

<b>Board/Committee:</b>	Policy and Organisation Board
<b>Date of meeting:</b>	27 <sup>th</sup> July 2021
<b>Title:</b>	Updated Building Control Partnership Arrangements
<b>Author:</b>	Head of Building Control Partnership
<b>Status:</b>	FOR DECISION

### **Purpose**

The Building Control Partnership have undertaken a recent review of operations and identified improvements to working practices including a streamlined and more efficient financial management system. These will need to be reflected in the legal documentation that governs the arrangements between the partner authorities.

This report is to seek Policy and Organisation Board approval of the streamlined arrangements and the provision of delegated authority to making the necessary amendments to the legal documentation governing the Building Control Partnership as a consequence.

### **Recommendation**

**That the Board approves the improvements to the working practices of the Building Control Partnership as set out in this report and provides delegated authority to the Assistant Chief Executive in consultation with the Borough Solicitor and Head of Building Control Partnership to make the necessary amendments to and formally complete an updated Deed of Delegation and Memorandum of Understanding for the joint provision of Building Control services with the other partner authorities.**

## **1.0 Background**

**1.1** The Deed of Delegation and underlying Memorandum of Understanding (MOU) to form the Building Control Partnership (BCP) were originally signed by Gosport Borough Council and Fareham Borough Council in 2002.

**1.2** The BCP currently operates under an amended Deed of Delegation and MOU signed on 4<sup>th</sup> February 2016 to reflect Portsmouth City Council Building Control service joining the Partnership.

## **2.0 Report**

**2.1** The existing legal agreement is now over five years old and needs updating to reflect current operational practices, changes to financial arrangements and to improve clarity.

**2.2** As part of a financial opportunities review of the Partnership, the existing financial system used for the Partnership has been reviewed and found to

be outdated and inefficient.

- 2.3 The success of the Partnership has led to annual surpluses being generated, which, in accordance with the Building Regulation charging Regulations, have been held as a business reserve for the purpose of investment in the service and for contingency funding in the event of a deficit.
- 2.4 The legislation governing charging under the Building Regulations stipulates that fees should only be set to cover expenditure or investment and should not be used to cross subsidise other service areas.
- 2.5 The BCP Business Reserve currently stands at £332,000 and although planned investment in service improvement, such as funding equipment purchases and IT improvements, have been completed and others planned, the reserve has continued to grow to a level that risks a challenge.
- 2.6 BCP income is made up of approximately 75% fee-earning work generated mainly from Building Regulation applications and 25% from non-fee earning work covering mainly statutory services such as dangerous structures, demolitions, enforcement, postal address management and administering initial notices.
- 2.7 The charging regulations require that non-fee earning work must be funded by the three Partnership authorities.
- 2.8 The basis for assessing and re-charging non-fee earning work for the Partnership authorities has been via information from timesheets which were filled in on a daily basis by all BCP staff members.
- 2.9 The time sheet system was found to be cumbersome, inaccurate, and resulted in charges to partners that did not wholly reflect the level of activity carried out on behalf of each partner.
- 2.10 The system also resulted in a disproportionate amount of financial invoicing and reconciliation between partners on a monthly and annual basis.

### **3.0 CHANGES TO THE FINANCIAL SYSTEM**

- 3.1 The new financial system will create a non-surplus model which will be based on BCP fee earning income being subtracted from overall expenditure. The difference will represent the cost of non-fee earning work and will be funded by the partnership authorities as set out below.
- 3.2 Under this system, all partnership authorities will benefit from a lowering of cost for non-fee earning work as BCP fee-earning income levels increase. Annual surpluses will not be generated in the future under this system.

- 3.3** Instead of the time sheet system, the apportionment of the non-fee-earning expenditure will now be based on the fee-earning income percentages generated by each authority over a 3-year rolling period. This will be subject to an annual review to ensure the level of charging to each authority is still appropriate.
- 3.4** The new system will result in charges to individual authorities being a more accurate and a fairer reflection of the work carried out by BCP staff.
- 3.5** The new Agreement sets out that the Partnership will hold a Downturn Reserve of an initial sum of £150,000 which may be authorised for use by the BCP Client Manager Panel following consultation with the BCP Member Panel in the event of a loss of income or to fund other costs associated with adverse economic conditions. The initial cost of the Downturn Reserve will be funded from the existing BCP Business Reserve.
- 3.6** An annual adjustment of the Downturn Reserve will be determined by The Partnership Finance Officer to account for operational costs and inflation.
- 3.7** The level of the Downturn Reserve will be reviewed, as a minimum every 3-years, by BCP Client Manager Panel following consultation with the BCP Member Panel.
- 3.8** A three-year investment plan has been developed to facilitate ongoing improvement of the Partnership and to allow the Partnership to meet the costs associated with the new Building Control system detailed in the draft Building Safety Bill that is currently passing through Parliament. The remainder of the existing Business Reserve has been allocated to fund the investment plan.
- 3.9** The updated legal agreement and MOU will be taken through formal decision-making processes at all three partnership authorities and will reflect updated definitions, terminology and improved wording as well as the above changes to the financial system.
- 4.0 Conclusion**
- 4.1** The arrangements set out in this report will improve the resilience and the productivity of the BCP and result in a fairer charging system, whilst ensuring the Partnership authorities can benefit from future success and growth of the BCP. These changes will be reflected in an updated legal agreement and MOU.

<b>Financial Services comments:</b>	Gosport Financial services were fully consulted on the revised financial system for the Partnership and have no further comments.
<b>Legal Services comments:</b>	Contained within the report
<b>Equality and Diversity:</b>	N/A

<b>Climate Change implications:</b>	There are not any climate change implications
<b>Crime and Disorder:</b>	There are not any Crime and disorder implications
<b>Service Improvement Plan implications:</b>	Not applicable
<b>Corporate Plan:</b>	The proposed changes will improve the efficiency of the service which will benefit all customers of the Partnership
<b>Risk Assessment:</b>	There are no additional risks associated with the signing of the updated Partnership legal documentation
<b>Background Papers:</b>	Nil
<b>Appendices:</b>	Nil
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