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The Chair and Members of Joint
Board

Dear Councillor,

AGENDA SUPPLEMENT

Please see attached the documents for the agenda item(s) listed below for the meeting of the JOINT BOARD to be held on TUESDAY, 11 SEPTEMBER 2018, the agenda for which has already been published.

6. Update on the Derbyshire-wide Building Control Partnership (Pages 3 - 12)

Yours sincerely,

Local Government and Regulatory Law Manager and Monitoring Officer

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Review of Derbyshire Building Control Partnership

July 2018

Executive Summary

The company wanted to take this opportunity to reflect on a completed year of trading and the establishment of the new business. We noted three primary areas that need to be reviewed:

- The performance over the first year of operations
- How to continue the improvement of the organisation
- Developing a 2018/9 budget and budget process for the business

DBCP was formed in May 2017 and has a successful first year of operations. The company has made significant progress, survived its critical first twelve months and has established two new operating offices in Derby and Chesterfield (Dunston).

In particular we would note that the budget was met with £1.3m in operating income and costs kept below budget.

Neil Johnson remains the managing director of the business. The senior leadership of the team has been made up of Neil, Dave Harris and David Chard. Operating under Dave and David have been three teams of building control professionals managed by team leaders with two teams based in Dunston and one in Derby. These teams are supported by an administration team led by two experienced admin staff.

Unfortunately, David Chard suffered a stroke earlier in the year and has been unable to return to work.

The company has recently recruited David Pratt to act as a senior leader and manage the Derby Office. Dave has extensive experience in Building Control and was recently leading building control for Mansfield. Neil, Dave and David will form the leadership team of the organisation.

The company has continued to deliver excellent services and client management. The focus on the client and delivering great service will continue to be a critical driver of business success.

There are significant areas for revenue and service expansion that could be explored and/or launched within 2018/19.

The company is in the process of establishing the structures and procedures that will allow it to continue to achieve its objectives.

Based on our work we would strongly recommend the following next steps:

1. Focus on revenue development and in particular reinforce and develop the Derby based business
2. Continue to improve process efficiency and move/force services on to the Web
3. Continue to develop the team and finalise the management and leadership structure and approach
4. Refocus staff costs on revenue generation and monitor overall costs
5. Develop, enforce and manage KPIs across the business to improve effectiveness

1. **Introduction - Process and Key Activities**
2. **Current situation and review of performance**
3. **Organisation Observations, opportunities for expansion and risk**
4. **Budget Development**
5. **Recommended Next steps**

1. Introduction

Derbyshire Building Control Partnership (DBCP) was established in May 2017 combining assets from six local authority building control operations. These assets included staff, customers, information and prospective customers. Over the course of the last twelve months the teams have been merged into a single organisation, new systems have been introduced and all relevant data has been transferred to the new business. The company is now in a good position to deliver further growth and achieve the objectives agreed with the board in 2017.

The company wanted to take this opportunity to reflect on a completed year of trading and the establishment of the new business. We noted three primary areas that need to be reviewed:

- The performance over the first year of operations
- How to continue the improvement of the organisation
- Developing a 2018/9 budget and budget process for the business

In addition, we discussed the need to reflect on the longer-term commercial opportunities for using the DBCP platform – potentially including folding in other operations.

Alongside these specific deliverables we discussed the need to reflect on the management of the organisation and look to improve management focus and approach.

Process and Key Steps

Our approach has been straightforward and pragmatic. We have met with the Neil Johnson, Dave Harris, Margaret Pratt and representatives from the company accountants (BHP) and human resources team (McMahon Associates) to write this

report. These meetings have been conducted over a number of weeks in the company offices in Duston Chesterfield. We have conducted four areas of activity.

