

Date: Wednesday, 11 February 2015

Time: 12.30 pm

Venue: Shrewsbury Room, Shirehall, Abbey Foregate, Shrewsbury, Shropshire,
SY2 6ND

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CABINET

TO FOLLOW REPORT (S)

26 Final Business Case for the Development of a New Delivery Model for Planning Public Protection Environmental and Business Support Services (Pages 1 - 54)

Lead Member – Mr Malcolm Price, Portfolio Holder for Planning, Housing and
Commissioning (Central).

Exempt report of the Director of Commissioning is attached marked 26.

Contact – George Candler (01743 255003)

**Note: Since the dispatch of the agenda it has been agreed that this report
will be considered in the public part of the meeting.**

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Committee and Date

Cabinet

11 February 2015

Item

26

Public

Proposal to Transfer Development Management, Public Protection and Environment Services and the Regulatory Function of Private Sector Housing into ip&e Ltd

Responsible Officer George Candler, Director of Commissioning
e-mail: george.candler@shropshire.gov.uk Tel: 01743 255003

1.0 Summary

- 1.1** Consideration has been given to the future delivery of certain Council services comprising Development Management, Building Control, Land Charges, Street Naming and Numbering and Local Land and Property Gazetteer, Public Protection (including Trading Standards, Environmental Health and Licensing functions and Parking Enforcement), Historic and Natural Environment and regulation of Private Sector Housing, including the business support elements of these services. These services include high profile regulatory public facing services.
- 1.2** Cabinet previously considered and supported an interim business case on the 30 July 2014 with respect to these services operating within ip&e Ltd. Following further evaluation, proposals have now been developed to transfer the delivery of these services into ip&e Ltd.
- 1.3** In the face of challenging financial pressures, the proposed transfer aims to both maintain and over time enhance the delivery of key statutory services that the Council has a legal duty to deliver. In addition, the services involved in the proposed transfer contribute significantly to the Council's three priorities (Growing, Protecting and Helping) and three of its five outcomes (Your environment, Your Health and Your Life). It is, therefore, essential that the Council takes action to ensure the successful long-term delivery of these services.
- 1.4** The proposed transfer aims to reduce operating costs and support costs, thereby promoting the Your Council outcome in terms of the Council doing the right thing with public money and creating the conditions to develop a commercial environment that will permit the generation of new and increasing income streams. This aims to close the funding gap that future reductions in central Government funding will create and reduce the risk of the Council failing to deliver statutory services. In addition, ip&e Ltd consider it will be better able to further improve service delivery and productivity to ensure services are resilient, accessible and responsive as well as continuing to foster a customer focused culture and generating new income streams through trading.

- 1.5** Any proposed longer term transfer of the services that involve the transfer of staff to ip&e Ltd will require detailed discussions on employment arrangements. To enable work on the new methods of service delivery and savings to commence it is proposed to effect an interim arrangement for the delivery of the services by ip&e Ltd whilst work continues on the employment arrangements and associated issues. An initial 12 month arrangement is proposed involving the secondment of relevant staff into ip&e Ltd, with officer delegations proposed to allow a contract for up to a further 5 year period to be awarded once the employment arrangements, performance outcomes, contract value and associated issues are resolved.

2.0 Recommendations

- 2.1** That Cabinet agrees, subject to approval of the Council's Financial Strategy by full Council on the 26 February 2015:
- 2.1.1** that certain Council services, comprising Development Management, Building Control, Land Charges, Street Naming and Numbering and Local Land and Property Gazetteer, Public Protection (including Trading Standards, Environmental Health and Licensing functions and Parking Enforcement), Historic and Natural Environment and regulation of Private Sector Housing, including the business support elements of these services (the Services), will be delivered by ip&e Ltd for a period of up to 12 months whilst issues relating to a longer term transfer of the services and staff are resolved.
- 2.1.2** to delegate authority to the Director of Commissioning in consultation with the Portfolio Holder for Business Growth, ip&e, Culture and Commissioning (North) and the Portfolio Planning, Housing and Commissioning (Central) to agree the terms of the contract between the Council and ip&e Ltd for the delivery of the Services for a period of up to 12 months and to agree the date upon which ip&e Ltd will commence delivery of the Services.
- 2.1.3** to second staff currently employed in the delivery of the Services into ip&e Ltd for the period of the service contract referred to in Recommendation 2.1.1 above.
- 2.1.4** to delegate authority to the Director of Commissioning in consultation with the Portfolio Holder for Business Growth, ip&e, Culture and Commissioning (North) and the Portfolio Planning, Housing and Commissioning (Central) to second such other staff into ip&e Ltd where there is a clear need to do so to assist the delivery of the Services through ip&e Ltd for the period of the service contract referred to in Recommendation 2.1.2 above.
- 2.1.5** to delegate authority to the Director of Commissioning in consultation with the Portfolio Holder for Business Growth, ip&e, Culture and Commissioning (North) and the Portfolio Planning, Housing and Commissioning (Central), to finalise the Council's governance arrangements and commissioning staff structure requirements in respect of the ongoing commissioning and monitoring of the Services.
- 2.1.6** to delegate authority to the Chief Executive in consultation with the Leader of the Council to agree an appropriate employment model which would enable the transfer of Council staff to ip&e Limited in accordance with the Transfer of Undertakings (Protection of Employment) Regulations (TUPE) whilst retaining the ability for the

Council to authorise officers as necessary to exercise the Council's statutory powers.

- 2.1.7 within the 12 month period referred to in recommendation 2.1.1 and subject to the Chief Executive approving an employment model in accordance with recommendation 2.1.6 above, to delegate authority to the Director of Commissioning and the Section 151 officer in consultation with the Portfolio Holder for Business Growth, ip&e, Culture and Commissioning (North) and the Portfolio Planning, Housing and Commissioning (Central) to agree, upon receipt of a satisfactory business plan from ip&e Ltd, to transfer the Services to ip&e Ltd and agree the duration, budget and terms of a service contract between the Council and ip&e Ltd for the delivery of the Services for a period of up to 5 years.

REPORT

3.0 Risk Assessment and Opportunities Appraisal

3.1 Risk management

- 3.1.1** In the face of significant financial pressures, the proposal to transfer the delivery of the services comprising Development Management, Building Control, Land Charges, Street Naming and Numbering and Local Land and Property Gazetteer, Public Protection (including Trading Standards, Environmental Health and Licensing functions and Parking Enforcement), Historic and Natural Environment and regulation of Private Sector Housing, including the business support elements of these services (the Services), to ip&e Ltd aims to protect the delivery of key statutory services that the Council has a legal duty to provide. In comparison to those services that have already transferred into ip&e Ltd, these are high profile regulatory public facing services and their impact on Shropshire communities and businesses is significant.
- 3.1.2** The proposed transfer provides the opportunity for the Council to reduce operating and support costs and to create a viable commercial support service through ip&e Ltd. This commercial support service will allow the generation of new income streams to combat the anticipated reduction in future funding. Ultimately, this aims to maintain critical public facing services.
- 3.1.3** Given the current and anticipated future reductions in funding to local government, if the Services remain in the Council, there could be an increasing risk that this pressure and associated service delivery difficulties could escalate. In addition, the ability to generate income and reduce operating and support costs, enabled by the move to ip&e Ltd, would not be realised. Failures in service delivery may lead to service complaints to the Local Government Ombudsman, legal challenges and, ultimately, a failure to deliver the Council's statutory obligations. The reputation of the Council is also at risk and there would be an impact on the Council's delivery of its priorities and outcomes.
- 3.1.4** The proposed transfer provides the opportunity for the Council to reduce operating and support costs and to create a viable commercial support service through ip&e

Ltd. This commercial support service will allow the generation of new income streams to combat the anticipated reduction in future funding. Ultimately, this aims to protect the delivery of critical public facing and statutory services at acceptable levels. The proposed transfer therefore promotes the 'Your Council' outcome in terms of the Council doing the right thing with public money

3.1.5 There are a number of risks to the Council associated with the delivery of the Services being transferred to ip&e Ltd. These are set out in **Appendix A** together with the proposed contractual protections and mitigating measures that will be implemented to minimise these risks. In summary, the key risk areas are:

- legal challenge to the lawfulness of delegated decisions or use of statutory powers
- perceived conflicts of interest in carrying out statutory duties and commercial support activities
- ensuring properly regulated statutory functions
- financial in relation to traded income projections/targets and managing costs
- human resources implications associated with the secondment arrangement
- reputation damage
- delivering effective performance management
- maintaining service resilience
- dealing with non-delegable statutory functions
- volume of work, in particular managing changes in demand
- delivering value for money
- process of mobilisation and transition
- length of contract term
- maintaining service quality

3.1.6 There is no guarantee, irrespective of how effective the mitigating measures are in reducing the identified risks that the Council will not become subject to legal challenge at some point in the future. However, having given due consideration to this and other risks, it is concluded that the overall benefits of transferring the in-scope services into ip&e Ltd outweigh the risks associated with retaining the services within the Council. There is adequate protection for the Council from both a legal and financial perspective. The Council is given the opportunity, through ip&e Ltd, to deliver fit for purpose and resilient statutory services through reducing operating and support costs and by developing a viable commercial support service that can help to sustain the statutory services. In the longer-term, it is anticipated that there will be a reinvestment of generated profit back into the Services to deliver Council savings and service improvement.

3.2 Financial Implications

3.2.1 The services due to transfer to ip&e Ltd have significant budgets which are currently approved in the Council's budget under expenditure and income categories. Under the Council's financial rules, approval is required for these budgets to be spent in a manner that differs to that currently approved in the Council's budget.

3.2.2 The budgets available to commission the service will, in total, be the same as the budgets that exist within the Council's approved budgets. However, the commissioning of the services will mean that rather than budgets existing for specific expenditure and income categories, there will be a single commissioning

budget available to pay for the delivery of the in-scope services through ip&e Ltd and the company will be responsible for planning expenditure to meet the requirements of the service contract specification; this will include arrangements to buy back internal Council services initially for 12 months with the option to review alternative arrangements thereafter. This will be identified in ip&e Ltd's Business Plan, the details of which will be finalised against the service delivery contract during the initial 12 month interim secondment arrangement.

3.2.3 The 2015/16 budget identified for the delivery of the services transferring to ip&e Ltd is identified at paragraph 4.0 below. At the time of writing this report the 2015/16 budget has not been finalised; in particular, the budgets for services currently agreed through the internal market have not been finalised and will not be available until the Council meeting on 26 February 2015. As a consequence, the budgets identified at paragraph 4.0 exclude support services. The final budget value for the in-scope services, including support services, will be included within the Financial Strategy report for Council on 26 February 2015.

3.2.4 From 2016/17, the commissioning budget will be subject to further negotiation set against the overall reductions required by the Council and, where agreed, will include income generating targets. The service contract with ip&e Ltd will include a clause setting out the process, including timescales, under which future financial negotiations will be undertaken and agreed; the detail of this clause will be finalised as part of the final service contract negotiations.

