

Report to the Audit and Governance Committee 9th March 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>
<p>Management update as at 12th February 2020:</p>	
<p>Ongoing.</p> <p>Amendments to s101 agreed at GBCP Board on 31st January 2020 for inclusion in a revised s101 effective 29th June 2020.</p>	

High priority recommendation 2: GCityC role in GBCP	Original management response
<p>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.</p>	<p>GCityC will actively participate in updating the 101 Agreement and attendance at Board meetings.</p> <p>Completion date: June 2020</p>
<p>Management update as at 12th February 2020:</p>	

Ongoing.

Ian Edwards (Head of Place) and Greg Maw (Accountancy Manager) representing GCC at GBCP Board meetings and quorum requires one to be attending every meeting. Board meeting on 31st January 2020 agreed amendments to s101 agreement.

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 12th February 2020:	
<p>Achieved.</p> <p>Trading account considered at GBCP Board on 31st January 2020 with the Board satisfied that the 'surplus' would be significantly reduced due to the 2019/20 budget forecasting a shortfall of £115k. Future meetings to review the position.</p>	

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 12th February 2020:	
<p>Achieved.</p> <p>Financial statements have been published on the GBCP website</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 charge costs between the two services, and provide a transparent and robust basis for distribution of the costs.	Work type timesheets will be carried out over a month, twice a year and presented to the Board as evidence of cost apportionment. Completion date: January 2020
Management update as at 12th February 2020:	
<p>Achieved.</p> <p>The Board agreed to a twice-yearly timesheet exercise being carried out in November and May to confirm the fee earning to non-fee earning split for percentages. GBCP Board was satisfied that the exercise undertaken in November 2018 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 12th February 2020:	
<p>The Board discussed the apportionment of Dangerous Structures and Demolition and was of the opinion that the cost/time for this approach outweighed the benefit to the Partnership.</p> <p>The Board did not agree the recommendation and decided to maintain the formula set out in the s101.</p>	

Medium priority recommendation 7: Data owner	Original management response
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.	Data owner is to be the SDC Building Control Manager to ensure testing has been carried out before going live with upgrades. Completion date: November 2019
Management update as at 12th February 2020:	
<p>Achieved.</p> <p>The Board agreed that the data owner will be the Head of Building Control for the GBCP.</p>	

Medium priority recommendation 8: Review of monthly income reconciliation	Original management response
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.	Monthly meetings with the SDC Team Leader Building Control are to be held regarding income reconciliation and documented. Completion date: December 2019
Management update as at 12th February 2020:	
<p>Achieved.</p> <p>The Board agreed that Head of Building Control for the GBCP would review monthly income reconciliations.</p>	

Medium priority recommendation 9: Debt recovery process	Original management response
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.	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. Completion date: Completed
Management update as at 12th February 2020:	
<p>Achieved.</p> <p>The Board agreed 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 s151 officer. The s101 is to be varied to reflect this.</p>	