



LABC Business Case Change Report

BC Solutions & Reading Building Control

April 2023

A geometric diagram consisting of a vertical line, a horizontal line, and a diagonal line forming a right-angled triangle. An arc indicates an angle of 38 degrees between the vertical and diagonal lines.

38°

A. Executive Summary

A.1 Report overview

LABC were invited by BC Solutions (BCS) - (which is a two-way shared service between West Berkshire Council and Wokingham Borough Council) and Reading Borough Council to review and comment on the potential for the existing two-way shared service to be extended to include Reading Borough Council's Building Control service.

The report is based on the information gathered during the service reviews on BC Solutions and Reading's building control services.

The report considers:

- Future operating models, including the continuation of the current shared service model under the Local Government Act 1972 or other models that may be appropriate and associated governance structures.
- Financial and operational viability of a three-way service with Reading Borough Council.
- Branding and positioning.
- Recommendations on next steps

The key findings are as follows:

- The current governance model is considered acceptable, but the current arrangements need to be reinvigorated to ensure both parties feel invested in the partnership.
- It is not possible to provide an opinion on the financial viability of a three-way shared service to include Reading because of the lack of financial data from Reading.
- While increasing the number of authorities included in the BC Solutions partnership would usually be considered a sensible approach, to increase capacity and resilience, the situation at Reading in terms of establishment staff means this would not currently be the case and the associated agency costs will impact on financial viability.
- Branding of BC Solutions is not considered a significant issue; however it is recommended that further work is done around clear messaging about this local authority partnership.
- BC Solutions should consider the balance between commerciality and public protection and ensure all parties involved in the partnership are happy with how the service positions itself.
- In the short term the costs to include Reading in the partnership may well outweigh the benefits, however such a merger should continue to be considered.
- To support Reading, it is suggested the BC Solutions Service Manager provides guidance and advice on an on-going basis, in conjunction with undertaking further work on extending the partnership to include Reading, providing Reading commits to the process.

B. Background on LABC

B.1 Member organisation

LABC is the member organisation representing all local authority building control departments in England and Wales with around 3,500 professional surveyors and technical support staff.

LABC members nationwide deal with around 67% of all building control applications across all sectors of the built environment: domestic extensions, conversions and improvements; new homes and apartments; commercial new-build and conversions (offices, retail, hospitality, industrial and logistics); education; healthcare; care homes; leisure and entertainment; stadia.

LABC builds awareness of local authority building control amongst the public, developers, designers, and contractors. It also works with government, trade organisations, manufacturers, distributors, research establishments and professional institutions to support competence, standards and safety in building.

B.2 LABC's key functions for member local authorities are:

- Government policy working with ministry committees; liaison with the Government Departments, the LGA, Fire & Rescue Services, HSE, Trading Standards and Public Protection and OPSS.
- National standards, ISO, performance measures, competencies, and validation programmes
- Learning, qualifications, training programmes, apprenticeships, CPD and specialist knowledge – in recent years LABC has invested well over £2 million to improve standards and learning.
- Successfully obtained grant funding to support training, development and recruitment to the profession.
- Member technical conferences and events
- Research into building control, compliance, and enforcement
- Technical liaison with industry, Competent Persons Schemes, BSI, testing, and certification, etc.
- Technical guidance and publications
- Partner Authority Scheme
- Management and legal opinions for members
- Crisis management support
- Change and transformation in local government.
- National business relationships, brand awareness, website. Apps, portals, social media, and digital outreach
- Local business relationships and roadshows
- Presence at national events like UK Construction Week
- Building Excellence Awards
- Facilitating local authority sharing of structural calculation checks and plan appraisals.

C. LABC Consultant

C.1 Richard Scott – LABC Head of Member Support

Richard Scott contributed to this review by providing a co-ordinated perspective on all facets of service delivery, aiding all aspects of the review, and leading on the preparation of the final report for submission.

Richard is a successful former local authority manager, responsible for Building Control, Local Land Charges and GIS, developing additional income streams and cost saving initiatives.

Richard has over 30 years' experience in the construction industry. Originally from a construction contracting background, Richard has worked also in a private surveying practice, although most of his career has been spent in local authority building control in the East Midlands, where he was responsible for the oversight of many major schemes and co-ordinating council's response to major incidents. An advocate of continuous improvement and delivery of excellent service user provision, Richard is now responsible for providing practical, pragmatic support to local authority building control services considering change and transformation, delivering face-to-face management training, and creating and delivering accredited on-line training for technical support. Richard also delivers the CIOB accredited Level 6 Certificate in Building Control Management - the first cohort commenced in March this year. This together with other accredited learning has resulted in LABC being presented with the "Silver Award" for People Development Programme (Public Sector) at the prestigious Learning Awards 2020.

In a wider capacity, Richard is a former LABC President and Board member, with a focus on human resources.

