

Report to the Audit and Standards Committee 28th April 2020 on the actions taken in relation to key recommendations made in the Gloucestershire Building Control Partnership Internal Audit report

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Summary of Audit Area

Stroud District Council (SDC) and Gloucester City Council provide a shared building control service known as the Gloucestershire Building Control Partnership (GBCP). The GBCP was established on 1st July 2015 under a Section 101 Agreement, with staff being employed by SDC acting as the host authority. The Building Control function comprises:

- Plan vetting and inspection of applications, which is a statutory council function in direct competition with the private sector. The financial arrangements for this service are separate from the authority's general fund and the financial accounts are known as the 'trading' account; and
- Enforcement of Building Regulations and legislation, whose financial arrangements are borne by an authority and are known as the 'non-trading' account.

Summary Terms of Reference of the Audit

The detailed audit objectives were to provide assurance that:

- There is effective governance, risk management and monitoring arrangements in place to confirm that the partnership is being managed effectively and that it achieves its main aims and objectives;
- The fees have been correctly determined, approved and comply with regulations;
- The costs of the service are correctly determined / calculated and apportioned to the partners; and
- Recommendations raised in the 2016-17 audit review have been implemented or there is an approved action plan to show how and when they will be implemented.

Risks

- Ineffective governance arrangements resulting in a lack of transparency, ownership and non-performance of the function;
- The original agreed aims and objectives of the GBCP are not achieved resulting in poor customer service, financial losses and dissolution of the partnership;
- Inaccurate management information and / or apportionment of the costs or surplus of the service are incorrectly determined resulting in fundamental disagreements with the partners and / or financial losses;
- Disproportionate fees are charged in relation to the cost of the service resulting in non-compliance with regulations and / or a greater financial burden on the General Fund to support the service;
- Non-compliance with regulations leading to reputational damage resulting in a loss of confidence and business from customers; and
- Agreed recommendations from the 2016-17 audit may not have been implemented resulting in a lack of improvement in risk management and the control environment.

Key Findings

The GBCP has maintained and consolidated its market share (approximately 76% for the period 2016-17 to 2018-19) of building control application numbers and the number of customer complaints is at low levels (under 10 per year representing less than 1% of applications) providing some indication that the day to day operational performance of the shared service is being managed satisfactorily.

Since the formation of the GBCP it has, year on year, made a surplus which as at 31st March 2019 represents a balance on the 'trading' account reserve account of £224,000. However, this financial position is not in accordance with the overriding objective of the Building (Local Authority Charges) Regulations 2010 Statutory Instrument No. 404 (Building Regulations) and The Chartered Institute of Public Finance and Accountancy (CIPFA) guidance which states that income and costs should achieve a 'break even' position normally over a rolling period of three to five years (**see recommendation 3**).

Budget projections for 2019-20 and 2020-21 recently performed by GBCP and host partner Finance function indicates there will be a significant reduction in the 2018-19 reserve account surplus.

The review of the Section 101 Agreement against the actual operation and management of the GBCP highlighted non-compliance with the key documented terms and commitments. The main area of non-compliance was the absence of the regular quarterly Shared Service Board meetings (only one confirmed meeting since the previous audit in 2016-17 to July

2019) to jointly and effectively manage the financial position, risks and performance of the shared service (**see recommendations 1 and 2**).

The regulations require that a financial statement (setting out the costs, income and any surplus or deficit position) is published at the end of each financial year. However, Internal Audit identified that since its formation the GBCP has not made this information available to the public (**see recommendation 4**).

Other issues identified by Internal Audit related to the lack of regular completion of timesheets by officers, inappropriate cost apportionment method, lack of a data owner, no independent oversight of the monthly income reconciliation and incomplete income debt recovery processes (**see recommendations 5, 6, 7, 8 and 9**).

Action(s) taken to implement the recommendations as at 12th February 2020 and / or proposed.

