

**Fulcrum<sup>1</sup> Business Support and Regulatory Services – Business Case**  
**2 February 2015**

<p><b>Executive Summary</b></p>	<p><b>Approach</b> - 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><b>Markets</b> - 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><b>Success Factors</b> – 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><b>Legal Status/Business Format</b> – delivery of regulatory and planning services through ip&amp;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&amp;e and development of joint employment arrangements to ensure the continued exercise of statutory powers and delegated authority to regulate.</p> <p><b>Contract Length</b> – 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>
<p><b>1. Introduction</b></p>	<p><b>- Background and Vision</b></p> <p>The Fulcrum business vision is simple:</p> <p><b><i>Protecting people and the environment, supporting business and sustainable growth.</i></b></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>

<sup>1</sup> Working title

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 *'what gets measured gets done'*.

### **Beliefs and values**

#### **Being Customer Focused**

- ▶ 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

#### **Valuing People**

- ▶ 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

#### **Encouraging Innovation**

- ▶ 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

#### **Working in Partnership**

- ▶ 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

	<p><b>Focusing on Outcomes and Improvement</b></p> <ul style="list-style-type: none"> <li>▶ Helping to improve the quality of people’s lives</li> <li>▶ Protecting the vulnerable</li> <li>▶ Using our resources wisely in delivering value for money</li> <li>▶ Making a difference and adding value</li> <li>▶ Satisfied customers</li> </ul>
<p><b>2. Market analysis</b></p>	<p><b>Marketing Strategy</b></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"> <li>➤ <b>Branding</b> – working with ip&amp;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</li> <li>➤ <b>Delivering achievable and sustainable growth</b> – 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</li> <li>➤ <b>Bespoke and specialist services</b> – 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</li> <li>➤ <b>Integrated Solutions</b> – 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.</li> <li>➤ <b>Transactional services</b> – with the work that has been undertaken on re-design and capacity building, informed by targeted process</li> </ul>

	<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><b>3. How will we the new team to work?</b></p>	<p>Creating and building on the right culture for Fulcrum within the wider ip&amp;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"> <li>• People focused making a difference and who are driven by a shared vision and organisational values and a clear direction for the organisation</li> <li>• Provide opportunities for people to develop and use their talents to the full in supporting the vision and organisational values</li> <li>• Passion and commitment to the job – going the extra mile and building on the public service ethos</li> <li>• People learn to trust each other, which then motivates and bonds people</li> <li>• Ongoing commitment to learning and development – individual and organisational</li> <li>• Clarity of role, responsibility and accountability.</li> </ul> <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&amp;e delivers – combining the best of the public sector ethos combined with a greater focus on customers, efficiency and cost reduction.</p>
<p><b>4. How will you help grow our business?</b></p>	<p>Fulcrum will operate in a more commercial and entrepreneurial way:</p> <ul style="list-style-type: none"> <li>➤ 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;</li> <li>➤ 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;</li> <li>➤ Creating sustainable growth for the commercial support service;</li> </ul>

	<ul style="list-style-type: none"> <li>➤ Developing a framework to incentivise high performance and improved productivity – appropriate reward and recognition but within a clearly defined cost envelope;</li> <li>➤ 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.</li> </ul> <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>
<p><b>5. Business basics</b></p>	<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>
<p><b>6. Legal, regulatory and insurance requirements</b></p>	<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>
<p><b>7. Finance, funding and performance</b></p>	<p><b>Summary of Financial Information<sup>2</sup>:</b></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&amp;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"> <li>➤ Salary costs for the Fulcrum commissioning function are largely met from within the existing service budgets and this funding will remain with the Council;</li> <li>➤ Achieving value for money in all delivery elements of the business;</li> <li>➤ 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;</li> <li>➤ 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;</li> <li>➤ Opportunities for re-investment to develop the business support service to secure sustainable growth and increased market share over time;</li> <li>➤ Delivering a realistic return on investment for the council to support wider council priorities and outcomes;</li> <li>➤ Appropriate financial safeguards for the continuation of statutory services if projected targets for uncontrollable fees and charges cannot be achieved in year</li> </ul>

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

	<p>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.</p>
<p><b>8. Risk and opportunities</b></p>	<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&amp;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>
<p><b>9. Supporting Documents</b></p>	<p>I Business Strategy</p> <p>II Service Vision, Outcomes and Priorities – Outcomes Framework</p> <p>III Marketing Strategy</p>

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