D. The Building Control Service

D.1 Recognition of the valuable function the building control service provides

Building Control has many strategic facets, the most obvious being that of life safety, others include:

- Energy conservation
- Access
- Consumer protection

The service also supports economic development, creating quality buildings and safeguarding the local built environment.

In addition to the above, building control delivers other emergency functions that are required when dealing with dangerous structures, such instances occur far more frequently than many would assume and include dealing with landslips, flooding, collisions with structures, fires, weather events and civil emergencies.

Those directly involved with Building Control will appreciate the importance of the service. It is vital that decision makers are too, otherwise they are likely to divest themselves to the lowest cost option.

D.2 The financial context in which the building control service operates

The Building (Local Authority Charges) Regulations 2010 govern how building control services operates, in terms of setting and collecting fees for a specific range of activities (chargeable functions), the overriding objective being to ensure that, as near as possible, the income derived from undertaking the chargeable functions covers the costs associated with providing them. This objective remains the same irrespective of who provides the service and whichever operating model is adopted.

There are numerous statutory functions for which local authorities have responsibility, including the administration of notices received from approved inspectors, administering demolition notices, dealing with works and providing advice on schemes requiring building control oversight which are exempted from the charges regulations.

In addition to the statutory functions, building control teams frequently provide 'free' advice and guidance to colleagues in planning, conservation, asset management, environmental health, housing and others.

The Chartered Institute of Public Finance Accountancy (CIPFA) has published guidance for local authorities, detailing how their building control account should be managed, which naturally aligns with the overriding objective of the charges regulations.

E. Service Delivery and Models

E.1 Factors to consider

There will always be a wide variety of factors to consider when contemplating service delivery model options, and each scenario will be different. The commentary below gives an indication of the typical issues faced.

E.1.1 People

People's personal interests play a huge part in the decision-making process, this could include local authority senior managers, elected members, or the building control manager – in fact, anyone involved in the process can impact the process. This may well be a delicate issue but one which must not be ignored.

Some will have fears in terms of job security, redundancy, TUPE arrangements while, others may relate to political obstacles, particularly when considering shared service arrangements between local authorities.

E.1.2 Scale

It may be that some building control services are simply too small to be considered commercially viable. This may be an increasingly important consideration in the coming years when the registration of the profession is in operation under the Building Safety Regulator.

Having a larger scale operation can bring about certain benefits, including:

- Increased service resilience
- Broader range and value of work
- Wider range of skills
- Improved team profile (skills, age and experience)

E.1.3 Commissioning and Delivery

The delivery of a building control service is a statutory obligation placed upon local authorities, under Section 91 of the Building Act 1984.

Authorities may wish to procure this on behalf of their residents through a service delivery partner, whether that be via an outsource management company, a mutual or a shared service arrangement. If an outsource management company model is proposed, procurement must be undertaken in accordance with current procurement regulations and it should be noted that, while no two contracts will be the same, it is usual that the local authority retain a client-side executive, since only the local authority and its direct employees are able to issue formal notices and take enforcement action.

E.2 Service Delivery Models

Local authority building control teams throughout England and Wales operate under a variety of different service delivery models: the majority remain as individual stand-alone services, many have entered shared service arrangements with other local authorities, a few have set up wholly owned local authority companies or arm's length management organisations or have outsourced the service and there is currently one mutual in existence.

E.2.1 Shared Service Working

This is by far the most common service delivery model after the stand-alone building control service. It has proved to be successful, resulting in improved efficiency, greater consistency of approach and typically positive customer feedback.

There are a broad range of models in place that will be subject to a wide variety of contractual arrangements, tailored to suit the requirements of the authorities concerned. The most basic model is voluntary working between building control teams, some operating under a non-binding memorandum of understanding or service level agreement. Shared service operations exist that either have a shared head of service with separate teams, right through to models which include the full transfer of staff, systems, and finance to either a host or lead authority.

E.2.2 Shared Support Agreements

These agreements facilitate the sharing of staff and resources, often amongst a group of authorities across a geographical region. The aim is to enable authorities to call for support from their neighbours at times of peak demand and to share expertise and specialist knowledge, enabling better utilisation of resources without placing any contractual obligations on any of the authorities to respond to specific requests for support if they feel they cannot accommodate the request.

E.2.3 Shared Head of Service

With this arrangement, two or more local authorities agree to share the cost of a head of service, or building control manager who would divide their time between authorities. It is usual for him/her to remain in the employ of one of the authorities. Direct cost savings for all associated authorities can be achieved with this arrangement and as with shared support arrangements it engenders closer working relationships as well as encouraging commonality of practice; it could also be seen as a precursor to a more integrated approach.

E.2.4 Lead Authority

In this model, all staff are typically employed by the lead authority, and it is this authority that would make all the decisions in respect of the building control service. A consultative group formed from members of the key clients (the other local authorities in the arrangement) would be able to make representations, however they would not have the power to make binding decisions. Having a single entity taking decisions would streamline the process, however the risk of alienating the other authorities in the arrangement remains a key risk which requires careful management.