3.2.5 A significant source of funding for the in-scope services is through receipt of statutory fees. It is anticipated that such fees will be collected on behalf of the Council and effectively 'pass through' ip&e Ltd; they will not, therefore, affect the turnover of ip&e Ltd. Initial 10 year projections indicate that traded income will grow to represent approximately 10 % of turnover of the in-scope services and, therefore, will not, on their own, have an adverse impact on the Teckal position of ip&e Ltd. Further details will be included in ip&e Ltd's Business Plan, as referred to in paragraph 3.2.2 above.

3.3 Council Decisions and Statutory Powers

3.3.1 ip&e Ltd will not make any decisions that legally must be made by the Council, e.g. determining planning and licensing applications; nor will any employees, who are only employed by ip&e Ltd, exercise any statutory powers that must be exercised by an authorised officer of the Council.

3.3.2 Where such decisions are currently made by means of relevant officer delegations, this will remain the case. Similarly, those matters that are currently referred to a committee for a decision will continue to be referred to the relevant committee; and any statutory powers will be exercised by duly authorised officers of the Council by virtue of the secondment arrangement, officer delegations and direct Council line management control.

3.4 Consultation

3.4.1 Specialised external legal advice obtained in 2013 recommended the need to conduct a meaningful consultation given the nature of the changes proposed. Consequently, formal consultation with communities, service users, partners and

stakeholders took place between 12 May 2014 and 4 July 2014. This was based on presenting a subsidiary of ip&e Ltd as the proposed delivery model or alternatively the services remaining within the Council. The feedback and outcomes of the consultation were detailed in the July 2014 Cabinet report. In summary, whilst the feedback was limited, it did not result in any significant changes to the interim business case. The concerns raised had already been identified and accounted for in the ongoing redesign work of the services.

- 3.4.2** The current proposal for the Services to be delivered by ip&e Ltd and not by a separate subsidiary company is a shift from the options that were originally consulted upon between May 2014 and July 2014. However, the key point is that the Council is moving the services from direct provision to provision through a council owned company, therefore the practical effect of this change of destination legal entity from a subsidiary of ip&e Ltd to ip&e Ltd itself does not produce a materially different set of circumstances, particularly from the consultee's perspective; consequently further statutory consultation is not required.

3.5 Human Rights

- 3.5.1** The implications of the decisions being taken in the recommendations, i.e. essentially moving the delivery of services to a third party, do not pose any impact on human rights; however, there is the potential for the way in which the services are delivered to do so. This will be addressed through the service contract which will require ip&e Ltd to comply with the Human Rights Act 1998.
- 3.5.2** Many of the fundamental legal duties and responsibilities of each of the services being considered for delivery by ip&e Ltd do in fact protect and promote the human rights identified within the key Articles of the European Convention on Human Rights when the Articles are read in their widest sense taking into account the manner in which they have been interpreted through case law. The rights likely to be impacted are Article 2 – the right to life; Article 3 – prohibition of torture; Article 6 – right to a fair trial; and Article 8 – the right to respect for private and family life. Specific examples demonstrating the applicability of each of the Services to the Articles is set out in in **Appendix B**.
- 3.5.3** Any risks generated as a result of conflicts of interest arising from the delivery of the services through ip&e Ltd, which may affect human rights, e.g. the right to a fair trial, are mitigated through the service contract, governance arrangements and safeguards set up to address such conflicts. Consequently, it is reasonable to conclude that the recommendations made in this report are not at variance with the provisions of the Human Rights Act 1998.

3.6 Equality and diversity

- 3.6.1** An Equality Impact Needs Assessment was completed prior to the Cabinet report in July 2014. This has been updated and is set out in the Equality and Social Inclusion Impact Assessment (ESIIA) included at **Appendix C**. The equality duty and other relevant provisions of the Equality Act 2010 are summarised at **Appendix D**.

- 3.6.2** Having considered the equality duty and the results of the ESIIA, the overall impact on all groups with protected characteristics in the county in terms of their access to and use of these services if delivered by ip&e Ltd and the Council's ability to tackle discrimination and advance equality of opportunity is likely to be neutral with a potential to be positive in time. This is partly because ip&e Ltd is wholly owned by the Council and as such there is a greater degree of security and control as a result of the Council's ownership interest in ip&e Ltd compared with the position that would exist if the Services were placed in the hands of alternative external third party owned providers.
- 3.6.3** The equality duty and ESIIA process has been and will continue to be considered at all stages of decision making in respect of the delivery of Services by ip&e Ltd and the subsequent contract management, including future service change proposals. The contract will require ip&e Ltd to ensure the equality duty, other equalities legislation and the Council's equality policies are taken into account. It will seek to ensure that customers receive an appropriate level of service and avoid detrimental impacts on individuals with protected characteristics.
- 3.6.4** In addition, as part of ip&e Ltd's responsibilities under the equality duty, the service contract will require ip&e Ltd to assess the impact of any changes to working arrangements on staff with protected characteristics.

3.7 Environmental consequences

- 3.7.1** The services subject to this report are directly involved in environmental protection and facilitating sustainable growth. A fundamental principle of the proposed new service delivery model is to protect and enhance the key services that deliver this protection and sustainability; hence, it is reasonable to conclude that there will be no adverse environmental consequences. Potentially, there will be improvements if the services are given the opportunity to develop resilience and increase capacity through commercial opportunities.

3.8 Vulnerable people, families and community resilience

- 3.8.1** The Services being recommended for delivery by ip&e Ltd do not have a direct impact on supporting the family approach or on looked after children; nor do they have statutory responsibilities for children and adults. However, the services do support work to protect vulnerable children, young people and adults and supporting community resilience, e.g. hackney carriage and private hire licensing; enforcement of age-restricted sales legislation particularly in relation to alcohol and tobacco; controlling development such as the availability of green space and the number of fast-food outlets; enforcement of statutory nuisance legislation particularly around the impact this has on anti-social behavior; and ensuring satisfactory housing standards are met.

3.9 Social Value

- 3.9.1** The Public Services (Social Value) Act 2012 requires the contracting local authority to consider how it will secure improvements to economic, social and environmental well-being and how this will be achieved through the way it commissions and procures services. The scope of the Services recommended for delivery by ip&e

Ltd provides a significant opportunity for securing such improvements directly and as part of wider partnerships including:

- Economic benefits – local businesses are enabled to flourish through increased efficiency of planning and licensing services; well-targeted regulatory advice and sanctions will support legitimate business whilst giving consumers confidence that ‘rogue’ and unsafe operations will be dealt with; commercially provided advice to SME will reduce costs of regulatory compliance to aid business growth.
- Social benefits – local people will have more confidence that issues such as anti-social behaviour are being addressed through strong and targeted controls on alcohol sales; regulation of the safety and quality of food being sold contributes to greater public confidence and contributes to reductions in obesity; development of employee commercial skills increasing their employability out with the traditional local authority sphere.
- Environmental benefits – people feel that they have a decent and appropriate place to live through ensuring satisfactory housing, noise controls, pollution prevention controls and improving air quality where problems are identified.

4.0 Financial Implications

- 4.1** The total Gross Budget proposed for the delivery of the services being transferred to ip&e Ltd, excluding support costs currently recharged through the internal market and below the line costs, is £7.950m. The income budget for services is £4.672m which gives a Net Budget of £3.278m. **Appendix E** provides a breakdown of the gross and net 2015/16 proposed budgets.

5.0 Background

- 5.1** Local authority funding from central Government is under a continuing downward pressure and there is an ongoing need to respond to reducing budgets. The Council must consider alternative ways of delivering services and focus on improving what it does from a customer perspective whilst simultaneously eliminating waste. As part of this process, the Council has made it clear that it is committed to becoming a commissioning council as set out in the Council’s ‘Commissioning for the Future’ strategy.
- 5.2** In support of this strategy, the benefit and synergies of bringing together the majority of regulatory services that deliver, directly or indirectly, business support services as part of their regulatory function has been explored, together with options for alternative service delivery models.
- 5.3** The fundamental purpose of this work was to establish a means of protecting the delivery of statutory services at an acceptable level. The overall aim was to find ways to reduce operating costs and support costs and to create a commercial support service that would be able to generate income to close the funding gap that future reductions in central Government funding will create.
- 5.4** The alternative delivery models initially considered included a staff mutual, a local authority partnership and a joint venture with a private organisation. As the options appraisal work progressed, the potential advantages of utilising a Council owned business to deliver the services began to develop. Further work was then

undertaken to assess a number of business models with a 'stand-alone' company being assessed as the favoured option against the following criteria:

- Risk of legal challenge
- Real or perceived conflicts of interest
- Operational flexibility
- Service delivery/quality
- Employment and HR risks
- Flexibility to control costs
- Ability to maximise income streams

5.5 Given the Council's position that ip&e Ltd is the preferred supplier of choice, consideration was given to mechanisms by which this may be achieved but still retaining the ability to capitalise on the advantages that the stand-alone company option offered.

5.6 On the 30 July 2014, Cabinet considered an interim business case proposing a new model for the delivery of planning and development management, environmental, business support, public protection and private sector housing services in Shropshire and approved the evaluation of different business models for delivery through ip&e Ltd.

5.7 Since the interim business case was approved, further evaluation has been undertaken and the current in-scope services confirmed as:

- Development Management
- Building Control
- Land Charges, Street Naming and Numbering and Local Land and Property Gazetteer
- Public Protection (including Trading Standards, Environmental Health and Licensing functions and Parking Enforcement)
- Historic and Natural Environment
- Regulation of Private Sector Housing

5.8 In addition, following Cabinet's approval that planning policy remains within the commissioning function of the Council, consideration was given to the feasibility of the remaining functions that are currently managed as part of the planning policy team being transferred into ip&e Ltd. It was concluded that these functions remain within the Council while the outcomes of the economic growth redesign project are fully considered. A further review will be necessary to determine the most effective delivery model for planning policy and the remaining functions.

5.9 It was also concluded that there is potential to widen the scope of the services/functions to be transferred into ip&e Ltd to include others that have regulatory and/or business support functions. However, robust options appraisal work will be required before final decisions can be made and this will not take place prior to the award of the initial 12 month contract.

5.10 Further consideration was also given to the benefits of a subsidiary business compared with transferring the in-scope services directly into ip&e Ltd. It was concluded that under the proposed model of service transfer there is currently no immediate need for a separate subsidiary company to be created to govern and

deliver the contract. The governance arrangements for the ip&e Ltd Board, the management structures within both ip&e Ltd and the Council together with appropriate officer delegations/authorisations for statutory purposes will ensure independence of roles and functions from a provider perspective. Consequently, at this specific time, it has been concluded that the award of a contract directly to ip&e Ltd, rather than to a subsidiary, for the provision of the in-scope services is appropriate on the basis that there are identifiable short-term benefits to both the Council and to ip&e Ltd if the services transfer directly into ip&e Ltd. These include:

- More direct control of the business which better satisfies the Teckal requirement for control to be exercised over the business.
- Economies of scale, e.g. the extra administrative burden of a separate company is removed.
- Policies such as HR, Information Governance, Health & Safety, etc. are already in place.
- Removal of the requirement for separate Board of Directors.
- ip&e Ltd has increased potential for success which subsequently benefits the Council as sole shareholder.