High priority recommendation 1: Requirements of the Section 101 Agreement	Original management response
<p>A full review of the Section 101 Agreement should be undertaken to ensure that the requirements within this document still remain appropriate to effectively manage and develop the GBCP. Where such requirements / expectations are not now required, an appropriate variation(s) to the Section 101 Agreement should be discussed and approved by the Shared Service Board.</p> <p>The requirements in the original / revised Section 101 Agreement should then be fully complied with.</p>	<p>To extend and update the 101 Agreement with changes in place by the 29th June 2020.</p> <p>Completion date: June 2020</p>
Management update as at : 23rd March 2020	
<p>Members of the shared service attended a board meeting on the 31st January 2020. At the meeting the board agreed variations to the existing 101 agreement including membership of the board and frequency of meetings.</p> <p>The minutes of the board meeting recorded the agreed 101 variations. The board agreed future board meeting arrangements and identified what actions and reports are required at various times during the year. Two board meetings will be held each year plus two exchanges by email, the date of the next meeting has been arranged for the 7th September 2020. The table below indicates the agreed actions and reporting timetable:</p>	

Month	Exchange	Topics	Action
January	Board Meeting	Agree Revenue Budget for coming year Agree Annual review of building control charges Report financial actual against budget Report % split of fee earning/ non fee earning Report performance stats Report Customer Service Feedback Report Complaints Report on long standing debts Update Risks	A record of resolutions must be maintained
February	Email to SDC and GCC	Agree Service Delivery Plan to identify service priorities, targets, customer service feedback, identify projects and budget for coming year. Review Risks	
April	Email to the Board	Report financial actual against budget Report % split of fee earning/ non fee earning Report performance stats Report Customer Service Feedback Report Complaints Report on long standing debts Update Risks	
July	Email to the Board	Agree Annual account of income/expenditure from previous year Publish financial statement Report financial actual against budget Report % split of fee earning/ non fee	

		earning Report performance stats Report Customer Service Feedback Report Complaints Report on long standing debts Update Risks		
September	Board Meeting	Agree Annual review of budget surplus or deficit Report financial actual against budget Report % split of fee earning/ non fee earning Report performance stats Report Customer Service Feedback Report Complaints Report on long standing debts Update Risks		

The board also agreed to review the existing 101 agreement and identify any revisions that should be included in a revised 101 agreement to be effective from the 29th June 2020.

High priority recommendation 2: GCityC role in GBCP	Original management response
GCityC Shared Service Board members should take an active role in the GBCP, in accordance with the Section 101 Agreement, to confirm its interests and commitments are achieved.	GCityC will actively participate in updating the 101 Agreement and attendance at Board meetings.
Management update as at 23rd March 2020:	Completion date: June 2020

Ian Edwards (Head of Place) and Greg Maw (Accountancy Manager) representing Gloucester City attended the board meeting on the 31st January 2020 and agreed variations to the timetable and variations to the 101 agreement. The agreed variations to the 101 agreement are shown below:

Schedule 3: Shared Services Board

Purpose

To oversee the performance and development of the Shared Building Control Service on behalf of Gloucester and Stroud

Membership and Frequency of Meetings

The shared service board will consist of:-

- Stroud's Strategic Director of Place
- Gloucester's Head of Place
- 1 Client officer from Stroud who shall be nominated by the Strategic Director of Place
- 1 Client officer from Gloucester who shall be nominated by the Head of Place

The shared services board will receive reports from GBCP and other senior officers of the Councils as necessary to properly fulfill its overall purpose

The quorum of the Shared Services Board will be two with one board member from each authority in attendance.

The Chairman of the shared services board will be Stroud's Strategic Director of Place or a replacement nominated by the Strategic Director of Place. The Chairman will not have a casting vote on any matter

Omit vice chair

The shared services board may invite any persons to attend its meetings but such persons will not be entitled to vote

The shared services board shall meet twice a year in January and September with two additional progress reports shared by email in April and July. Any member of the shared services board may call additional meetings

Terms of Reference are unchanged

Any further changes to the 101 agreement will be agreed with Gloucester City board members before the 29th June 2020.

High priority recommendation 3: 'Trading' reserve account financial position	Original management response
<p>A review of the 'trading' account reserve balance, building control fees and the forecast of future income and expenditure commitments should be undertaken, and a report with recommendations made to the Shared Services Board to ensure that the Building Regulations 'overriding objective' is achieved.</p> <p>Following this review, regular reviews should be performed in accordance with the Building Regulations and Section 101 Agreement by the Shared Services Board to ensure that the 'overriding objective' is maintained.</p>	<p>The 'trading' account reserve will be reported to the Shared Service Board in January 2020 for a decision on any corrective action required.</p> <p>Completion date: January 2020</p>
Management update as at 23rd March 2020:	
<p>The building control reserve was discussed by the GBCP board on the 31st January 2020, corrective measures were not required as a result of the 2019/20 and 2020/21 deficit budgets which will reduce the trading account reserve. The GBCP board were concerned that the surplus was not being used to invest in the shared service and that without budgetary action in 2021/22 the shared service would fail to break even exposing SDC and GCityC to financial risk.</p>	

An increase in the fees and charges for the Service, were agreed. The board did ask for a watching brief to determine if this was affecting our market share. The increase in charges was also added to the shared service risk register.