E.2.5 Host Authority

With this arrangement, building control staff reside within a host authority, which would report periodically to a steering group, formed of representatives from each of the partner authorities, often including key building control personnel. The legal responsibility for the delivery of the building control service remains with each individual authority.

E.3 Employment Arrangements

Understandably employment arrangements typically cause the greatest amount of concern for staff and is therefore one of the main reasons extreme care should be taken when effecting such change and advice should always be sought of HR professionals.

To achieve an overall reduction in operating costs and economies of scale, staff are usually employed by one authority, (the lead authority), and this can be done by transfer or secondment. Secondment may offer a more flexible approach; however many consider it a temporary solution and one that potentially suggests a lack of commitment to the new structure. This perception could become a self-fulfilling prophecy if not managed and communicated effectively. The transfer of staff to the new organisation provides the organisation better opportunities to 'flex' and respond to market conditions, ease management control issues, and help smooth the harmonisation of pay and conditions, which is often another issue which can create difficulties if not managed effectively.

E.4 Financial Arrangements

Under the provisions of the Building (Local Authority Charges) Regulations and associated CIPFA guidance, the majority of building control work should be self-financing, adopting shared service working will help reduce the volatility and uncertainty of income in difficult market conditions. A major 'stumbling block' for shared service arrangements to overcome is the apportionment of costs associated with non-fee earning work and how potential deficits are allocated, transparency is essential if these issues are to be accepted by all parties concerned.

E.5 Support Services

Another area which often causes issues is the loss of support services charges, since typically services such as human resources and finance are provided by the lead/host authority. However, considerable savings can be achieved by selecting the most appropriate providers of services, such as IT and property from any of the partner authorities. In some cases the use of external providers may well prove most cost effective.

E.6 Benefits of Integrated Shared Service Working

Around 36% of local authority building control services are in some form of collaborative or shared service arrangement. Moving to an integrated service can bring about a range of benefits, some of which are outlined below:

- Cost reductions via economies of scale and better utilisation of resources
- Improved customer service, technical consistency, and co-ordination
- Greater focus on marketing with dedicated resources able to be deployed
- Retention and increase in market share
- Business efficiencies through the easing of peaks and troughs in work load
- Greater flexibility to respond to market fluctuations.
- Increased opportunity to offer complimentary services and benefit from additional income.
- More resilient and robust business model
- Improved staff retention, development, and ability to plan for succession
- Reduced 'political' influence on service delivery
- Assurance for surrounding authorities that a quality service will be maintained
- Staff training, CPD and development – even the addition of, or to sustain, technical specialists with additional qualifications, e.g. fire or structural engineering
- Consistency of practice between local authorities

E.7 Wholly Owned Local Authority Company (WOC)

This model usually takes the form of a Special Purpose Vehicle (SPV) and provides far greater freedom and flexibility to operate and trade than in a standard local authority setting, although the local authority retains control and influence over the organisation. As the organisation is wholly owned by the local authority there is no requirement to follow EU procurement guidance and put the service out to tender providing most of the services it provides (at least 80%) are for the local authority under, Teckal Exemption 1. A management board for the WOC is made up of representatives from the local authority and the operating executive.

E.8 Mutual

Unlike a wholly Owned Company, a mutual is usually owned or at least part owned by its employees and is often referred to as the “John Lewis” model (as it currently stands). The critical difference with this model is that the service is no longer part of the public sector despite the fact it delivers public sector services. To make this model viable it usually requires a sizeable scale of operation. Most small/medium building control services are not sufficiently large and usually adopt either a shared service/joint working model with neighbouring authorities. To provide scale a mutual can be formed with other related services within their own authority such as planning and environmental health.

Some uncertainty amongst staff often exists with this model because it requires the organisation to commit to competing for their founding authorities’ business, typically on a 5/6-year basis.

Mutuals can be established as Community Interest Companies, Companies Limited by Guarantee or Joint Ventures and they can be ‘not for profit’ organisations, social enterprise companies or profit-making organisations. Any model is, however, subject to the Charges Regulations which will apply to any organisation generating income from local authority building control. It should be noted that employee ownership can be a way to generate greater employee engagement and commitment.

A range of benefits have been identified with this model, including:

- Lower rates of absenteeism
- Higher salaries and productivity
- Greater customer satisfaction

E.9 Outsourcing

Some scepticism and hostility exists towards those who provide an outsource management company for the building control service, due to practices around recruitment of existing local authority staff. Those currently in operation appear to work well according to staff involved and their customers, however there are examples where outsourcing has not been successful, since outsource companies do not necessarily have the same commitment to delivering the building control service with a public service ethos and fail to facilitate co-operation with colleagues and other authorities.

Like mutuals, it is unlikely that an individual building control service would be outsourced as a stand-alone unit: most outsourcing contracts encompass several local authority sections to achieve commercial viability, although increasingly some companies are offering support to individual local authorities on a ‘pay as you go’ contract basis.