5.11 It is further concluded that such an arrangement will provide adequate protection for the Council in the initial years from both a legal and financial perspective. It will also provide ip&e Ltd with the opportunity to demonstrate that it can deliver fit for purpose and resilient regulatory services. In this respect, the draft ip&e Ltd Business Case, pertaining specifically to the delivery of the in-scope services is set out at **Appendix F**. This draft Business Case is due to be considered by the ip&e Ltd Board during the week commencing the 9 February 2015; the outcome will be made know to Cabinet by means of a verbal update report.

5.12 The ip&e Ltd Business Case summarises the operating model for the in-scope services described in the Business Strategy, Service Plan and Outcomes Framework and in the draft Marketing Strategy and will lead to a Business Plan against the finalised service contract. The secondment arrangement will facilitate a smooth transition of the in-scope services with service operations and transactional services/processes operating as they currently do. Any outstanding re-design required will be completed within ip&e Ltd taking into account the business planning process that is and will be required by ip&e Ltd.

6.0 Additional Information

6.1 Service Delivery Contract

6.1.1 An appropriate service delivery contract and specification is being drawn up to take account of the scope and complexity of the services which are being recommended for transfer. The details to be included in the contract between the Council and ip&e Ltd are summarised in the executive summary set out at **Appendix G**.

6.1.2 ip&e Ltd has been set up to take advantage of the Teckal exemption that allows local authority services to be transferred to a Local Authority Trading Company without having to go through tendering and procurement processes that would otherwise be required. In order, however, for the Teckal exemption to apply, certain controls must be in place, particularly around the necessity for the Council to exert proper control over the way the services are provided, e.g. through retaining control

of policy and priority setting, and limiting the amount of income from trading as a proportion of turnover. The service contract will address these requirements.

6.1.3 The contract will specify the services to be provided including setting out general and specific statutory duties that the Council is required to deliver, how the services will be paid for, governance and performance management, necessary clauses to allow the services to be provided such as access to and use of premises and assets, information governance, how conflicts of interest will be addressed and termination provisions. The level of detail contained in the contract is necessary so that the Council can ensure that the services to be provided, many of which are statutory, are properly performed.

6.1.4 Whilst it is desirable to agree a contract length of up to 5 years, with appropriate break, extension and termination clauses, it is currently proposed that the contract will initially be effected for 12 months. This short-term approach is necessary to align the contract with the time period proposed for the secondment arrangements. During the term of the interim 12 month contract, once the employment and associated issues are resolved and a satisfactory Business Plan is prepared in respect of any additional contract period, work can commence in respect of the award of a further contract for a period up to 5 years. This additional service contract would commence upon the formal transfer of the services and the TUPE transfer of the relevant staff to ip&e Ltd. The award of such a contract direct to ip&e Ltd would also be subject to confirmation that ip&e Ltd retains its 'Teckal' status, thereby enabling the Council to make a direct award without undertaking a procurement process.

6.2 Outcomes – Incorporating Social Value

6.2.1 It is clear that the scope of the Services recommended for delivery by ip&e Ltd provides a significant opportunity for securing social value improvements. However, delivery of the Services simply in accordance with the service contract is insufficient to fully demonstrate that ip&e Ltd satisfies the requirements of the Public Services (Social Value) Act 2012.

6.2.2 It is incumbent on ip&e Ltd to demonstrate how it intends to secure improvements to economic, social and environmental well-being and how this will be achieved in relation to the Council's priorities and outcomes. In this respect, it will be a requirement of the service contract relevant to this report that ip&e Ltd will set out a social value framework, to be agreed with the Council, during the period of the interim 12 month contract and any subsequent agreed contract term.

6.3 Governance arrangements

6.3.1 An outline framework has been developed setting out the governance arrangements that will be put in place. The framework includes:

- provision by ip&e Ltd of financial and performance information as will be required in the service contract
- a system of quality auditing by the commissioners, being officers with knowledge and appropriate experience of the in-scope services
- regular performance management meetings between the two parties

- oversight through existing council governance arrangements supporting the strategic contract with ip&e Ltd
- a specific service contract governance board that acts in an advisory capacity to Cabinet/Council; portfolio holders will sit on this board (this is in line with arrangements already in place for the management of council housing and waste contracts)
- an annual review process including review of locally set statutory fees and an annual report to Cabinet explaining the results of the annual review and overall performance against the contract

6.3.2 The proposed governance arrangements also include control arising from the direct line management from the Council of the senior officer with delegated responsibility for the various statutory duties, decisions and powers; the senior officer being one of the staff seconded by the Council into ip&e Ltd. The secondment agreement between the Council and ip&e Ltd will clearly set out this arrangement. The line management for the purposes of officers involved in statutory decision making will flow from the senior officer down through the management structure of the Services to all other officers who are seconded for the purpose of making delegated decisions and/or authorised for the purpose of exercising legal powers. Any future delivery model to be adopted in respect of the Services will include equivalent governance arrangements to ensure the proper authorisation and probity of the required decision making.

6.3.3 Any service contract will include requirements for ip&e Ltd to ensure on-going wider member engagement. In addition, appropriate member involvement and oversight will be ensured through relevant portfolio holders. The portfolio holders will be members of the Contract Governance Board and will receive the performance monitoring and financial information that is submitted to this Board. The Council will be advised through the normal decision making channels, including the portfolio holders and Cabinet, as appropriate. In addition, the governance framework includes the requirement for an annual report to Cabinet.

6.4 Commissioning structure

6.4.1 An interim commissioning structure has been developed to facilitate the transition process; this comprises a strategic commissioner (Head of Economic Growth & Prosperity) (reporting to the Director of Commissioning) supported by a Senior Commissioner and two specialist commissioners who have expertise to oversee the full extent of the in-scope services. It is proposed that the salary and other associated costs for this structure will be met from within existing service budgets. It is envisaged that the interim commissioning structure will develop further to complement the Council's evolving commissioning approach, including undertaking the contract and performance management that will be required in the future.

6.5 Employment issues

6.5.1 A large number of staff within the in-scope services have delegated authority to make decisions on behalf of the Council and/or to exercise statutory powers. The Council cannot legally delegate the decision making or the exercising of statutory powers to a third party; this would include ip&e Ltd and its contracted employees.

- 6.5.2** Consequently, it is a prerequisite of the new delivery model via ip&e Ltd that all staff who make delegated decisions and/or exercise statutory powers must remain officers of the Council. Alternative options (secondment, dual employment and joint employment) to address this issue have been explored with the support of external legal advice together with advice from the Council's HR specialists. Whilst joint employment (i.e. where two or more employers employ an individual employee at the same time and the employers share the control and supervision of the employee's activity) has currently been assessed to be the most appropriate long-term solution, the Council's HR specialists have advised that further assessment of this employment mechanism is required to fully understand the implications for both the Council and for ip&e Ltd. Nevertheless, the separation achieved through a joint employment contract will help to address perceived conflicts of interest where staff may undertake both regulatory and commercial business roles.
- 6.5.3** It was initially concluded that those staff who do not make delegated decisions or exercise statutory powers would have a single employment contract with ip&e Ltd. However, this conclusion also requires further assessment for those support staff who currently have roles that require access to Council systems. It will be necessary to establish whether this access will be required in the future and the subsequent implications this has for employment contracts for support staff.
- 6.5.4** Furthermore, the impact on employer pension contributions is not yet fully understood and, whilst advice has been sought, this is unlikely to be resolved within an acceptable timescale. Any delay will adversely impact on the ability of the Council to deliver its planned savings targets.
- 6.5.5** Consequently, to enable work on the new methods of service delivery and savings to commence with effect from the services commencement date, it is proposed to effect an interim arrangement for the delivery of the services by ip&e Ltd whilst work continues on the employment arrangements and associated issues. A 12 month arrangement is proposed involving the secondment of relevant staff into ip&e Ltd to allow lawful decision making to continue and to permit officers to legally exercise statutory powers.
- 6.5.6** This will require a shadow structure to be retained within the Council to protect staff and to facilitate their return to their substantive posts should this become necessary within the next 12 months. In addition, it will necessitate a secondment agreement between the Council and ip&e Ltd setting out that staff who are seconded to ip&e Ltd are officers of the Council at all times when making delegated decisions and exercising statutory powers.
- 6.5.7** Secondment will also deliver operational flexibility within the ip&e Ltd business model to test any business and operational assumptions against the ip&e Ltd strategy to enable the company, as a whole, to grow and prosper as new services are introduced. This secondment is an interim and temporary step required as a precursor to a permanent solution that needs to be in place for relevant staff as soon as is practicable and no later than 12 months from the date the staff are initially seconded into ip&e Ltd.

6.6 Transition process

6.6.1 Following the Cabinet decision, the matters that remain outstanding and will need to be addressed include:

- a) finalising the service delivery contract and service specification including contract value and payments
- b) ensuring officer delegations are correctly aligned with the new arrangements and if necessary, amend the Council's Constitution. If this is required a separate report will be submitted to the Council to effect these changes
- c) finalising service structures, which will need to be mirrored within the Council for the protection of staff during the period of the secondment and to allow for employment arrangements to be further considered within the initial 12 month service contract period
- d) creation of service level agreements for the 'buy back' of internal Council services
- e) finalising the governance arrangements;
- f) agreeing the employment model

7.0 **Conclusions**

7.1 In conclusion, transferring the services into ip&e Ltd has the potential to mitigate the risks associated with retaining the services within the Council and the overall benefits outweigh any risks from doing so. There is adequate protection for the Council from both a legal and financial perspective. The Council is given the opportunity, through ip&e Ltd, to deliver fit for purpose and resilient statutory services through reducing operating and support costs and by developing a viable commercial support service to generate income that can help to sustain the statutory services. In the longer-term, it is anticipated that there will be a reinvestment of generated profit back into the Services to deliver Council savings and service improvement.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Cabinet Report of 30 July 2014 entitled 'Interim Business Case for the Development of a New Delivery Model for Planning, Public Protection, Environmental and Business Support Services'

ip&e Ltd Business Case supporting documents for in-scope services:

- Business Strategy
- Service Vision, Outcomes and Priorities – Outcomes Framework
- Marketing Strategy

Cabinet Member (Portfolio Holder)

Cllr Steve Charmley - Portfolio Holder for Business Growth, ip&e, Culture and Commissioning (North)

Cllr Malcolm Price - Portfolio Holder for Planning, Housing and Commissioning (Central)