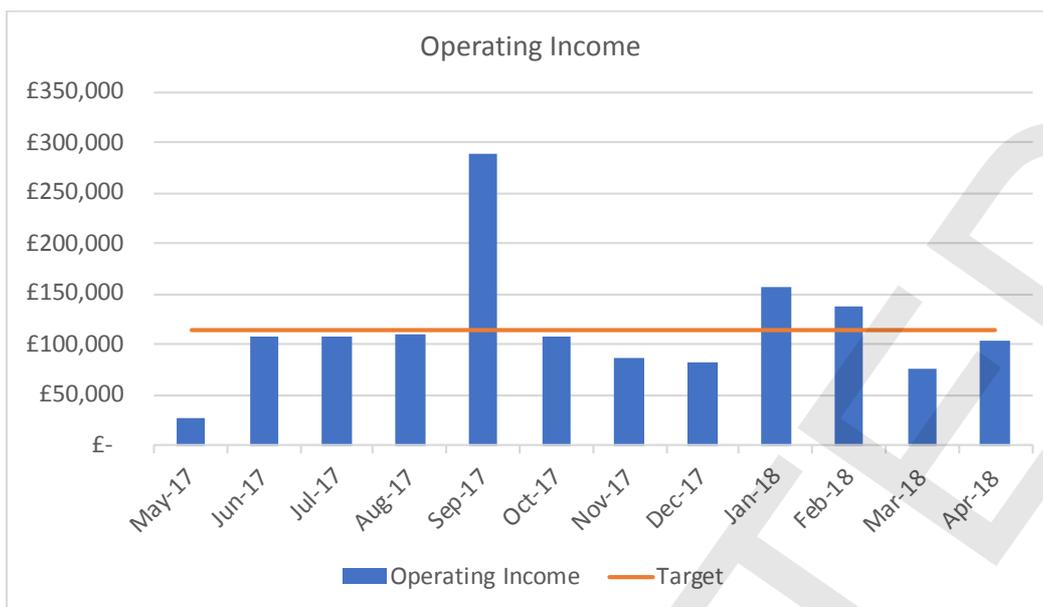
Activity	Elements
Meetings and Interviews	One to one meetings to discuss the current and future business with particular emphasis on planning and control
Financial Review	Collection, collation and review of financial information. Comparison with agreed business plan. Meetings and Q&A with accountants
Recommendation Development	Developed a clear set of actions for the further improvement of the business
Budget Development	Creation of operating budget template. Meeting with senior staff to populate and agree budget (to be completed)

The project proper commenced at the end of June. Meetings with the team have been open and honest and covered a wide range of issues both reviewing current operations but also reflecting on current issues or requirements.

2. Current situation and review of performance

DBCP was formed in May 2017 and has a successful first year of operations achieving:

Achievements	Commentary
Sales on target	The company achieved 95% of its first-year revenue targets
Retaining the core team	Whilst some staff did not make the move to the new organisation the core team has been retained and is working well
Integrating all databases and systems	The system is now fully operational with all systems and information transferred from the local authorities
Establishing two new offices	Dunston and Derby are now operating as the twin bases of the organisation with active staff in both locations
Responding to inevitable challenges	Unfortunately, Dave Chard a senior leader in the team fell seriously ill during the first year of operations but that has not affected overall performance it did impact the Derby office



It is early in the company's life so it is impossible to see clear patterns in the revenue of the business over time – critically the overall target of the business was met with £1.3m in operating income.

The company will prepare a formal set of accounts for the first year of operation however we can share the basic operating numbers. The company receives a monthly financial report from the accountants that highlights key trends and includes all income and expenditure information.

We can compare the first year of operation with our approved business plan:

Comparison Summary		
	First Year	Business Plan
	Actual	
Income	1,315,429	1,382,230
Costs	1,195,291	1,532,000
Margin	120,138	(149,770)

As you can see Income was just behind target but with costs significantly less than expected.