There are no fixed rules in terms of how a new operation is set up, managed, or paid for, including joint ventures where risks and benefits are shared. Everything is open to negotiation, although the commercial organisation will of course want recompense for their input and investment across all fee earning and non-fee earning activities.

Most authorities have scaled back their operations in recent times and while some efficiency savings may still be achievable with this model, they will be much harder to achieve without substantial investment. Again, it must be noted ‘profits’ are not allowed to be made from building control fee earning work.

It is understood that this model raises the most concern with staff in relation to terms and conditions: - while TUPE can guarantee these for a specified time it will not provide complete protection forever. Staff should also realise that their terms and conditions may change even if they stay working for their local authority.

Several hybrid arrangements have come from outsourcing, these include:

- **Insourcing** – where either a private or public sector organisation provides support to the in-house team, to provide extra capacity, improve business resilience or provide specialist commercial support.
- **Joint venture** – usually a long-term public/private partnership which includes a range of services. The private company and the council would be shareholders in the organisation and would share rewards and risks. The driver for such an arrangement is usually savings, however this model does allow for a more commercial approach to implement growth. Commercial arrangements and governance are subject to negotiation and fees are typically charged as an annual management fee or on an activity basis.
- **Outsourcing partnership** – a long-term model typically including several services whereby the local authority transfers services to the private sector or mutual provider. Fees are charged on a similar basis to the joint venture model and on the basis that the local authority achieves savings on existing costs, such savings are achieved through investment and commercial business leadership.

E.10 Provider of Last Resort

Although this may be classed as a ‘model’ of service delivery, essentially it relates to where a local authority retains a small team to deal with all statutory non-fee earning work, such as enforcement, dangerous structures and administering initial notices, as well as the work approved inspectors decline or to deal with those clients who only want to use the services of the local authority.

There is no contractual arrangement between any approved inspector and the local authority, the local authority simply directs potential clients to the approved inspector register.

This may appear to be an attractive financial solution on cursory examination; however this option is likely to cost the local authority more than running the entire service.

The reason being the local authority loses most of their revenue from the more straight-forward “profitable” work but retains the difficult “loss making” projects which the approved inspector chooses not to take on.

The local authority is likely to have a high turnover of staff simply because employees will become frustrated with the lack of challenging and prestigious work which impacts on their ability to maintain technical competency. This will be increasingly important when the professional register opens in October 2023.

The local authority will have no control over the quality of approved inspectors who chose to work in their area, and this could impact on the quality of the built environment.

The impact on surrounding local authorities will also be very damaging. Approved inspectors who have been able to enter the local market, because of one local authorities decision to “shrink” their service, will look to acquire repeat customers who often work across local authority boundaries.

Key adverse effects of this model are the long-term impact on professional standards and practices, surveyor recruitment and retention, as well as a downward spiral in relation to training and competency levels which will directly impact on the built environment, public protection, and safety.

LABC understand this model was once adopted by a local authority and many customers rejected it, stating “if they had wanted to use an approved inspector, they would have appointed one.”

F. Legal framework

F.1 Background

Local authorities are used to adopting new and enterprising delivery structures to maintain and improve service provisions in times of economic pressure. While finances remain an issue with most local authorities the introduction of the new building control regime under the Building Safety Regulator is seen by many as a key driver for change. The current high profile of building safety and the move to ensure stronger enforcement and compliance is leading many local authorities to consider their options, however it is important to understand the legal and practical implications.

Around 64% of local authorities, in England and Wales, operate an in-house building control service which is built into their internal decision-making and delegation processes and is conducted on a cost recovery basis in line with 'overriding objective' in the Charges Regulations.

F.2 Powers to delegate

There are various ways in which local authorities can delegate functions to other local authorities and staff, depending on the governance structure adopted.

F.2.1 The service

The most well-known power to delegate is contained within section 101 of the Local Government Act 1972, this provides local authorities a way to arrange for the discharge of their functions, by either:

- Committee, sub-committee, or an officer of the authority, or
- By any other local authority

It should be noted this route can only be used when all local authorities operate under the traditional 'committee' system.

When either or any of the delegating or receiving local authorities operate under 'executive' arrangements, different powers must be used. Section 101 cannot be used because of prohibitions contained in section 101(1A) of the 1972 Act and section 9DA(3)(b) of the Local Government Act 2000.

Where the delegating local authority operates under executive arrangements and the receiving local authority does not, the delegating authority can rely on Regulation 5(2)(b) of the Local Authorities (Arrangements for the Discharge of Functions) (England) Regulations 2012 to make the required delegated functions.

When the delegating authority operates under a committee system, where building control is an executive function, and the receiving authority operates under executive arrangements, Regulation 6 of the 2012 Regulations can be used which allows for a local authority to pass on a non-executive function to the executive of another local authority. Where the delegation is from one executive operating authority to another, Regulation 5(2)(b) of the 2012 Regulations can be used.