Local Member

Not applicable as proposals have county wide application

Appendices

Appendix A: Key risks and mitigating measures

Appendix B: Applicability of in-scope services to protecting and promoting human rights

Appendix C: Equality and Social Inclusion Impact Assessment (ESIIA)

Appendix D: Equality & Diversity Requirements under the Equality Act 2010

Appendix E: Financial details

Appendix F: ip&e Ltd Business Case for in-scope services

Appendix G: Executive Summary of Service Delivery Contract between Shropshire Council and ip&e Ltd

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Appendix A

Proposal to Transfer Development Management, Public Protection and Environment Services and the Regulatory Function of Private Sector Housing into ip&e Ltd

Key Risks and Mitigating Measures

The risks to the Council associated with entering into a contract with ip&e Ltd together with the contractual protections and other mitigating measures that will be in place are listed below:

Risk Area	Causes	Control/Mitigation
Legal challenge	Real or perceived conflict of interest	Strong governance framework Strong performance management Conflict of interest protocol in contract
Proper regulation of statutory functions	Lack of independence of decision making at officer level e.g. pressure to treat ip&e services or customers more favourably	Strong governance framework Strong performance management Conflict of interest protocol in contract
Financial	Provider is unable to effectively manage its costs or secure sufficient income	The contract will include provisions whereby the services can be brought back under direct Council control.
Human resources	Lack of clarity on HR matters associated with joint employment	Interim step to second staff into ip&e Ltd for 12 months to allow further assessment of joint employment and clear understanding of implications for both parties. Clear joint employment contract understood by staff. Creation of a joint employment handbook.
Reputational damage	Challenge and complaints due to conflicts of interest	Strong governance framework Strong performance management

		Conflict of interest protocol in contract
Performance management	Senior Council officers also being Directors of ip&e	Contract management is undertaken by officers who do not report to any Senior Council officer who is also a Director of or otherwise employed by ip&e
Financial	Insolvency	Provisions will be agreed in the Contract
Financial	Lack of transparency in contract finances.	Open book accounting and audit rights are to form part of the contract.
Resilience	Inadequate specification	Extensive work and review is in progress and will be included in the output specifications Contract review provisions
Resilience	Inadequate design / Inadequate resourcing / Inadequate methods	Rectification processes, step-in and termination clauses will be included in the contract.
Resilience	Force majeure event	A business continuity plan is required as part of the contract.
Resilience	Inadequate business continuity arrangements	The service provider is responsible for delivering the Service continuity. These are monitored through KPIs and the council has the right, where appropriate, to step-in where there is failure.
Resilience	Inadequate transition arrangements	The contract will include provisions whereby the services can be brought back under direct Council control.
Ongoing VFM of core service	Inflexible design	There will be change provisions within the contract.
Ongoing VFM of core service	Change in council priorities/policies	There will be change provisions within the contract.
Ongoing VFM of core service	Provider does not remain at the forefront of developments	Part of performance management and included in annual service reviews.

Volume / change in demand	Demographic changes or policy changes requiring focus on certain activities, e.g. more Trading Standards inspections	Volume related payments, where appropriate, to be agreed in the contract. Increased costs will be offset in some instances by increased income.
Non-delegable Statutory Functions	A number of statutory functions within the services that include non-delegable Statutory functions	There are a number of functions within the services that can only be performed by an Officer employed by the Authority. A secondment arrangement between the Council, the employee and the new provider will enable these elements to continue to be performed by Council Officers during the initial 12 month period. In the longer term an appropriate employment model (which may include a form of joint employment arrangement) will be considered to allow for the exercise of the statutory functions which cannot be otherwise delegated to a third party post transfer to the new provider.
Mobilisation & Transition	Commissioners / Resources	Contract management arrangements need to be effectively structured and resourced to ensure that the benefits to be set out in the Business Case can be realised, and exceeded, throughout the life of any extended contract.
Contract Term	Length of Contract	Interim step to have a 12 month contract as an exploratory precursor to the development of a longer-term contract, potentially 5 years duration with room to extend and to terminate early in the event of poor performance.

Service Risk	Challenging Timescales and uncertainty for staff	Consuming time which may impact on service to our customers in the short term.
Service Risk	Failure to free up enough resource to enable income generation leads to reduction in staff (to meet agreed service fee) leading to even greater difficulty of freeing up resource from regulatory work	Output specifications and KPI's must be realistic and achievable within resources available

Appendix B

Proposal to Transfer Development Management, Public Protection and Environment Services and the Regulatory Function of Private Sector Housing into ip&e Ltd

Applicability of in-scope services to protect and promote human rights

Article Number	Article Description	Expanded Meaning	Examples of Applicability
2	Right to life	Prohibition upon taking of life other than in accordance with the law; also encompasses a positive duty to protect life.	To prevent/reduce risk of ill-health/death through controls associated with food/feed safety, air quality, nuisance (e.g. persistent noise leading to impact on mental health)
3	Prohibition of torture	Inhuman or degrading treatment or punishment; extended to include allowing a person to live in inhuman or degrading conditions where we have the power to do something about it.	Dealing with filthy and verminous premises Controls on private sector housing standards
6	Right to a fair trial	Increasing expectation to open up consultation processes and (unless precluded by law) to hold hearings and give people the chance to object to decisions.	Regulatory action that has potential to lead to civil/criminal action in court Quasi-judicial role undertaken when making licensing and planning decisions
8	Right to respect for private and family life	Includes every aspect of a person's physical and psychological personality; steps that exclude or do not include people	Planning decisions Licensing decisions Enforcement action against 'rogue traders' to protect vulnerable consumers

		within mainstream society or which cause them to live in conditions which adversely impact upon normal family life.	
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Shropshire Equality and Social Inclusion Impact Assessment (ESIIA)

Contextual Notes 2014

The What and the Why:

The Equality and Social Inclusion Impact Assessment (ESIIA) tool replaces the Equality Impact Needs Assessment (EINA) tool previously in use by Shropshire Council. It is a tool to help us to identify whether or not any new or significant changes to services, including policies, procedures, functions or projects, may have an adverse impact on a particular group of people, and whether the human rights of individuals may be affected.

What we are now doing is broadening out such assessments to consider social inclusion. This is so that we are thinking as carefully and completely as possible about all groups and communities in Shropshire, including people in rural areas and people we may describe as vulnerable, as well as people in what are described as the nine 'protected characteristics' of groups of people in our population, eg Age, eg Gender Reassignment. We demonstrate equal treatment to people who are in these groups and to people who are not, through having what is termed 'due regard' to their needs and views when developing and implementing policy and strategy and when commissioning, procuring, arranging or delivering services.

It is a legal requirement for local authorities to assess the equality and human rights impact of changes proposed or made to services, such as through a new policy or a change in procedure. Carrying out ESIIAs helps us as a public authority to ensure that, as far as possible, we are taking actions to meet the general equality duty placed on us by the Equality Act 2010 to have what is called *due regard* to the three equality aims in our decision making processes. These are: eliminating discrimination, harassment and victimisation; advancing equality of opportunity; and fostering good relations.

The How:

The assessment comprises two parts: a screening part, and a full report part.

Screening (Part One) enables energies to be focussed on the service changes for which there are potentially important equalities and human rights implications. If screening indicates that the impact is likely to be positive overall, or is likely to have a medium or low negative or positive impact on certain groups of people, a full report is not required. Energies should instead focus on review and monitoring and ongoing evidence collection, enabling incremental improvements and adjustments that will lead to overall positive impacts for all groups in Shropshire.

A **full report (Part Two)** needs to be carried out where screening indicates that there are considered to be or likely to be significant negative impacts for certain groups of people, and/or where there are human rights implications. If you are not sure, a full report is recommended, as it enables more evidence to be collected that will help you to reach an informed opinion.

Shropshire Council Part 1 ESIIA: initial screening and assessment

Please note: prompt questions and guidance within boxes are in italics. You are welcome to type over them when completing this form. Please extend the boxes if you need more space for your commentary.

Name of service change

Transfer of the delivery of certain regulatory services comprising Development Management, Building Control, Land Charges, Street Naming and Numbering and Local Land and Property Gazetteer, Public Protection (including Trading Standards, Environmental Health and Licensing functions and Parking Enforcement), Historic and Natural Environment and the Regulation of Private Sector Housing to ip&e Ltd.

ip&e Ltd (Inspiring Partnerships & Enterprise Ltd) is a wholly owned Council company that provides public services on behalf of Shropshire Council. It aims to enable the Council to reinvest profit from any trading back into services.

Aims of the service change and description

The long-term aim of the transfer is to protect the delivery of key statutory services that the Council has a legal duty to deliver. At this stage the intention is to transfer delivery of the services on a 12 month interim basis. This will involve the secondment of relevant staff into ip&e Ltd. It will allow work on the new methods of service delivery and savings to commence whilst further work is undertaken to establish an appropriate employment arrangement that will allow lawful regulatory decision making and the exercise of statutory powers to continue. It will also allow further work to be undertaken to create opportunities to legally generate income.

The new methods of service delivery aim to reduce operating costs and support costs and create a commercial support service that will generate new and increasing income streams. This aims to deliver savings for the Council by closing the funding gap that future reductions in central Government funding will create and enhance the opportunities that the Council has to maintain the delivery of adequate statutory services.

The longer term commissioning options will be the subject of further consideration by the Council during the 12 month interim period.

Intended audiences and target groups for the service change

The service change impacts on a wide range of stakeholders. An indication of the extent is given by in the list below:

- Whole population, e.g. residents, businesses, Elected Members, MPs
- Local authority cross-border, regional and national enforcement working arrangements e.g. regional enforcement partnerships such as the Staffordshire & Shropshire Food Liaison Group, CEntSA, Scambusters, Illegal Money Lending Team, West Mercia Pollution group, Midlands Joint Advisory Council for Environmental Protection
- Town and Parish Councils
- Community and voluntary groups/agencies, e.g. Local & National Citizen Advice Bureaux, Residents Associations, Civic Societies, Neighbourhood Forums
- Trade organisations/groups, e.g. Planning Agents Forum, Federation of Small

Businesses, Chamber of Commerce, National Farmers Union

- National government agencies, e.g. Defra, DCLG, Food Standards Agency, Health & Safety Executive, Environment Agency, Drinking Water Inspectorate
- West Mercia Police and other police forces, Natural England, Environment Agency, English Heritage, Planning Inspectorate, HM Land Registry
- The Marches Local Enterprise Partnership (LEP)
- Local Nature Partnership

Evidence used for screening of the service change

The primary evidence used in developing the proposal to transfer the delivery of the service into ip&e Ltd is the Council's past and future financial savings targets and the impact this has had and will continue to have on service area budgets, staffing numbers and on the resilience and the level and quality of the services that can be delivered now and in the future.