There are some elements of performance and divergence from the business plan that are worth noting:

Element	Notes
Employee Costs	Pension costs are higher than expected – Model 16% actual around 20% However, the team is smaller than projected so overall the impact is not negative
Subcontractors	Costs slightly higher than expected but reflects smaller team than planned
Office costs	Lower than expected
Legal Costs	Higher than expected but reflects billing for transformation activity

Whilst the overall margin is positive we believe that the business should not return funds to shareholders until a stable position is established and a full year's costs properly understood. We recommend making for provision for repaying the loan and potentially commencing loan repayments at the end of 2018/9.

The cashflow of the business appears to be well managed with appropriate levels of expenditure control. The company should look to improve the flow of income by increasing the focus on web-based transactions in which the customer pays up front for service. Larger clients including Derbyshire County should be billed on a monthly or quarterly basis and this process is now underway.

Whilst some financial metrics are available (monthly Income and Expenditure) - the adoption of a formal operating budget will increase the importance of the financial reporting and focus efforts on key agreed metrics. Effective operating metrics (visits, response times, process times etc.) are only just becoming available from the systems. This combination of financial and operating metrics should significantly improve the effectiveness of the management of the business over the course of this year. It is planned that a 'dash board' will be developed for the business over the coming months.

3. Organisation Observations

The company has made significant progress and survived its critical first twelve months and has two operating offices in Derby and Chesterfield (Dunston). Neil Johnson remains the managing director of the business after an unsuccessful recruitment process. The senior leadership of the team has been made up of Neil, Dave Harris and Dave Chard. Dave Harris and Dave Chard have considerable experience in leadership positions across building control. Operating under Dave and Dave have been three teams of building control professionals managed by team leaders with two teams based in Dunston and one in Derby. These teams are supported by an administration team led by two experienced admin staff. The admin

staff have been heavily involved in the establishment of the new systems and bringing across all the information and processes from the local authorities. The admin team is split across the two offices.

Unfortunately, David Chard suffered a stroke earlier in the year and has been unable to return to work. His ongoing condition and his ability to return is being monitored.

The company has recently recruited David Pratt to act as a senior leader and manage the Derby Office. Dave has extensive experience in Building Control and was recently leading building control for Mansfield. Neil, Dave and David will form the leadership team of the organisation.

The current management team meet regularly, but not formally, in the Dunston office. In the hectic and changing environment of the formation of the new business this was entirely appropriate. As new senior staff join, and the business stabilises with more effective flows of information the team will be adopting a more formal meeting structure. A more effective structure should allow time for more focused business development to occur and particularly the development of new revenue opportunities.

After our meetings and observations of the organisation – including input from the companies HR advisor - we would note that:

The Dunston team is a cohesive whole delivering service as expected:

- The single team has accepted new members and integrated them well
- The team leaders seem to be performing well – but there is a limited use of KPIs – this is being addressed
- Working practices from the old organisation still persist – for instance attendance of the whole team in the office in the morning
- There is an admirable spirit of just getting on with the job – delivering good service to customers

The Derby office has not achieved critical mass or started to deliver to expectations:

- A small office which has been without dedicated leadership
- Some of the transformation roles have been lead from Derby – for instance, new system set up and integration
- The office has a small administration team
- New leadership is now in place that should address these issues

The business has been successfully launched

- The new website has been launched and is acting effectively as a portal for customers to order and pay for services
- Some marketing and PR activity supported the launch of the business
- There is ongoing PR and social media activity to support business development

The company needs to continue to develop its staff processes

- The company has a clear set of customer service values that it delivers every day. There is a need to define and record these values and standards to allow more effective management.
- There is a need to more effectively manage staff performance with clear metrics - Job definition for each role; KPI's; Individual Goals/Objectives and establish a relevant performance review process.
- Work is already progressing to create a reward and benefits structure in this area but needs to focus on individual performance and team performance metrics. There is a need to develop a bonus scheme (as agreed by the shareholders in the original business plan) to be introduced next year with the appropriate structure and metrics.
- The DBCP employment policies and procedures should be agreed then communicated to all staff including providing appropriate supporting documentation including a Staff Handbook.