All delegations should be made in writing. It is important to be clear about which powers are being used and make sure that the terms of the delegations are clear and that the delegations are made by the correct person(s)/office.

For local authorities operating under executive arrangements, the decision to delegate must be made by either the leader or more generally the cabinet, as the 'person/office with power to make arrangements,' but this will depend on the governance arrangements within the local authorities constitution.

Local authorities operating under the committee system should decide to delegate in the traditional way – either by full council or by a properly constituted committee.

F.2.2 The staff

There are several arrangements that can be made in relation to staff. Section 113 of the 1972 Act provides for the placing of staff of local authorities at the disposal of other local authorities. Such an arrangement should be set out in writing and full consultation with all affected staff should be carried out before such arrangements are made.

Under section 1(1) of the Local Authorities (Goods and Services) Act 1970, local authorities are permitted to sell services to or purchase services from other local authorities and as such, this power can be used by local authorities supplying building control services to other local authorities to re-charge for their costs in providing those services. It should be noted this re-charging arrangement must still be in line with the overriding objective in the Charges Regulations, which is on a no profit/no loss basis.

G. Current and Future Model

G.1 Current Model

At present Building Control Solutions operates the building control service on a 'goodwill' basis between Wokingham Borough Council and West Berkshire District Council because the agreement between parties, set up under section 101 of the Local Government Act 1972 expired on the 30th of June 2021.

There appears to have been some reluctance from West Berkshire District Council to renew the contract. One factor may have been the concerns raised after the Royal Borough of Windsor and Maidenhead (RBWM) pulled out of the shared service on the expiry of the original five-year contract period.

A joint board is in place to which the Service Manager reports. It is understood that this board has not operated effectively for some time. The lack of communication with and oversight from the board may have initially been impacted by the pandemic which took hold in March 2020, and it is likely that the departure of the RBWM unsettled the relationship between West Berkshire and Wokingham.

It was noted during the presentation given to BCS on the 2nd of February 2023, that West Berkshire are in fact keen to agree new terms but just wish to understand the options going forwards, which is considered perfectly reasonable.

G.2 Future Model

It is essential that all parties who enter a shared service arrangement feel comfortable and confident that they have all the requisite information needed to satisfy themselves and their respective local authorities that they are receiving a good service and value for money from the 'host' authority.

All local authorities are under pressure to deliver savings or at least justify current budgets, this is a straightforward process for in-house services however when services are shared and hosting costs are involved, it is key for finance sections to work closely to provide comfort to all those concerned that re-charging levels and associated costs are fair, reasonable, and consistently calculated.

Section E outlines some of the delivery models adopted across building control services in England and highlights aspects requiring consideration; Section F gives commentary on the legislation in place to facilitate shared service arrangements.

It will be for the parties involved to determine the best option for their respective service, however there is nothing to suggest that the current arrangements are not satisfactory.

A balance needs to be made between establishing commitment between those entering a shared service, providing the requisite level of flexibility and control, and ensuring all parties are furnished with adequate information to ensure they all feel invested.

Some may consider the establishment of a section 101 agreement, together with the associated transfer of staff under TUPE to be off-putting, however the transfer of the service to another local authority does demonstrate a long-term commitment which prospective employees are likely to consider important. There will inevitably be concerns and potential anxiety for the staff being transferred, but this can be mitigated by effective communications throughout the process.

Sharing staff under the provisions of a section 113 agreement, has its merits in that it would provide flexibility for the authorities involved, however some may perceive such an arrangement to be a more short-term option. Given that BC Solutions is already set-up under a section 101 agreement, moving to an agreement under section 113 would likely be viewed as a retrograde step by Wokingham and the existing employees alike, which in turn could unsettle the team and potentially lead to further staff losses.

It is suggested that unless there is a real desire, justification and support from both parties to move to a different governance model, the existing arrangements should be maintained and procedures and reporting revitalised, to ensure any concerns which exist are suitably addressed.

H. Financial Viability

H.1 Financial Position at BC Solutions

BC Solutions has seen a steady decline in market share over the past three years, from 60% in 2019/20 to 54% in 2021/22. This loss of market share has understandably impacted on income levels, with a significant decrease in income of around 32%, from £1,600,534 in 2019/20 to £1,085,826 in 2021/22.

Table 1. Building Control Chargeable Fee Earning Account – BC Solutions

Year	Building Reg apps	Initial Notices received	Market share %	Employee costs £	Central Support Service Charges £	Income £	Total service expenditure £
2019/20	2371	1611	60	1,252,468	244,312	1,611,534	1,622,244
2020/21	1958	1760	53	1,098,715	212,666	1,381,175	1,449,777
2021/22	2006	1721	54	831,469	154,500	1,085,826	1,071,714

Based on average outturn figures over the past three years, each surveyor generated around £153,000, which is considered high when compared to other services recently surveyed. It was noted that applications per surveyor were also high when compared to others.

