthcoming key decision	28 April 2014		
This report is public			

RECOMMENDATIONS OF COUNCILLOR JANICE HANSON

- (1) That Cabinet agrees that steps should be taken to enter into an appropriate formal arrangement for Building Control services to be provided by South Lakeland District Council on behalf of Lancaster City Council.
- (2) That the Chief Officers (Regeneration and Planning), (Governance) and (Resources) be instructed to conduct the appropriate negotiations including taking any transitional steps required in the interim period and to report back to Cabinet for approval to formalise arrangements in due course.

1.0 Introduction

- 1.1 The Council has a duty to provide a basic Building Control Service. The provision of those services are subject to open market competition with private sector companies which are registered as "Approved Inspectors".
- 1.2 Although fees can be charged for the vetting of applications for compliance with the building regulations, and the inspection of works being implemented, there are a range of other statutory functions which the council must provide and pay for. These include enforcing the regulations, dealing with dangerous structures and verifying initial notices submitted by approved inspectors.
- 1.3 In financial terms the council's building control function runs a rolling trading account which is expected to break even making neither profit or losses over a three year period. Taken alongside the statutory duties the council provides, the ideal would be that the basic cost for providing those duties would be modest and stable with the fee earning element of the operation covering the rest of the costs. Up until 2010 and the emergence of private

sector competition in the district the Council's building control operation made an operating surplus.

2.0 Proposal Details

- 2.1 After 2010 when private sector competition established itself in Lancaster District a significant amount of application business was lost to approved inspectors. Corrective action reduced significantly the establishment of the council's operation and it was hoped that a smaller modest team could still break even and provide a minimum statutory service alongside the private sector. A smaller operation still carries significant operating and premises costs however and the amount of fee income generated by less and smaller applications has meant that the council's trading account has been running a deficit for some time.
- 2.2 In addition to the continuing deficit the smaller operation has experienced the loss of a significant number of its staff with some moving to join the private sector competition. Increased business for the existing city council function could only be generated if the council invested heavily in replacing staff and employing new skills. In the current financial climate such an approach would be difficult to justify. The alternative approach is to look to find another local authority with the skills and resources in place to either share a service with or to run the operation on behalf of the city council on either a delegation or outsourced management arrangement.
- 2.3 Discussions with adjoining Lancashire authorities took place in 2012 but it quickly became clear that the most promising operational arrangement which could deal with commonalities in boundaries and links with architecture/planning practices was one which could be provided by South Lakeland District Council (SLDC).
- 2.4 To test the potential for the operation of a joint venture, a pilot project has been in operation since July 2013 whereby SLDC has been providing plan vetting and managerial support for the skeleton operation at Lancaster (now down to 1.7FTE) in staffing terms. More recently an additional resource funded by both authorities within existing budgets has sought to examine the potential for improved income.
- 2.5 SLDC set themselves a target for the end of the financial year 2013/14 to decide whether they believe that it is feasible and beneficial to enter into formal arrangements with the City Council to assist with the provision of building control services. At senior officer level they have decided to do so. Formal ratification at member level is now being sought.
- 2.6 Functional sharing of operations is not easy despite the fact that the two authorities are neighbours. Different ICT systems, geographical distances between main office bases, and administrative support networks cause complication. Significant efficiencies could be secured however by centralising plan vetting and administration in Kendal and improving the competitiveness of building inspection services based in this district.
- 2.7 The next stage of the process is for members in both authorities to authorise work to proceed to formalise the working arrangements between the two authorities, and for steps to be taken to manage the transition between the arrangements.

3.0 Details of Consultation

- 3.1 Staff involved in both local authorities have been continuously updated on the proposals and if formal arrangements are authorised will be fully consulted about the proposals, along with the Trade Union.

4.0 Options and Options Analysis (including risk assessment)

	Option 1: Not to enter into negotiations with SLDC to provide Building Control services	Option 2: To enter into formal negotiations with SLDC to provide Building Control services	Option 3: To enter into negotiations with another party to provide Building Control services
Advantages	None.	SLDC have a strong brand and shared geographical boundary. Such an arrangement would provide the public with a viable alternative choice to local private sector provision.	Non apparent at this time
Disadvantages	The Council cannot currently provide a viable Building Control service without further investment	The new service would be branded as an SLDC operation, however the current Lancaster city brand is weak in this service area so the disadvantage is minimal.	No other adjoining local authorities are able to consider providing such a service, and securing provision contracted to private sector organisations would be more costly due to the districts remoteness.
Risks	The further extension of the deficit in the Building Control Trading Account	SLDC being unable to secure more business from the Lancaster area and continuing losses in the Building control Trading Account	As per option 1

5.0 Officer Preferred Option (and comments)

5.1 The officer preference is Option 2

6.0 Conclusion

- 6.1 The Council must take steps to continue providing this service without continuing to build the deficit in its own trading account. To do this the best alternative is to achieve economies of scale and changes in market perception by merging with another party. Members have expressed the preference to achieve efficiencies by working with other local authorities. There are also benefits in strengthening working relations with partners around Morecambe Bay where there is more commonality in local economies.
- 6.2 Although the new operation would be an SLDC service provided for the City Council, this is a confident local brand which is more likely to compete effectively with local approved inspectors than the City Council brand. This arrangement would also secure employment for the small number of officers currently employed by the City Council should they wish to continue working in this field.

RELATIONSHIP TO POLICY FRAMEWORK

The Building Control process ensures that building works are carried out to national standards with the aim of raising the standard of energy efficiency, and providing people who live and work in them with a safe and clean environment.

CONCLUSION OF IMPACT ASSESSMENT

(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, HR, Sustainability and Rural Proofing)

Building control service have a role to play in supporting the district emergency planning procedures.

LEGAL IMPLICATIONS

The Council in entering into these arrangements will need to ensure that its legal obligations under the Building Acts are observed and maintained. Legal Services would advise on any formal documentation setting out the future arrangements with SLDC.

FINANCIAL IMPLICATIONS

Lancaster City Council's Building Control deficit is currently being funded from the General Fund Revenue Budget and has been estimated as follows for the next three financial years:

2014/15 - £46.9K

2015/16 - £48.6K

2016/17 - £50.4K

As set out in the body of the report there are various delivery models which could be explored, such as a Shared Service or Delegation of Functions arrangement or some form of Contractual/Outsourced management arrangement, the latter usually involving giving up total control and buying in the service, whereas a Shared Service would involve some retention of control usually through a Joint Management Board where Members/Officers from both organisations meet regularly and agree the strategic direction of the function, etc.

At this stage, it is not possible to provide further detailed financial implications regarding any future level of savings, until the final delivery model that secures the best value for money for Lancaster City Council has been determined. This will need to be reported back to Cabinet prior to any formal contractual arrangement being entered into with SLDC including any potential redundancy or TUPE implications arising.

It is recommended therefore, that in the interim period the current informal arrangement continues whereby SLDC officers undertake work beyond the current capacity of Lancaster so that Lancaster is able to discharge its statutory duties.

OTHER RESOURCE IMPLICATIONS**Human Resources:**

There is the potential for existing staff to be TUPE transferred to SLDC as part of the arrangements

Information Services:

The need to move to a single operating system is a challenge for both authorities and one to be urgently addressed in the process.

Property:

Current recharges against this aspect of the Regeneration and Planning Service will have to be reviewed.

Open Spaces:

None

SECTION 151 OFFICER'S COMMENTS

The S.151 Officer has been consulted and has no further comments to add.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments at this preliminary stage.

BACKGROUND PAPERS

None

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