As part of the appraisal process additional evidence focussing on risk factors was also brought together and considered including:

- Risk of legal challenge
- Real or perceived conflicts of interest
- Operational flexibility
- Service delivery/quality
- Employment and HR risks
- Flexibility to control costs
- Ability to maximise income streams

Specific consultation and engagement with intended audiences and target groups for the service change

Formal consultation with communities, service users, partners and stakeholders took place between 12 May 2014 and 4 July 2014 via the Council's consultation web portal and additionally around 650 key stakeholders, partners and town and parish councils were asked directly to comment via email. This consultation was based on presenting a subsidiary of ip&e Ltd as the proposed delivery model or alternatively the services remaining within the Council. The feedback and outcomes of the consultation were detailed in a report to Cabinet in July 2014. In summary, whilst the feedback was limited, it did not result in any significant changes. The concerns raised had already been identified and accounted for in the ongoing redesign work of the services.

The current proposal for the Services to be delivered by ip&e Ltd and not by a separate subsidiary company is a shift from the options that were originally consulted upon between May 2014 and July 2014. However, the practical effect of this change does not produce a materially different set of circumstances, particularly from the consultee's perspective; consequently further statutory consultation has not been undertaken. (Note: Statutory consultation differs from the common law right to be consulted and is, in effect, an extension of the democratic process that informs a Council decision.) The key point is that the Council is moving the services from direct provision to provision through a council owned company.

Potential impact on Protected Characteristic groups and on social inclusion

Guidance notes on how to carry out the initial assessment

Using the results of evidence gathering and specific consultation and engagement, please consider how the service change as proposed may affect people within the nine Protected Characteristic groups and people at risk of social exclusion.

1. Have the intended audiences and target groups been consulted about:
 - their current needs and aspirations and what is important to them;
 - the potential impact of this service change on them, whether positive or negative, intended or unintended;
 - the potential barriers they may face.
2. If the intended audience and target groups have not been consulted directly, have representatives been consulted, or people with specialist knowledge, or research explored?
3. Have other stakeholder groups and secondary groups, for example carers of service users, been explored in terms of potential unintended impacts?
4. Are there systems set up to:
 - monitor the impact, positive or negative, intended or intended, for all the different groups;
 - enable open feedback and suggestions from a variety of audiences through a variety of methods.
5. Are there any Human Rights implications? For example, is there a breach of one or more of the human rights of an individual or group?
6. Will the service change as proposed have a positive or negative impact on fostering good relations?
7. Will the service change as proposed have a positive or negative impact on social inclusion?

Guidance on what a negative impact might look like

High Negative	Significant potential impact, risk of exposure, history of complaints, no mitigating measures in place or no evidence available: urgent need for consultation with customers, general public, workforce
Medium Negative	Some potential impact, some mitigating measures in place but no evidence available how effective they are: would be beneficial to consult with customers, general public, workforce
Low Negative	Almost bordering on non-relevance to the ESIA process (heavily legislation led, very little discretion can be exercised, limited public facing aspect, national policy affecting degree of local impact possible)

Initial assessment for each group

Please rate the impact that you perceive the service change is likely to have on a group, through Inserting a tick in the relevant column.

Protected Characteristic groups and other groups in Shropshire	High negative impact <i>Part Two ESIIA required</i>	High positive impact <i>Part One ESIIA required</i>	Medium positive or negative impact <i>Part One ESIIA required</i>	Low positive or negative impact <i>Part One ESIIA required</i>
Age (please include children, young people, people of working age, older people. Some people may belong to more than one group eg young person with disability)				✓
Disability (please include: mental health conditions and syndromes including autism; physical disabilities or impairments; learning disabilities; Multiple Sclerosis; cancer; HIV)				✓
Gender re-assignment (please include associated aspects: safety, caring responsibility, potential for bullying and harassment)				✓
Marriage and Civil Partnership (please include associated aspects: caring responsibility, potential for bullying and harassment)				✓
Pregnancy & Maternity (please include associated aspects: safety, caring responsibility, potential for bullying and harassment)				✓
Race (please include: ethnicity, nationality, culture, language, gypsy, traveller)				✓
Religion and belief (please include: Buddhism, Christianity, Hinduism, Islam, Judaism, Non conformists; Rastafarianism; Sikhism, Shinto, Taoism, Zoroastrianism, and any others)				✓
Sex (please include associated aspects: safety, caring responsibility, potential for bullying and harassment)				✓
Sexual Orientation (please include associated aspects: safety; caring responsibility; potential for bullying and harassment)				✓
Other: Social Inclusion (please include families and friends with caring responsibilities; people with health inequalities; households in poverty; refugees and asylum seekers; rural communities; people you consider to be vulnerable)				✓

Decision, review and monitoring

Decision	Yes	No
Part One ESIIA Only?	✓	
Proceed to Part Two Full Report?		✓

If Part One, please now use the boxes below and sign off at the foot of the page. If Part Two, please move on to the full report stage.

Actions to mitigate negative impact or enhance positive impact of the service change

Overall, the transfer of the delivery of the services into ip&e Ltd will continue to deliver the in-scope services without adversely impacting on any of the protected characteristic groups listed above. It is likely that the impact will be neutral to low positive but with the potential, in the longer term, to provide a medium positive impact on a number of the groups. This is on the basis that the commercial support service creates sufficient income to improve the level and quality of service delivery to all the population, including the protected characteristic groups specifically identified above. The fundamental nature of the in-scope services are such that they focus on issues that do impact on a number of the protected characteristic groups. However, the very fact that the delivery of the services is transferring to ip&e Ltd, will, not of itself, lead to an impact (either positive or negative) on any of the groups. However, it is recognised that it will be a key role of the commissioners to monitor the impact of the 12 month interim arrangement and to seek feedback from relevant groups to ensure the impact of the change remains at least neutral. If it is found that there is a negative impact, it will be necessary to determine the action required to address this negative impact.

The initial transfer does not change the policies or practices that the services currently operate under. Any developments post the transfer will not be implemented without additional ESIIA(s) being completed. As the new service delivery model develops over the next 12 months further consultation/assessment, as necessary, will be undertaken before decisions are taken about the future commissioning options for these services.

Actions to review and monitor the impact of the service change

An outline framework has been developed setting out the governance arrangements that will be in place. The framework includes:

- provision by ip&e Ltd of financial and performance information as required by the service contract
- a system of quality auditing by the commissioners, being officers with knowledge and appropriate experience of the in-scope services
- regular performance management meetings between the two parties
- oversight through existing council governance arrangements supporting the strategic contract with ip&e Ltd
- a specific service contract governance board that acts in an advisory capacity to

Cabinet/Council; portfolio holders will sit on this board

- an annual review process including review of locally set statutory fees and an annual report to Cabinet explaining the results of the annual review and overall performance against the contract

The proposed governance arrangements also include control arising from the direct line management from the Council of the senior officer with delegated responsibility for the various statutory duties, decisions and powers; the senior officer being one of the staff seconded by the Council into ip&e Ltd. The secondment agreement between the Council and ip&e Ltd will set out this arrangement. The line management for the purposes of officers involved in statutory decision making will flow from the senior officer down through the management tree of the Services to all other officers who are seconded for the purpose of making delegated decisions and/or authorised for the purpose of exercising legal powers.

The service contract will include requirements for ip&e Ltd to ensure on-going wider member engagement. In addition, appropriate member involvement and oversight will be ensured through relevant portfolio holders. The portfolio holders will be members of the Contract Governance Board and will receive the performance monitoring and financial information that is submitted to this Board. The Council will be advised through the normal decision making channels, including the portfolio holders and Cabinet, as appropriate. In addition, the governance framework includes the requirement for an annual report to Cabinet.

Elected Members, in their role as community representatives/leaders, will be key in understanding the impact on communities. Feedback will be sought from Members to inform the ongoing review and monitoring of the impact of the transfer and will be fed into the process prior to the commissioning options being brought back before Cabinet.

Scrutiny at Part One screening stage

People involved	Signatures	Date
Lead officer carrying out the screening Frances Darling, Senior Commissioner	<i>Frances M. Darling</i>	3/2/15
Any internal support Miranda Garrard, Specialist Commissioner	<i>M. Garrard</i>	03/2/15
Kieron Smith, Specialist Commissioner	<i>K. Smith</i>	03/2/15
Paul McGreary, Head of Public Protection	<i>Paul McGreary</i>	03.02.15
Any external support (None)	N/A	N/A
Head of service Paul McGreary	<i>Paul McGreary</i>	03.02.15

Sign off at Part One screening stage

Name	Signatures	Date
Lead officer's name		

Frances Darling	Frances M. Darling	3/2/15
Head of service's name Paul McGreary	Paul McGreary	03.02.15

Shropshire Council Part 2 ESIIA: full report

Guidance notes on how to carry out the full report

The decision that you are seeking to make, as a result of carrying out this full report, will take one of four routes:

1. To make changes to satisfy any concerns raised through the specific consultation and engagement process and through your further analysis of the evidence to hand;
2. To make changes that will remove or reduce the potential of the service change to adversely affect any of the Protected Characteristic groups and those who may be at risk of social exclusion;
3. To adopt the service change as it stands, with evidence to justify your decision even though it could adversely affect some groups;
4. To find alternative means to achieve the aims of the service change.

The Part Two Full Report therefore starts with a forensic scrutiny of the evidence and consultation results considered during Part One Screening, and identification of gaps in data for people in any of the nine Protected Characteristic groups and people who may be at risk of social exclusion, eg rural communities. There may also be gaps identified to you independently of this process, from sources including the intended audiences and target groups themselves.

The forensic scrutiny stage enables you to assess:

- **Which gaps need to be filled right now, to help you to make a decision about the likely impact of the proposed service change?**

This could involve methods such as: one off service area focus groups; use of customer records; examination of data held elsewhere in the organisation, such as corporate customer complaints; and reference to data held by similar authorities or at national level from which reliable comparisons might be drawn, including via the Rural Services Network. Quantitative evidence could include data from NHS Foundation Trusts, community and voluntary sector bodies, and partnerships including the Local Enterprise Partnership and the Health and Well Being Board. Qualitative evidence could include commentary from stakeholders.

- **Which gaps could be filled within a timeframe that will enable you to monitor potential barriers and any positive or negative impacts on groups and individuals further along into the process?**

This could potentially be as part of wider corporate and partnership efforts to strengthen the evidence base on equalities. Examples would be: joint information sharing protocols about victims of hate crime incidents; the collection of data that will fill gaps across a number of service areas, eg needs of young people with learning disabilities as they progress through into independent living; and publicity awareness campaigns that encourage open feedback and suggestions from a variety of audiences.

Once you have identified your evidence gaps, and decided on the actions you will take right now and further into the process, please record your activity in the following boxes. Please extend the boxes as needed.

Evidence used for assessment of the service change: activity record

How did you carry out further research into the nine Protected Characteristic groups and those who may be at risk of social exclusion, about their current needs and aspirations and about the likely impacts and barriers that they face in day to day living?

And what did it tell you?