During the period 2019 – 2022, employee costs have reduced (because of lower establishment numbers) which will have lessened the impact the loss of income would have had on the trading account, however reserves have been diminishing and currently stand at around £72,000.

There have been issues with debt recovery over several years and it is understood there remains a large amount of outstanding debt. It is not clear how BC Solutions, in conjunction with West Berkshire and Wokingham councils intend to deal with this debt, if surpluses are used it is likely this could wipe out the existing reserve.

While the Service Manager has a good handle on the building control accounts concerns have been raised over the level of service charges. While these have reduced over the past three years, it is understood these are to be reviewed to ensure BC Solutions is only paying for what it receives.

H.2 Financial Position at Reading

During the time of the review Reading's finance section were planning to move from their existing Oracle Fusion system to E5 Advance with the main reason for the migration of systems being to enable better account management.

Table 2. Building Control Chargeable Fee Earning Account – Reading

Year	Building Reg apps	Initial Notices received	Market share %	Employee costs £	Central Support Service Charges £	Income £	Total service expenditure £
2019/20	430	374	54	530,664*	25,210*	425,601*	497,163*
2020/21	371	339	53	375,131*	3,749*	240,921*	355,847*
2021/22	350	477	42	419,034*	26,895*	318,772*	414,747*

Reading have seen a reduction in market share of 12% over the past three years, with a subsequent decrease in income of 21% to £419,034 in 2021/22.

While good budgetary controls are in place at Reading, the Assistant Director did question the accuracy of information that would be gathered during the review, and this proved to be the case.

Several queries were raised in relation to employee costs, central support service charges and overall expenditure, for example it is unclear how employee costs can be more than total service expenditure. The review recommended a full review of all financial aspects of the trading and non-trading account.

It is not known if Reading's building control service operates on a cost-recovery basis although the reliance on agency staff and the subsequent higher level of associated 'employee' costs may make this unlikely.

H.3 Financial Viability of Three-Way Shared Service with Reading

It is not possible to provide a definitive position on the financial viability of Reading joining BC Solutions simply because we do not have sufficient financial data.

BC Solutions is currently managing well, although there are pressures with resourcing and concerns over diminishing market share and debt recovery and how this might impact on reserves which need to be addressed.

Reading's building control service is operating with a heavy reliance on agency staff which would add to the pressures of operating on a cost recovery basis should they join the shared service. It is unlikely this heavy reliance on agency staff would be considered financially sustainable going forward although it may be unavoidable in the short term simply because of difficulties likely to be faced recruiting to a new structure.

A query was raised over the support service recharges levied on the building control service at Reading. This would have to be discussed and agreed with Reading, to determine a reasonable charge payable by Reading for BC Solutions hosting the service.

Prior to any decision being taken on Reading joining BC Solutions a full review of all financial matters relating to the building control service would need to be undertaken. This would also be impacted on any potential change in the governance arrangements and how staff transfers are dealt with.

I. Operational Viability

I.1 Operational Position at BC Solutions

At the time of the review BC Solutions staff were performing very well; productivity levels were high in comparison to several authorities recently surveyed, with each surveyor dealing with around 210 applications per year.

Staff are under pressure and feeling the strain, which suggests they may in fact be being pressed a little too hard. The Service Manager is aware of the situation and has brought in agency staff to support the provision of site inspections and plan appraisals. It is understood a senior member of the team left the authority in recent months which will no doubt have only added to the strain already being experienced by the team.

The Service Manager has attempted to recruit experienced staff on several occasions with little success and is aware 'growing your own' is the best option in the current employment market, although this takes greater time and resources. To this end he has supported staff with housing and structural engineering backgrounds through their LABC CIOB Level 5 diplomas and has also taken on one of the LABC SR21 trainees. This is really encouraging and the right thing to do, but it does place additional burden on the team.

To support growth a new Business and Marketing Manager role has been created and it is understood that the Service Manager is currently reviewing the general staffing structure.

I.2 Operational Position at Reading

At the time of the review, Reading was operating with 3no. permanent technical support staff and 4no. surveying staff employed through an agency.

The agency staff are ex-local authority surveyors with many years' experience, and they cover all day-to-day site inspections and plan checking work. One agency contractor provides dangerous structure out-of-hours callout cover. Based on establishment numbers and current staffing levels the team may be operating at or near capacity, however this would need to be considered in context for the area.