The new software support systems have only just been finally installed with the final integration of all data and information flows being completed within the last few weeks.

- There is now the opportunity to drive genuine mobile working and reduce the reliance on work 'in office'
- The team should continuously review processes to look for areas of improvement and enhancement particularly to increase the use of web-based tools

The company needs to build its staff communication approach

- During the establishment of the business the staff were strongly engaged in the process of the business and understanding performance.
- In order to promote sustained involvement from all employees as well as encourage ownership, it is recommended that the company establishes a formal, regular communication structure with all members of the team – this is vital to teamwork and understanding in light of the de-centralised employee structure

Opportunities for expansion

There are significant areas for revenue and service expansion that could be explored and/or launched within 2018/19.

Opportunities	Potential	Next Steps
Development of an independent Approved Inspector business (AI) to develop revenue out of area and allow for cross area activity	Potential to bring in new revenue and defend existing revenue streams from competitive activity	Approved as part of the initial business plan and scheduled for year two or three of operation Will require management focus and a small investment
Providing building	Potential to bring in new	Has already been

control services to other Authorities outside the partnership	revenue and provide additional staff if we take staff from authorities under a contract to provide services	explored with two authorities but no agreement reached. Needs rigorous management and a focused sales effort
Develop a broader service portfolio by either delivering more services to the partner authorities or transferring additional services from the partners to the DBCP business	Could further reduce costs and increase revenues for partner authorities. Will require additional transfer of staff and assets. Could build scale of the DBCP business	Will need to identify appropriate additional services. May require organisational changes. Part of the early conversations with the partner authorities with the plan to pursue if the DBCP was successfully launched

Risks

Bringing together the dispersed teams and developing and delivering a new operational model is not without risk. The team has achieved a great deal over the last twelve months and is in a good position to move forward. Continued transformation and change is not without risks.

Operational Risk	Mitigation
Failing to continue path of staff mobilisation and the move to web based services will reduce efficiency and reduce margins	Focus and reward staff for achieving critical KPIs. Focus management effort. Hire staff that will change the profile of delivery and manage out poor performers
Derby office poor performance and integration dragging down business	Allocated senior leader for Derby (Done) and focus appropriate marketing and business development resources. Manage out poor performing staff
Poor development of company values will create issues of cohesion and focus	Develop and share appropriate company values. Ensure company values are reflected across the business
Poor leadership structure and focus will effect performance	Deliver appropriate leadership structure and ensure proper support and training for leaders.

4 Budget Development

For 2018/19 operating year the team will be developing a new budget based on the operating plan and budget agree with the shareholders in 2017. This budget will be developed with the leadership team and team leaders to ensure everyone has an understanding of the requirements of the business and awareness of the decisions required.

The initial budget has been developed based on the approved financial model and the team are meeting to develop the specific revenue and cost elements.

Draft – unpopulated budget sheet:

	Actual Yr1	Yr2 Budget					Yr 2 Agreed TARGET
		Q1	Q2	Q3	Q4	Total	
Total Income							
Domestic/Housebuilding and Commercial	£ 985,429	£ 278,702	£ 278,702	£ 278,702	£ 278,702	£ 1,114,808	£ 1,114,808
New commercial Activity	£ 7,500	£ 7,500	£ 7,500	£ 7,500	£ 7,500	£ 30,000	£ 30,000
Additional authority revenue							
Total External Income	£ 985,429	£ 286,202	£ 286,202	£ 286,202	£ 286,202	£ 1,144,808	£ 1,144,808
Total Authority Fees (6)	£ 330,000	£ 330,000				£ 330,000	£ 330,000
Total Revenue	£ 1,315,429	£ 616,202	£ 286,202	£ 286,202	£ 286,202	£ 1,474,808	£ 1,474,808
Staff Costs							
Current Staff Costs - Salary NI Pension	£ 786,837	£ 234,000	£ 234,000	£ 234,000	£ 234,000	£ 936,000	£ 1,060,589
Emergency/Standby-Wages							
First Aid Allowances							
Training Costs - Employees	£ 3,408						
Employee Related Insurances							
Membership to Professional Bodies							
Trade Union Duties							
Medical Insurance (Westfield Scheme)							
Clothing and Uniforms							
Mileage / Car allowance		£ 18,000	£ 18,000	£ 18,000	£ 18,000	£ 72,000	
Staff Bonus							
Total Staff Costs	£ 790,245	£ 252,000	£ 252,000	£ 252,000	£ 252,000	£ 1,008,000	£ 1,167,995
External Support							
Structural Engineers Fees							
Agency Staff	£ 107,278						
Consultancy	£ 90,504						
Total External Support costs	£ 197,782	£ -	£ -	£ -	£ -	£ -	£ 75,000
IT Support and infrastructure							
Software Purchase/Licence	£ 62,310	£ 15,578	£ 15,578	£ 15,578	£ 15,578	£ 62,310	
Laptops							
Smartphone / Data charge	£ 17,446	£ 4,362	£ 4,362	£ 4,362	£ 4,362	£ 17,446	
IT Support							
IT Support and infrastructure	£ 79,756	£ 19,939	£ 19,939	£ 19,939	£ 19,939	£ 79,756	£ 76,441
Marketing and Promotion							
Agency costs	£ 2,620						
Campaign costs							
Marketing Costs	£ 2,620	£ -	£ -	£ -	£ -	£ -	£ 25,000
Office Costs							
Power	£ 1,934	£ -	£ -	£ -	£ -	£ -	
Rates	£ 4,419	£ 1,105	£ 1,105	£ 1,105	£ 1,105	£ 4,419	
Connectivity							
Office Rent	£ 23,740	£ 18,000	£ 18,000	£ 18,000	£ 18,000	£ 72,000	
Repairs and Maintenance	£ 5,576	£ 1,394	£ 1,394	£ 1,394	£ 1,394	£ 5,576	
Office Equipment & Furniture							
Total office costs	£ 35,669	£ 20,499	£ 20,499	£ 20,499	£ 20,499	£ 81,995	£ 47,785
Administration							
Insurance	£ 319	£ 80	£ 80	£ 80	£ 80	£ 319	
Accounting / Audit Support	£ 14,544	£ 3,636	£ 3,636	£ 3,636	£ 3,636	£ 14,544	
Legal-Gen. Services	£ 144,259	£ 2,000	£ 2,000	£ 2,000	£ 2,000	£ 8,000	
Printing & Postage	£ 6,026	£ 1,507	£ 1,507	£ 1,507	£ 1,507	£ 6,026	
Other Subscriptions	£ 944	£ 236.00	£ 236	£ 236	£ 236	£ 944	
Bank Charges	£ 7,951	£ 1,987.75	£ 1,988	£ 1,988	£ 1,988	£ 7,951	
non claimable VAT	£ 16,038	£ 4,009.50	£ 4,010	£ 4,010	£ 4,010	£ 16,038	
Administration	£ 190,081	£ 13,456	£ 13,456	£ 13,456	£ 13,456	£ 53,822	£ 71,168
Summary							
	Actual Yr1	Q1	Q2	Q3	Q4	Total	Yr 2 Agreed TARGET
Total Income	£ 1,315,429	£ 616,202	£ 286,202	£ 286,202	£ 286,202	£ 1,474,808	£ 1,474,808
Total Costs							
Employee costs	£ 790,245	£ 252,000	£ 252,000	£ 252,000	£ 252,000	£ 1,008,000	
External Support	£ 197,782	£ -	£ -	£ -	£ -	£ -	
Marketing and Promotion	£ 2,620	£ -	£ -	£ -	£ -	£ -	
IT support and infrastructure	£ 79,756	£ 19,939	£ 19,939	£ 19,939	£ 19,939	£ 79,756	
Office Costs	£ 35,669	£ 20,499	£ 20,499	£ 20,499	£ 20,499	£ 81,995	
Administration	£ 190,081	£ 13,456	£ 13,456	£ 13,456	£ 13,456	£ 53,822	
Total Costs	£ 1,296,153	£ 305,893	£ 305,893	£ 305,893	£ 305,893	£ 1,223,573	£ 1,463,390
Total Income							
Total Income	£ 1,315,429	£ 616,202	£ 286,202	£ 286,202	£ 286,202	£ 1,474,808	
Total Costs	£ 1,296,153	£ 305,893	£ 305,893	£ 305,893	£ 305,893	£ 1,223,573	
Surplus	£ 19,276	£ 310,309	£ (19,691)	£ (19,691)	£ (19,691)	£ 251,235	£ 11,419