The board agreed a programme of actions and reporting, shown under recommendation 1 above, which includes an annual review of budget surplus or deficit at the September board meeting. Future meetings are to review the financial position.

High priority recommendation 4: GBCP financial statement	Original management response
A financial statement for the GBCP 'trading' account should be published in accordance with the Building Regulations.	A 'trading' account is to be published for 2017-18 and 2018-19 on the GBCP website. Completion date: November 2019
Management update as at 23rd March 2020:	
<p>Financial statements have been published on the GBCP website for years 2017/18 and 2018/19, in accordance with statutory regulations and CIPFA guidance.</p> <p>The 2019/20 financial statement will be notified to the board and published on the GBCP website in July 2020.</p>	

Medium priority recommendation 5: Timesheets	Original management response
Building Control officers should complete timesheets on a regular basis (at least quarterly) to record time spent on Building Regulations chargeable and non-chargeable services to enable an accurate apportionment of salaried and internal support	Work type timesheets will be carried out over a month, twice a year and presented to the Board as evidence of cost apportionment.

charge costs between the two services, and provide a transparent and robust basis for distribution of the costs.	Completion date: January 2020
Management update as at 23rd March 2020:	
<p>A twice yearly time sheet exercise has been agreed by the board, carried out in November and May each year to review the split between chargeable and non-chargeable services. The timesheet exercise was completed in November 2019 and presented to the board on the 31st January. The split between fee earning and non-fee earning activities was in line with agreed split of 80/20% at 79/21%.</p> <p>The GBCP Board was satisfied that the exercise undertaken in November 2019 supported the current basis of cost apportionment.</p>	

Medium priority recommendation 6: Apportionment of costs	Original management response
A review of the basis for apportioning costs for the 'non-trading' account between SDC and GCityC should be undertaken and a revised method used to determine the costs between the two authorities that better reflects a fair, proportionate and accurate measure.	To be investigated by the Board. The cost of determining costs attributed to each non-fee earning project would add cost, which may exceed the benefit of the recommendation.
	Completion date: January 2020
Management update as at 23rd March 2020:	
<p>The recommendation that cost of dangerous structures, demolition, general advice could be calculated on a case by case basis was discussed by the Board. It was agreed that the cost/time that would be required to take this approach outweighed the benefit to the Partnership.</p> <p>The Board did not agree the recommendation. It was agreed to maintain the formula set out in the 101.</p>	

Medium priority recommendation 7: Data owner	Original management response
<p>A data owner for the Building Control systems should be determined. In addition the data owner should ensure that any future changes to the systems have been properly tested, documented and results of the tests are satisfactory before formally approving the update to the 'live' environment.</p>	<p>Data owner is to be the SDC Building Control Manager to ensure testing has been carried out before going live with upgrades.</p> <p>Completion date: November 2019</p>
<p>Management update as at 23rd March 2020:</p>	
<p>The shared services board agreed at their meeting on the 31st January 2020 that the data owner will be the Head of Building Control who will liaise with the ICT team prior to approving any building control system upgrades to review testing and risk and record outcomes.</p>	

Medium priority recommendation 8: Review of monthly income reconciliation	Original management response
<p>The SDC Building Control Manager should undertake a review of the monthly income reconciliation to confirm completed promptly, balanced and any identified differences are being investigated and that there are no long outstanding items.</p>	<p>Monthly meetings with the SDC Team Leader Building Control are to be held regarding income reconciliation and documented.</p> <p>Completion date: December 2019</p>
<p>Management update as at 23rd March 2020:</p>	
<p>The shared services board agreed at their meeting on the 31st January 2020 that an email of approved monthly income reconciliations by the head of building control are to be stored as evidence of the reconciliation having taken place.</p>	

Medium priority recommendation 9: Debt recovery process	Original management response
<p>The Shared Services Board should review and update the debt recovery process, reporting requirements and obtain approval from the appropriate Section 151 Officers for the agreed arrangements.</p>	<p>The debt recovery process is operated by SDC. The Board will be updated on long standing debts with the knowledge that completion certificates are not issued unless payment has been received.</p> <p>Completion date: Completed</p>
Management update as at 23rd March 2020:	
<p>The shared services board agreed at their meeting on the 31st January 2020 that SDC's debt recovery process would be followed and that long standing debts would be reported to the board for action and not the 151 officer. The 101 is to be varied to reflect this</p>	