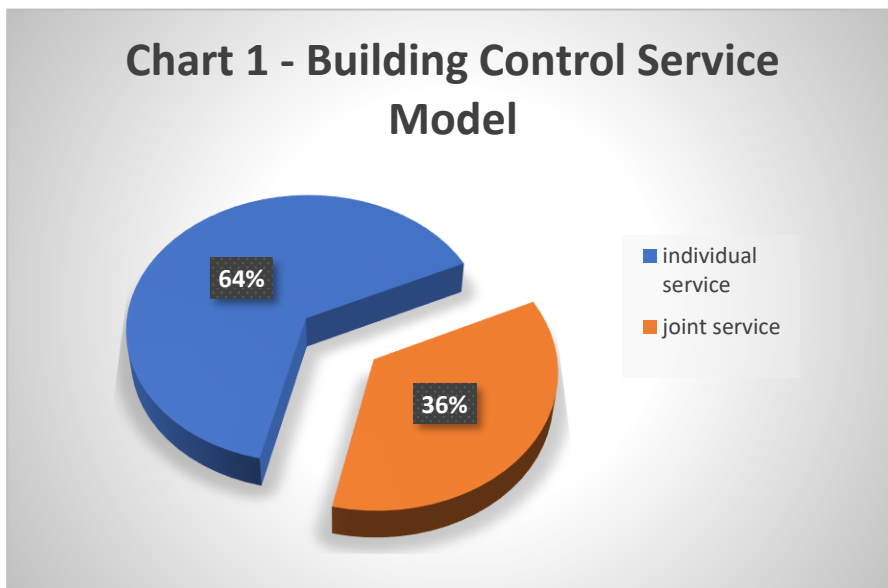
The service has suffered from a lack of management oversight and focus in the past, however the new Development Manager has, in conjunction with a new member of the technical support team started to make service and process improvements, which they are keen to sustain and further develop.

I.3 Operational Viability of a Three-Way Shared Service

Increasingly individual building control sections are struggling to maintain service delivery levels, especially smaller teams who simply do not have the resilience to cope with even small reductions in resourcing levels (including during periods of annual leave, sickness absence, etc). This is evident with BC Solutions and Reading and so it is unsurprising that more building control services are considering some form of collaboration to improve their capacity to cope.

At present around 36% of all building control teams operate within some form of joint service arrangement and this is likely to increase in the coming years.

Chart 1. Building Control Service Model



Ordinarily increasing the number of services within a shared service arrangement would provide positive results, in terms of capacity, resilience, broader levels of competence, access to a wider and potentially more interesting range of work, etc.

While this may well partly be the case were Reading to join BC Solutions, there are several factors which should be considered, the two main operational issues are outlined below.

I.3.1 Resourcing

Both teams are struggling with resourcing at present, neither has been able to recruit to full establishment despite their best efforts.

Bringing Reading into the shared service at present would provide additional technical support, which may be welcome following the recent re-structure at BC Solutions, however the fact Reading has no surveyors on the permanent establishment means there would be no one to transfer across. The agency surveyors may choose not to work for the shared service, and this would only end up adding to the pressures currently being felt by the surveying team at BC Solutions.

We know morale is not currently generally good with the team at BC Solutions and mixed in Reading. There is therefore the potential for morale to be adversely impacted were Reading to join the partnership without there being an increase in surveying resources and it could even lead to further staff leaving. This is a real risk which should be carefully considered.

I.3.2 IT Systems

BC Solutions operate a Tascomi/iDox Cloud internet-based software as its single IT system for both its data and document management system, whereas Reading work using a Civica back-office and document management system.

While it is possible for shared services to operate different back-office systems, this typically requires some 'workarounds' to ensure all parties can access data and produce performance reports. Further will be required by all building control teams to ensure their systems are set up to gather and submit new key performance indicators for the Building Safety Regulator, under the new building control regime.

Ideally the shared service would operate using the same back-office system and this would require the migration of data to the chosen system.

BC Solutions migrated data from West Berkshire and Wokingham council's as part of their integration process and so the Service Manager will be aware of the hard work required to complete such a project.

The migration to a single system, likely the Tascomi/iDOX system currently operated by BC Solutions would take in the region of 6 – 9 months. This work could be done after any proposed move to the shared service, although ideally it would take place before.

J. Branding and Positioning

J.1 Branding

BC Solutions undertook a market research and branding exercise prior to deciding on the BC Solutions branding and details were agreed by those local authorities involved with the partnership at the time it was established.

The issue of branding was raised during the stakeholder interview process of the BC Solutions review. There appeared to be some who considered the current branding does not align itself with a local authority building control service.

Some of the surveyors relayed stories where their clients had presumed they were an Approved Inspector company and as such they had to explain they were in fact a local authority shared service, so there is clearly some ambiguity, despite the fact West Berkshire and Wokingham council's branding is on the BC Solutions web site.

Reviewing all branded material is recommended, including the website, and making any necessary changes to ensure the status of BC Solutions and its relationship with the local authorities is clear.

We would not necessarily suggest a re-branding exercise at this time, however, should Reading join the shared service partnership, this would provide an ideal opportunity to do so.

J.2 Positioning

Following the introduction of competition into the building control market there was a shift towards local authority building control teams operating on a more commercial basis.

Many building control teams expanded their services to undertake other elements of work outside, but aligned with core building control functions, such as air-pressure and sound testing, SAP and SBEM calculations, as well as fire risk assessments. This trend was supported by LABC, as a way of helping building control teams generate additional income to safeguard their core service.