Specific consultation and engagement with intended audiences and target groups for the service change: activity record

How did you carry out further specific consultation and engagement activity with the intended audiences and with other stakeholders who may be affected by the service change?

And what did it tell you?

Further and ongoing research and consultation with intended audiences and target groups for the service change: activity record

What further research, consultation and engagement activity do you think is required to help fill gaps in our understanding about the potential or known affect that this proposed service change may have on any of the ten groupings and on the intended audiences and target groups? This could be by your service area and/or at corporate and partnership level.

Full report assessment for each group

Please rate the impact as you now perceive it, by inserting a tick. Please give brief comments for each group, to give context to your decision, including what barriers these groups or individual may face.

Protected Characteristic groups and other groups in Shropshire	High negative impact	High positive impact	Medium positive or negative impact	Low positive or negative impact
Age (please include children, young people, people of working age, older people. Some people may belong to more than one group eg young person with disability)				
Disability (please include: mental health conditions and syndromes including autism; physical disabilities or impairments; learning disabilities; Multiple Sclerosis; cancer; HIV)				
Gender re-assignment (please include associated aspects: safety, caring responsibility, potential for bullying and harassment)				
Marriage and Civil Partnership (please include associated aspects: caring responsibility, potential for bullying and harassment)				
Pregnancy & Maternity (please include associated aspects: safety, caring responsibility, potential for bullying and harassment)				
Race (please include: ethnicity, nationality, culture, language, gypsy, traveller)				
Religion and belief (please include: Buddhism, Christianity, Hinduism, Islam, Judaism, Non conformists; Rastafarianism; Sikhism, Shinto, Taoism, Zoroastrianism, and any others)				
Sex (please include associated aspects: safety, caring responsibility, potential for bullying and harassment)				
Sexual Orientation (please include associated aspects: safety; caring responsibility; potential for bullying and harassment)				

Other: Social Inclusion (please include families and friends with caring responsibilities; people with health inequalities; households in poverty; refugees and asylum seekers; rural communities; people you consider to be vulnerable)				
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ESIA Full Report decision, review and monitoring

Summary of findings and analysis - ESIA decision

You should now be in a position to record your decision. Please highlight in bold the route that you have decided to take.

1. To make changes to satisfy any concerns raised through the specific consultation and engagement process and through your further analysis of the evidence to hand;
2. To make changes that will remove or reduce the potential of the service change to adversely affect any of the Protected Characteristic groups and those who may be at risk of social exclusion;
3. To adopt the service change as it stands, with evidence to justify your decision even though it could adversely affect some groups;
4. To find alternative means to achieve the aims of the service change.

Please add any brief overall comments to explain your choice.

You will then need to create an action plan and attach it to this report, to set out what further activity is taking place or is programmed that will:

- *mitigate negative impact or enhance positive impact of the service change,*
- AND
- *review and monitor the impact of the service change*

Please try to ensure that:

- *Your decision is based on the aims of the service change, the evidence collected, consultation and engagement results, relative merits of alternative approaches and compliance with legislation, and that records are kept;*
- *The action plan shows clear links to corporate actions the Council is taking to meet the general equality duty placed on us by the Equality Act 2010, to have due regard to the three equality aims in our decision making processes.*

Scrutiny at Part Two full report stage

People involved	Signatures	Date
Lead officer		
Any internal support		
Any external support		
Head of service		

Sign off at Part Two full report stage

Signature (Lead Officer)	Signature (Head of Service)
Date:	Date:

Appendix: ESIIA Part Two Full Report: Guidance Notes on Action Plan

Please base your action plan on the evidence you find to support your decisions, and the challenges and opportunities you have identified. It could include arrangements for:

- continuing engagement and involvement with intended audiences, target groups and stakeholders;
- monitoring and evaluating the service change for its impact on different groups throughout the process and as the service change is carried out;
- ensuring that any pilot projects are evaluated and take account of issues described in the assessment, and that they are assessed to make sure they are having intended impact;
- ensuring that relevant colleagues are made aware of the assessment;
- disseminating information about the assessment to all relevant stakeholders who will be implementing the service change;
- strengthening the evidence base on equalities.

Please also consider:

- resource implications for in-house and external delivery of the service;
- arrangements for ensuring that external providers of the service are monitored for compliance with the Council's commitments to equality, diversity and social inclusion, and legal requirements including duties under the Equality Act 2010.

And finally, please also ensure that the action plan shows clear links to corporate actions the Council is taking to meet the general equality duty placed on us by the Equality Act 2010, to have due regard to the three equality aims in our decision making processes.

These are:

- Eliminating discrimination, harassment and victimisation
- Advancing equality of opportunity
- Fostering good relations

Note for 2014 refresh of our corporate equality impact assessment approach: Shropshire Council has referred to good practice elsewhere in refreshing the EINA material and replacing it with this ESIIA material. The Council is grateful in particular to Leicestershire County Council, for graciously allowing use to be made of their Equality and Human Rights Impact Assessments (EHRIs) material and associated documentation.

For further information on the use of ESIIAs: please contact your head of service or contact Mrs Lois Dale, Principal Rural Policy Officer and internal policy support on equality, via telephone 01743 255667, or email lois.dale@shropshire.gov.uk.

Proposal to Transfer Development Management, Public Protection and Environment Services and the Regulatory Function of Private Sector Housing into ip&e Ltd

Equality & Diversity Requirements under the Equality Act 2010

Equality and diversity issues are a mandatory consideration in accordance with the Equality Act 2010. This means the council and all other organisations acting on its behalf must have due regard to the equality duties when exercising a public function and such an obligation is on-going. The equality duty should be applied before a decision is made and be part of the decision-making process.

Section 149 of the Equality Act 2010 provides that: '(1) A public authority must, in the exercise of its functions, have due regard to the need to:

- eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
- advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
- foster good relations between persons who share a relevant protected characteristic and persons who do not share it.'

This is known as the Public Sector Equality Duty and for the purposes of this appendix is referred to as the 'equality duty'.

The 'protected characteristics' are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

Section 149 (2) provides that 'a person who is not a public authority but who exercises public functions must, in the exercise of those functions, have due regard to the matters mentioned in subsection (1)'. Section 150 (5) provides that 'a public function is a function of a public nature for the purposes of the Human Rights Act 1998'. This means that the equality duty is applicable to ip&e Ltd as well as the Council.

Allegations of a breach of the equality duty is a basis for legal challenge to decisions by any public authority. The time and cost of dealing with litigation and the risk of decisions being quashed is not something that can be treated lightly. In making their decisions, members must give due regard to all of the goals within the equality duty and in the context of the function which is being exercised.

Equality considerations must be integrated into day to day business when formulating policies and decision-making and, in particular, the need to consider what impact, if any, a particular proposal will have on one or more protected groups, whether there will be any cumulative impact and what mitigating steps must be put in place.

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	Development Management										Healthier People & Communities	Healthier & Sustainable Environment				Management			
Budget 2015/16 (as at 29/01/15)	Planning	Central Validation	Building Regulation Fee	Building Regulation Non-Fee	Building Control Other	Historic Environment	Archaeology Unit	Admin	Natural Environment	Trees	Client Management & Resoulution	Health Prevention & Protection	Environmental Protection & Prevention	Environmental Enforcement	Notice Processing	Licensing	Management Support 90%	Total	
	Cost Centre	66590	66330	66340	66345	66347	66950	69383	66300	66370	69100	6PP02	6PP03	6PP05	6PP06	6PP09	6PP15	6PP01	
	Employees	1,437,310	506,970	400,000	77,230	100,500	426,340	41,380	55,120	418,020	144,720	567,790	763,050	417,420	745,650	367,730	318,770	270,330	7,058,330
Premises												1,300	5,390					6,690	
Transport	20,600	420	22,100	7,600	3,800	13,930	1,000		8,500	5,250			41,000	41,100		5,000	62,260	232,560	
Supplies & Services	140,800	55,750	28,950	12,450	5,340	11,090	500	10,560	20,220	5,780	6,000	23,500	105,450	18,080	113,610	25,000	69,300	652,380	
Third Party Payments																		0	
Transfer Payments																		0	
Reserves																		0	
Income	(2,118,200)	(452,690)	(609,570)		(35,000)	(49,420)	(45,140)	(9,380)	(3,690)	(60,740)	(6,000)	(45,200)	(268,500)	(330,650)	(39,060)	(579,000)	(20,120)	(4,672,360)	
Net expenditure	(519,490)	110,450	(158,520)	97,280	74,640	401,940	(2,260)	56,300	443,050	95,010	567,790	742,650	300,760	474,180	442,280	(230,230)	381,770	3,277,600	

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Fulcrum¹ Business Support and Regulatory Services – Business Case
2 February 2015

Executive Summary	<p>Approach - Fulcrum brings together a range of public protection regulatory services with planning services, building control, historic and natural environment services combining the best of the public and private sector to deliver these important services in a new and innovative way. From concept to reality, we have re-designed services; described our service outcomes; developed our vision, values and culture; and adopted a more commercial and financially astute approach to service delivery. We believe we have created a unique, radical, innovative and sustainable model for regulatory and planning services for the next 10 years.</p> <p>Markets - The Fulcrum design includes the creation of a commercial business support service which can exploit a gap in the market for the provision of high quality specialist knowledge and advice across a broad range of regulatory services functions. Our USP to businesses combines detailed technical knowledge and skills with an unparalleled understanding of the public sector landscape and how to plot a simple course through its often convoluted processes and bureaucracy. We also believe there is a public sector market where we can make significant gains because we are far more advanced than many local authorities in this field.</p> <p>Success Factors – Continued delivery of core statutory regulatory services at right quality, value and cost levels; identification of new income streams through creation of commercial support service; satisfied customers, partners and stakeholders.</p> <p>Legal Status/Business Format – delivery of regulatory and planning services through ip&e Ltd is not risk free but all keys risks have been identified together with the approaches and solutions to minimise risk. These include creating Fulcrum as a subsidiary within ip&e and development of joint employment arrangements to ensure the continued exercise of statutory powers and delegated authority to regulate.</p> <p>Contract Length – Fulcrum sought a 10-year contract in the Interim Business Case reported to Cabinet in July 2013 as this is in line for similar contract lengths for regulatory and planning service functions in other councils. However, an initial contract of 12 months to mirror the secondment arrangement, which was recommended by the Fulcrum Sponsor’s Board on 29 January 2015, with a view to extending the initial contract period to cover the first 5 years of operation – 2015-2020.</p>
1. Introduction	<p>- Background and Vision</p> <p>The Fulcrum business vision is simple:</p> <p><i>Protecting people and the environment, supporting business and sustainable growth.</i></p> <p>The outcomes and key objectives that support the business vision are outlined in the Fulcrum Business and Service Plan/Outcomes Framework. The vision and outcomes are underpinned by more detailed operational priorities, action plans and core principles measured against a range of qualitative and quantitative quality and performance standards. The latter will provide direct and indirect evidence which demonstrates more clearly how Fulcrum will achieve these outcomes in practice. Striving to deliver</p>

