

TITLE OF REPORT: ITEM REFERRED FROM FINANCE, AUDIT AND RISK COMMITTEE: 10 DECEMBER 2015 – BUILDING CONTROL – 7 HERTFORDSHIRE AUTHORITIES PROJECT

The following is an extract from the Draft Minutes of the Finance, Audit and Risk Committee meeting held on 10 December 2015.

53. BUILDING CONTROL – 7 HERTFORDSHIRE AUTHORITIES PROJECT

The Head of Development and Building Control presented a Part 2 report in respect of the proposed Business Case for joint arrangements with six other Hertfordshire Local Authorities for the provision of the Council's Building Control Functions.

The Head of Development and Building Control advised that the draft Business Case had been prepared with the assistance of commercial financial advice from the East of England Local Government Association (EELGA). He introduced Mr Michael Miller, currently employed by Three Rivers District Council, who had acted as a financial consultant. Mr Miller had worked closely with the 7 Chief Financial Officers across the participating authorities to ensure that they were all content with the financial model proposed for the project.

Mr Miller explained that hard data had been collected from all 7 participating authorities, in terms of staffing costs, overheads, accommodation costs, etc. Income levels had also been assessed, and the financial model which had resulted was considered prudent (neither overly optimistic nor pessimistic).

Mr Miller commented that new areas of work would be available to the new organisation, and a planned increase in work and income was shown over the initial five year period. Economies of scale had been factored into the model, including the creation of accommodation hubs, thereby saving on overhead costs. The financial model also included day to day costs (income and expenditure); start up capital (which would be by way of a loan from all 7 authorities, to be repaid in Years 2 and 3); and the transfer of all existing unfinished works.

Mr Miller stated that the financial model showed that, primarily due to set up expenditure and bedding in the new organisation, there would be no savings in the first two/three years, but that the upward trend from Year 3 onwards would be for a significant level of savings to be achieved.

The Head of Development and Building Control advised that the Chief Financial Officers of all 7 authorities had "signed off" the Business Case, and that the Executive bodies of the other 6 authorities had approved the document, with it due for consideration by the NHDC Cabinet on 15 December 2015.

The Group Accountant drew the Committee's attention to Tables 2 and 3 in the report, which provided five year projection figures if the Council did not join the partnership, compared to NHDC participating in the project. The projections clearly showed the financial benefit of continuing with the project.

The Head of Development and Building Control commented that similar local authority collaborations were emerging in Essex and Cambridgeshire, and so potentially the new Hertfordshire collaboration would be competing against them, as well as private sector providers.

In response to a question regarding support services, the Head of Development and Building Control advised that these would be provided by the partner authorities for the first two years, but that thereafter the organisation had freedom to procure such services from either the public or private sector.

In reply to a question regarding staff transfer to the new organisation, the Head of Development and Building Control confirmed that all staff would initially be transferred under TUPE. Staff and Unions had been and would continue to be consulted throughout the process. He commented that staff were aware of commerciality surrounding the functions of the operation, as there had been competition for the provision of Building Control service between local authorities and the private sector since the Mid 1990s.

In terms of competitor analysis, the Head of Development and Building Control advised that there could be opportunities to undertake work in partnership or on behalf of some of the nearby county local authority collaborations.

The Head of Development and Building Control confirmed that the Interim Managing Director of the new organisation had been tasked with the development of a marketing strategy.

The Committee agreed that Cabinet should be recommended to approve the Business case and proceed with the project.

RECOMMENDED TO CABINET:

- (1) That the Business Case outlined in the report, and attached as Appendix A to the report, be approved; and
- (2) That the Council proceeds with the joint arrangements for the provision of its Building Control functions, as outlined in the report and Business Case.

REASON FOR DECISION: To provide an opportunity for the Committee to comment as appropriate on the 7 Hertfordshire Authorities Project for the provision of Building Control services.

[The item to which this referral relates is Item 20 on the agenda]