In recent times, and despite the continued financial pressures local authorities are experiencing, building control teams have tended to focus more on their core functions. This move has no doubt been driven by general resourcing issues, however following the fire at Grenfell Tower in 2017 and the subsequent report produced by [Dame Judith Hackitt](#), authorities are rightly questioning the 'balance' between commerciality and the need to fulfil their statutory public protection functions.

The positioning of BC Solutions was raised during the service review, and it is clear West Berkshire are keen to ensure BC Solutions has a clear focus on public protection, public service ethos and community interest and consider this should be seen as a unique selling point.

We are all aware that local authority building control will remain solely responsible for the formal enforcement of building regulations on works not dealt with directly by the Building Safety Regulator under the provisions of the Building Safety Act 2022 and while enforcement can be challenging and resource heavy, there is a growing sense that local authorities should better support their building control teams to enforce more effectively.

Good builders are happy to have their work inspected and collaborate and cooperate with their building control provider. They are frustrated when they perceive sub-standard work is going unchecked and those inferior quality builders not dealt with appropriately.

Increasingly building control teams are using social media to highlight the work they are doing in relation to public and consumer protection, and it is hoped this will increase the awareness and trust people have in the service and encourage them to use local authority building control on any future projects.

To raise awareness of local authority building control, local authorities need to increase their efforts to educate and inform the residents and local businesses in their areas and clearly demonstrate the work they undertake on their behalf.

It is clear building control teams need to operate effectively and efficiently, and there is no reason this cannot be achieved while maintaining a focus on public protection.

K. Recommendations

K.1 Context

It is important that any decision on extending the existing partnership is taken with an understanding of the context each service operates under.

The service reviews conducted on BC Solutions and Reading's building control services give far more details, however the text below provides a summary of issues faced.

K.1.1 BC Solutions

BC Solutions have undergone some significant changes in recent times, not least RBWM leaving the partnership, and the uncertainty it has faced operating a service for West Berkshire without a formal mandate to do so.

The Service Manager at BC Solutions has faced the challenges posed by the introduction of the Building Safety Act 2022, encouraging and supporting his team through formal learning. Although he is mindful this has increased the pressures faced by the team - he appreciates the importance of positioning them to be able to validate their competence and register under the Building Safety Regulator, a requirement which comes into force in April 2024.

The team has recently lost an experienced member of the team and the Service Manager will be working hard with the team to ensure reasonable levels of service delivery are maintained.

The Service Manager has made it clear that any further significant change at this time is likely to adversely impact on an already precarious service.

K.1.2 Reading

Reading has operated with no surveyors on the establishment for some time. While the agency surveyors are ensuring service delivery is maintained, there is no 'real' resilience, and it is understood most of the surveyors may decide to leave the profession when registration becomes mandatory.

The Development Manager has made a positive impact on the service since taking up management responsibilities, although she would be the first to admit she is not an expert in this field.

Processes and procedures have been reviewed, revised and improved by the newest member of the technical support team under the guidance of the Development Manager, this is really encouraging and seems to be having a positive effect on the whole building control team.

The Development Manager has made it clear she wishes to continue with the good work she and the team have been doing.

K.1.3 Next steps

Various recommendations have been made within the service review reports to support service improvements and it is hoped these will be progressed as time and resources permit.

Because of the situation at both authorities, it is not considered appropriate at this time to commence a shared service programme to include Reading, however this does not mean that BC Solutions and Reading should not continue to explore this as an option.

It is considered important to allow the Service Manager at BC Solutions to re-vitalise the existing arrangements with West Berkshire and put in place a formal agreement. While we are not suggesting a change in governance arrangements, various options have been provided for consideration.

The Development Manager at Reading is keen to see service improvements and continue the progress which has been made, however because of lack of specific experience in building control management and the challenges currently being faced by the sector, it is suggested arrangements be put in place to allow the Service Manager at BC Solutions to offer guidance on the statutory and technical aspects of building control management.

During this period of support, BC Solutions and Reading could start to explore the practicalities and benefits of extending the partnership to include Reading. Information sharing can take place, particularly in terms of finances, potential establishment structures and issues such as how re-charges could be managed.

If the situation at BC Solutions or Reading change significantly there would of course be a need to review this suggested approach.

L. Closing Remarks

LABC have reviewed the information gathered during the peer reviews and taken advice on the governance models adopted by local authorities and the legal frameworks in place to facilitate partnership working.

It is hoped this report provides BC Solutions and Reading's building control services with a steer on the potential next steps.

The next few years are likely to be some of the most challenging faced by local authority building control in a generation and shared service arrangements are likely to increase to enable local authorities to better manage service delivery, some small stand-alone building control teams may well struggle to maintain the necessary levels of resource and competence.

LABC would like to reiterate that we are here to help and support Wokingham, West Berkshire and Reading councils in any way we can.

Thanks again go to all those who supported LABC during the service review process, your input and insight has been invaluable.

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