¹ Working title

	<p>change for the better, Fulcrum will remain resolute in its pursuance of improved outcomes, rather than simply producing a list of targets and follow an outdated philosophy of <i>‘what gets measured gets done’</i>.</p> <p>Beliefs and values</p> <p>Being Customer Focused</p> <ul style="list-style-type: none"> ▶ Understanding and responding to customer needs and expectations but more effectively managing demand through prevention and early intervention ▶ Going the extra mile, treating service users as individuals ▶ Being fair, consistent, proportionate and pragmatic ▶ Listening to service users and citizens and acting sensibly and pragmatically to address concerns ▶ Communicating more clearly about what we can and cannot do and explaining why we cannot always do what people would like us to do ▶ Providing accessible, reliable and responsive services ▶ Helping customers to self-serve where appropriate ▶ Setting and achieving optimal service standards <p>Valuing People</p> <ul style="list-style-type: none"> ▶ Providing clear and consistent leadership ▶ Encouraging constructive and intelligent communication ▶ Being committed to learning and development ▶ Fairness and transparency in our dealings with people ▶ Supporting, respecting and trusting colleagues – treating each other with honesty, dignity and respect ▶ Being open, listening, encouraging mature debate and providing constructive feedback ▶ Being decisive and firm where we need to be ▶ Encouraging team working – supporting each other to deliver common outcomes <p>Encouraging Innovation</p> <ul style="list-style-type: none"> ▶ Careful evaluation and balance of risk and benefits in evaluation of issues and solutions ▶ ‘Can-do’ approach ▶ Working smarter, not longer - being lean and efficient ▶ Being innovative, creative and ambitious ▶ Identifying, adapting and applying best practice. ▶ Generating and implementing ideas for improvement ▶ Celebrating success and achievement ▶ Learning from our mistakes <p>Working in Partnership</p> <ul style="list-style-type: none"> ▶ Complementing the work of others and not duplicating effort ▶ Focussing on the wider horizon to better understand partners’ outcomes and priorities ▶ Working collaboratively and sharing our successes
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	<p>Focusing on Outcomes and Improvement</p> <ul style="list-style-type: none"> ▶ Helping to improve the quality of people's lives ▶ Protecting the vulnerable ▶ Using our resources wisely in delivering value for money ▶ Making a difference and adding value ▶ Satisfied customers
2. Market analysis	<p>Marketing Strategy</p> <p>The Marketing Strategy is a vital component of the future success of Fulcrum as a commercial entity and developing brand. The Strategy describes the approach for business development and growth in the Commercial Support Service. This will start life as a virtual operation, as we have identified the most profitable and sustainable income streams as well as those current markets most critical to maintain as part of the marketing mix and branding for Fulcrum. However, we are not starting from scratch having current experience in delivering traded services competing against private sector operators.</p> <p>The Strategy projects steady growth once the business has developed a foothold in the market selling the highly valued skills, knowledge and technical expertise that exists within the in-scope services. The added value this brings as part of the Fulcrum USP is the unparalleled knowledge and understanding of the machinery of local government and the ability to plot a clear route through its complex web of systems and processes which create unnecessary barriers to progressing matters quickly.</p> <p>The Strategy focuses on the following elements:</p> <ul style="list-style-type: none"> ➤ Branding – working with ip&e Ltd to develop a clear understanding of the essence of the business and service offer in order to exploit the benefits of being part of Shropshire Council as a trusted brand, whilst developing a reputation for excellence in service delivery, responsiveness, reliability and assurance ➤ Delivering achievable and sustainable growth – informed by the business and marketing strategies to gain an early foothold in the market and concentrating on quality and value for money to attract and retain existing business whilst creating further opportunities to generate and exploit new commercial markets ➤ Bespoke and specialist services – Fulcrum will focus, in the early years, on the marketing of specialist services where there are significant opportunities for business growth, but where levels of expertise in the commercial world are lower, coupled with the added value element of a comprehensive understanding of the legislative and local government landscape ➤ Integrated Solutions – by bringing together a range of professional disciplines and expertise within a subsidiary company, Fulcrum will provide integrated support from business finance, planning, business process improvement, quality assurance frameworks and pre-assessment quality auditing in order to minimise compliance costs for business whilst at the same time achieving improved levels of regulatory compliance. This would, in turn, reduce the need for unnecessary inspection of businesses; thereby creating the capacity to release resources to tackle illegal activities that carry a high risk for residents and legitimate businesses. ➤ Transactional services – with the work that has been undertaken on re-design and capacity building, informed by targeted process

	<p>improvement work, we can offer to manage specific transactional services like planning and licensing applications on behalf of other councils who cannot maintain these transactional services at the right quality and cost.</p>
<p>3. How will we the new team to work?</p>	<p>Creating and building on the right culture for Fulcrum within the wider ip&e culture will be another critical success factor. The notion of an 'achievement culture' has been voiced extensively in successful enterprises. The achievement culture could be described as encompassing the following elements:</p> <ul style="list-style-type: none"> • People focused making a difference and who are driven by a shared vision and organisational values and a clear direction for the organisation • Provide opportunities for people to develop and use their talents to the full in supporting the vision and organisational values • Passion and commitment to the job – going the extra mile and building on the public service ethos • People learn to trust each other, which then motivates and bonds people • Ongoing commitment to learning and development – individual and organisational • Clarity of role, responsibility and accountability. <p>This is never easy to achieve in practice because organisations are made up of individuals – we think, do and approach things differently, but that is a strength of organisations where tapping into the diversity of skills, knowledge and experience can lead to greater levels of creativity innovation and creativity.</p> <p>Creating the right culture and ethos for Fulcrum was informed by a series of staff engagement sessions early in the design phase which also provided an opportunity to assess the level of understanding and support for the new venture. The essence of those sessions was to create optimism around Fulcrum by asking participants to describe what the ideal culture of the new company should be. The words colleagues used to describe this included:</p> <p><i>Being Valued, Optimistic, Empowered, Involved, Engaged, Part Respected, Professional, Confident, Supported, Well Managed, Efficient, Proud, Happy, Helpful, Trusted</i></p> <p>Our people are looking forward to the opportunities that a move to ip&e delivers – combining the best of the public sector ethos combined with a greater focus on customers, efficiency and cost reduction.</p>
<p>4. How will you help grow our business?</p>	<p>Fulcrum will operate in a more commercial and entrepreneurial way:</p> <ul style="list-style-type: none"> ➤ Securing support services or re-designing functions, as necessary, to deliver best value for the company and its customers, to ensure the business is able to operate successfully in a commercial environment; ➤ Eliminating unnecessary bureaucracy and simplifying process – breaking the culture of form filling, inflexibility and risk aversion and facilitating self-serve systems – this will involve challenging outdated practice where it adds little or no value to improving outcomes or customer service; ➤ Creating sustainable growth for the commercial support service;

	<ul style="list-style-type: none"> ➤ Developing a framework to incentivise high performance and improved productivity – appropriate reward and recognition but within a clearly defined cost envelope; ➤ Adopting agile working practices: utilising the most appropriate technology within a clearly defined and coherent strategy and not lurching from one platform to another to keep up with the latest trend; creating an agile workforce delivering improved productivity and customer service and improved staff satisfaction. <p>A supporting pillar of the Business Strategy is to pursue the right public sector market opportunities. Fulcrum will be unique in the regulatory services field. Although there are local authority/private sector consortia now operating, Fulcrum will present a better and more politically attractive alternative for the delivery of local services through formal collaborative arrangements as smaller councils may wish to pursue an arrangement with Fulcrum rather than enter into complex and protracted negotiations with major private sector operators. The anecdotal evidence supports this view, particularly in two-tier authorities, where the impact of financial savings in smaller districts will take hold in 2017 and beyond. This will form an important part of the Fulcrum Marketing Strategy.</p>
5. Business basics	<p>Service structures are complete. Structures have been informed by organisational design principles and the introduction of generic job profiles means that Fulcrum has a transparent and simple structure based on four 'job types': management, professional, technical and administrative. Ideally, the core team will have a central core location supported by satellite and agile working to optimise efficiency and minimise transport and infrastructure costs.</p> <p>The main IT platform is a hosted and fully supported system with IDOX. This system also provides ongoing business opportunities for other councils seeking to move to hosted systems for regulatory and planning services. This forms part of a strategic approach to agile working practices that have been developed leading to culture change, improved customer service and productivity as well as reducing operating costs.</p> <p>Fulcrum is unique in the field of planning and regulatory services and as such puts it in the driving position for exploiting market opportunities in both the public and private sector markets.</p> <p>The Marketing Strategy outlines the detailed approach to business development and is supporting through individual marketing and sales plans for the respective private and public sector markets.</p> <p>The Fulcrum Service Strategy and Outcomes Framework details the individual outcomes and priorities for Fulcrum to meet the Council's contract and service specification.</p>
6. Legal, regulatory and insurance requirements	<p>Detailed work was undertaken in the Fulcrum design phase to understand the legal position and risks associated with providing regulatory services through a wholly-owned Council company. Specialist regulatory services can be sold commercially, but there are identified risks around potential conflicts of interest between regulatory and commercial activity and the continued exercise of statutory powers and delegating authority to take formal enforcement action. However, these risks are understood and appropriate action and solutions to minimise those risks are available. These including employment solutions e.g. joint employment and defined policies and protocols to avoid potential conflicts and the risk of legal challenge.</p>

	<p>Providing traded services will require additional insurance liability insurance and this is identified in the Risks and Opportunities Register.</p> <p>Core funding is available as the Council has a statutory duty to provide these services. However, further work will need to be undertaken as part of the contract and service specification to provide ensure that income from fees and charges is appropriately dealt with.</p>
7. Finance, funding and performance	<p>Summary of Financial Information²:</p> <p>Gross Budget £9.5m Projected Statutory Fees and Charges £3.8m Net Budget £5.7m Projected Traded Income from outside Shropshire Council £0.5m.</p> <p>These figures are subject to further confirmation by Shropshire Council Finance.</p> <p>Operational costs have been stripped out but we have built financial capacity through prudent financial management to invest in new technology which will be a key facet of our approach to agile working, improving productivity, delivering faster and more responsive customer service and creating capacity to build the commercial support service.</p> <p>However, we still believe there is scope to reduce operating and support costs given sufficient freedom and flexibility to operate in line with ip&e Ltd's wider aspirations to reduce cost, process and bureaucracy.</p> <p>The development of a viable and robust financial model, projected through the life of the service contract, is critical. Fulcrum has a detailed 3-Year financial projection and is working towards a 10-Year Financial Plan informed by the market assessments to provide the Council with greater confidence about the accuracy of the financial strategy for Fulcrum.</p> <p>The financial model is based on the following assumptions:</p> <ul style="list-style-type: none"> ➤ Salary costs for the Fulcrum commissioning function are largely met from within the existing service budgets and this funding will remain with the Council; ➤ Achieving value for money in all delivery elements of the business; ➤ Achieving optimum flexibility in the market with sufficient freedom to utilise support services in order to minimise operating costs; support operational flexibility and meet service expectations; and maximise service quality; ➤ Development of challenging and realistic, but sustainable income streams informed by an effective Marketing Strategy which is implemented effectively throughout the life of the contract; ➤ Opportunities for re-investment to develop the business support service to secure sustainable growth and increased market share over time; ➤ Delivering a realistic return on investment for the council to support wider council priorities and outcomes; ➤ Appropriate financial safeguards for the continuation of statutory services if projected targets for uncontrollable fees and charges cannot be achieved in year

² Based on 2014/15 budget figures and will be negotiated as part of the contract arrangements.