5 Recommended Next Steps

Based on our work we would strongly recommend the following next steps:

6. Focus on revenue development and in particular reinforce and develop the Derby based business
7. Continue to improve process efficiency and move/force services on to the Web
8. Continue to develop the team and finalise the management and leadership structure and approach
9. Refocus staff costs on revenue generation and monitor overall costs
10. Develop, enforce and manage KPIs across the business to improve effectiveness

Category	Area	Suggested Action
Revenue	Grow Derby	<input type="checkbox"/> Recruit leader focussed on Derby (done) <input type="checkbox"/> Allocate marketing and business development resources
	Other Authority business – Mansfield/High Peak	<input type="checkbox"/> Focus time – develop a clear offer and understand economics – Close one transaction
	Grow overall revenues	<input type="checkbox"/> Set and manage to sales KPIs <input type="checkbox"/> Develop and deliver staff bonus structure
Process	Capture revenue earlier	<input type="checkbox"/> No cheques for services (Charge more if necessary) <input type="checkbox"/> Payment in advance for most services
	Improve information flow	<input type="checkbox"/> Constant access to KPI information for all staff <input type="checkbox"/> Team leaders to develop and set budget
	Move transactions on to the web	<input type="checkbox"/> Do not complete forms for customers <input type="checkbox"/> Push customers onto the web to follow up issues <input type="checkbox"/> Reduce manual processes
Staff	Grow professional team	<input type="checkbox"/> Appoint MD <input type="checkbox"/> Manage out poorly performing staff <input type="checkbox"/> Hire junior staff <input type="checkbox"/> Deliver training <input type="checkbox"/> Diversify the professional team
	Review structure	<input type="checkbox"/> Develop management team – reporting to NJ initially <input type="checkbox"/> Single set of KPIs <input type="checkbox"/> Senior Team meetings
	Develop and promote company values	<input type="checkbox"/> Actions detailed by previous HR analysis and recommendations
	Move to mobile working	<input type="checkbox"/> Reduce office reliance and provide less ‘personal’ space <input type="checkbox"/> Reinforce use of mobile devices and applications <input type="checkbox"/> Manage staff to KPIs
Costs	Refocus overall wage bill	<input type="checkbox"/> No automatic wage increases <input type="checkbox"/> Look to reduce Admin function – repurpose staff into revenue generating or supporting roles – Remove ‘transformation’ resources <input type="checkbox"/> All new staff on new (cheaper) pension arrangements if possible
	Increase focus on marketing and business development	<input type="checkbox"/> Focus budget and time on events and revenue development
Management	KPI driven	<input type="checkbox"/> Develop clear measurable and actionable KPIs <input type="checkbox"/> Manage staff to KPIs and manage out poor performers <input type="checkbox"/> Allow team and staff leaders to lead – provide training, increase focus on KPIS <input type="checkbox"/> Introduce performance incentives <input type="checkbox"/> Develop clear meeting structure – Team, company <input type="checkbox"/> Develop client and authority management rules and structures