	Further detailed work will be undertaken as part of the contract and service specification work to produce an accurate assessment of corporate support costs. Furthermore, it will be necessary determine how fees and charges will be dealt with under the contract particularly where targets are over or under achieved.
8. Risk and opportunities	<p>A Risk and Opportunities Register has guided the workstreams for the design of Fulcrum and a separate Service Recovery Plan is being created Work continues as part of the contract and service specification preparation to ensure that risks are attributed to either the Council, ip&e Ltd or where the risk is a shared one.</p> <p>Further work will need to be completed to address the risks previously identified in the Fulcrum design phase: minimising the risk of legal challenge; addressing real or perceived conflicts of interest; ensuring the continued and safe exercise of statutory powers and duties.</p> <p>The opportunity is to create a unique and innovative approach to the delivery of planning, regulatory and business support services through the creation of a commercial support service and a leadership and culture change programme to support progress and change for the better.</p>
9. Supporting Documents	<p>I Business Strategy</p> <p>II Service Vision, Outcomes and Priorities – Outcomes Framework</p> <p>III Marketing Strategy</p>

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Proposal to Transfer Development Management, Public Protection and Environment Services and the Regulatory Function of Private Sector Housing into ip&e Ltd

Executive Summary of Service Delivery Contract

A. Introduction

The existing strategic contract between the Council and ip&e Limited (ip&e) anticipates service contracts for the delivery of specific services by ip&e. The contract for the services in scope is being drafted to align with the strategic contract.

B. Contract contents

Given the scope of the services in scope of this contract and the fact that they are statutory regulatory service services which the Council is obliged to deliver, the contract will of necessity be a relatively lengthy document. This summary is intended to provide an overview of the contractual relationship which will exist between the Council and ip&e in relation to these services but will not outline every clause.

1. General

The contract will contain the usual generic terms used in the Council's contracts for commissioned services which will include (but is not limited to) such matters as Freedom of Information, Data Protection, Intellectual Property Rights, Emergencies, Insurance, Disaster Recovery, Anti-Bribery, Whistleblowing, and compliance with legislative requirements including those in respect of health and safety, Human Rights and the Council's duties under the Equality Act 2010.

2. Specific

This contract will also contain clauses to address the following matters:

a. Duration of the Contract

It intended that the contract will be for an initial period of 1 year with provisions for termination as outlined below. The initial period mirrors the initial secondment of staff to deliver the services.

b. Third party contracts

The contract will address those third party contracts concerning the in-scope services which exist between the Council and other parties either for the provision of goods and services to the Council or the provision of services by the Council. Those contracts will either be novated to ip&e or the Council sub-contract to ip&e as appropriate in each case.

c. Services

The services to be delivered by ip&e will be set out in a schedule to the contract which will contain detailed output specifications for each service area including the standards to which they must be delivered. The output specifications will require that the Council's statutory duties in these service areas are delivered.

The output specifications will require ip&e to deliver the Business Support and Regulatory outcomes which support the Council's priorities as identified in the Council's Business Plan. An output specification is being developed for each service area which sets out the functions and statutory duties currently undertaken by that area together with the statutory duties pertaining to those service areas. These will be the functions which the Council is contracting for ip&e to provide.

As the duties remain duties of Shropshire Council, the output specification will be clear that the professional, technical and administrative work is being carried out by ip&e but the actual regulatory decisions will be taken by the Council either under delegated powers by officers who remain employees of the Council (potentially through joint employment in the longer term, or by Members (eg Planning and Licensing Committees).

Each specification sets out relevant definitions, the scope of the service area and then goes on to identify the specific functions which must be carried out and, where relevant, the service level which is expected. Associated performance indicators will sit with each specification.

It will also be required that the services are delivered in accordance with any relevant Council policies relating to the services and by appropriately qualified and skilled staff. A procedure for identifying and managing conflicts of interests which may arise in the delivery of the services by ip&e will be required to ensure that there is transparency and reduce any risks to the integrity and lawfulness of the regulatory decision making.

The scope of the output specifications are summarised as follows:

1. **General Functions/Outputs:** including: Complaints; Ombudsman; Freedom of Information; appropriately qualified officers; liaison between services; Councillor liaison; stakeholder liaison; training; signposting; website updating; MP queries; KPI reporting; finance processes; information returns; GIS data; ICT, health and safety of staff; emergency planning/preparedness.
2. **Building Control:**
 - Building Regulations: processing applications; site inspections; enforcement; records, document and data control;
 - Dangerous Structures: dangerous structures framework, dangerous structures assessment and action including service of notices; recovery of costs;
 - Demolitions: processing applications;
 - Structural Design: application checking.
3. **Land Charges:**
 - Land Charges searches: searches of the register; records of Official Searches; set land charges fees (costs recovery basis)
 - Maintain the Register; on-going maintenance of the Register and support the process of transferring Land Charges function to HM land Registry as and when that process is initiated by central government.
 - Personal Searches: free of charge access to register for personal searches.

4. Street Naming and Numbering and Local Land Gazeteer:

- process applications;
- maintain records

5. Development Management:

- Advice: general planning advice; paid for pre-application advice;
- Assessment of Applications: validation; assessment of applications (planning, certificates of lawfulness, advertisement consent; environmental impact assessments; discharge of conditions; telecommunications licence notifications; applications for prior approval; negotiating s106 agreements; supporting planning committees; decisions in statutory timescales and ;
- Consultation and Monitoring: Maintenance of weekly list; Consultation with neighbours and statutory consultees; responding to consultations; stakeholder liaison; provision of monitoring information;
- Planning Appeals: Administering Appeals; responding to and making costs claims;
- Planning enforcement: to be in accordance with the Council's Planning Enforcement protocol; investigating alleged breaches of planning control; negotiating resolutions; recommending and serving notices as appropriate (planning contravention notices, breach of condition notices, enforcement notices, stop notices, condition of land notices); dealing with appeals against notices; supporting prosecutions, injunction proceedings, and Proceeds of Crime Act proceedings.

6. Trees:

- Trees – Amenity:
 - Tree Preservation Orders (making, updating, enforcing), applications to undertake treatment; appeals against TPO refusals; compensation claims Part 6, Tree Replacement Notices; Advice to service areas;
 - High Hedge complaints;
 - Hedgerow regulations 1997
- Trees – Safety:
 - Tree Safety Inspections and enforcement;
 - Advice to Service Areas
- Policy:
 - information,
 - advice and development of appropriate tree related policies.

7. Historic Environment:

- advice;
- policy input;
- partnership working;
- list of buildings of architectural and historic interest;
- conservation area character appraisals;
- Article 4 directions

8. Ecology:

- advice,

- development management support
- policy input,
- environmental data,
- grant funded work to meet defined outcomes.

9. Environmental Protection

- Contaminated Land
- Local Air Quality Management
- Local Industrial Pollution Control (Environmental Permitting)
- Statutory Nuisance complaints (domestic, commercial and industrial)
- Non mains foul drainage
- Public Health matters e.g. filthy & verminous premises, exhumations
- Pest Control treatment Service
- Anti Social Behaviour
- Responsible Authority (c.f. Licensing Act 2003)
- Public Health - assisted funerals & national assistance act 1949

10. Housing

- Complaints re Housing conditions (Housing Act 2004 - HHSRS)
- HMO Licensing regime
- Empty Homes Strategy

11. Trading standards:

- TS Criminal Investigations;
- TS Fair Trading Criminal & Civil;
- Animal Health & Welfare

12. Food, Feed and Health:

- Official Food & Feed controls (inc Food Safety & Food Standards);
- Infectious Disease;
- Health Protection;
- Private Water Supplies

13. Licensing:

- Out of Hours & Licensing Enforcement;
- Premises Licensing;
- Taxi Licensing;
- Gambling Licensing;
- Other Licensing (animals, scrap metal dealers, public health, sex establishments etc)

14. Health & Safety at Work:

- Inspections of offices and shops;
- Accident investigations;
- Petroleum Licensing & Safety

15. Parking:

- Civil Enforcement of parking restrictions;
- Notice Processing (appeals against Penalty Charge Notices);
- Parking related Permits and Blue Badges;
- Cash Collection from ticket machines

d. Contract Governance and Performance Management

Regular reporting of financial and performance information to the Council will be required to ensure acceptable performance management of the contract. The contract will also require regular meetings to consider and address performance. It will be required that certain standards are not breached and will build in service improvement requirements where appropriate. Performance will be measured against agreed key performance indicators (KPIs) and will aim to be qualitative as well as quantitative. Where performance standards are not met, mechanisms will allow for action to be taken to address this. Available actions will depend on the nature of the underperformance which may be isolated and minor, persistent and minor or severe, and may include payment deductions, step-in by the Council and ultimately termination of the contract.

e. Workforce issues

The contract will contain clauses regarding the employment status of the staff and will require that relevant staff can still act in their capacity as Council employees to be in a position to take delegated regulatory decisions as they do now. Clear line management back to the Council of those staff will be necessary to ensure those decisions are lawfully made.

f. Premises and Assets

Provision will be made in the contract for staff to have access to the Council's premises and for the use and ongoing maintenance of assets needed by staff in the performance of the services where necessary for the carrying out of the services. These clauses will also ensure that such assets are retained by the Council as part of an exit plan should the contract be terminated.

g. Payment

This part of the contract will deal with the payment mechanism to include the amount which will be paid for the services and how and when monthly payments will be made. It will allow for adjustments to be made in certain circumstances which may include: performance penalties; fluctuations in fees received where that is as a result of an increase in applications to be processed, for example planning application fees; budget changes; and statutory or national policy changes which may impact on workload. Disputes about these matters will be dealt with by a defined mechanism as set out the contract. If the contract continues beyond the initial term, the payments to be made for the services will reflect the savings identified to be made in future years of the contract as set out in the interim business plan and reflected in the draft ip&e business plan attached as an appendix to this report.

h. Termination and exit management

The contract will end when the contract term expires or if brought to an end in whole or in part by either party on the basis of specified breaches of the contract which

would include defined poor performance, or on notice. The contract will set out the mechanism for bringing the contract to end and procedures to be followed so that the services can continue to be delivered in that eventuality