

Joint Board

Chesterfield Borough Council Leader
Bolsover District Council Leader
North East Derbyshire District Council Leader

Meeting: 11 September 2018

Notice is hereby given in accordance with The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 of executive decisions to be made on behalf of Chesterfield Borough Council, Bolsover District Council and North East Derbyshire District Council respectively.

The following executive key decisions will be considered in public:

Internal Audit Consortium Annual Report 2017/18 - To note the performance and financial position of the Internal Audit Consortium and to decide on the retention or division of any surplus.
(Report by Internal Audit Consortium Manager)

The following reports will be considered in private:

Update on the Derbyshire-wide Building Control Partnership – To provide an update on the Derbyshire-wide Building Control Partnership.
(Report by Assistant Director – Economic Growth)

The reason that the above item is to be considered in private session is that it may involve the disclosure of information relating to financial and business affairs and labour relations within the authorities, under paragraphs 3 of Part 1 of Schedule 12A of Local Government Act 1972.

If you would like to make representations about any particular decision to be conducted in private at this meeting then please email:
democratic.services@chesterfield.gov.uk.

Such representations must be received at least 5 clear working days before the date of the meeting itself. The Council is required to consider any representations received as to why an item should not be taken in private and to publish its decision.

Notice published 3 August 2018

The Chair and Members of Joint Board

Please ask for Rachel Appleyard

Direct Line 01246 34 5277

Fax 01246 345252

3 September 2018

Dear Councillor,

Please attend a meeting of the JOINT BOARD to be held on TUESDAY, 11 SEPTEMBER 2018 at 2.30 pm in Committee Room 2, Chesterfield Town Hall, Rose Hill, Chesterfield, S40 1LP, the agenda for which is set out below.

AGENDA

Part 1(Public Information)

1. Declarations of Members' and Officers' Interests relating to items on the Agenda
2. Apologies for Absence
3. Minutes (Pages 5 - 14)
 - Record of Decisions of the Joint Board held on 8 March, 2018
 - Minutes of the Joint Board held on 8 March, 2018
4. Internal Audit Consortium Annual Report 2017/18 (Pages 15 - 24)
5. Exclusion of the public

To move "That under Section 100(A)(4) of the Local Government Act 1972 the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Paragraph 4 of Part 1 of Schedule 12A of the Act".

6. Update on the Derbyshire-wide Building Control Partnership

Yours sincerely,

A handwritten signature in black ink, appearing to be 'S. Smith', written in a cursive style.

Local Government and Regulatory Law Manager and Monitoring Officer
(Chesterfield Borough Council)

Agenda Item 3

RECORD OF EXECUTIVE DECISIONS – JOINT WORKING

CBC: LEADER		Date of Decision 08.03.2018		
BDC: LEADER				
NEDDC:DEPUTY LEADER				
Title Reference: Minutes				
Key Decision References (if applicable): CBC: N/A BDC: N/A NEDDC: N/A		Delegation Reference: CBC: R080L BDC: NEDDC:		
Report and background papers	Yes	Public <input checked="" type="checkbox"/>	Exempt <input type="checkbox"/>	
			Confidential <input type="checkbox"/>	
Decision Status	Notice of Key or Private Decision	Authorised By: N/A		
	General Urgency			N/A
	Special Urgency			N/A
	Exempt Urgency			N/A
Record of Decision:				
That the notes and the Record of Decisions of the Joint Board meeting held on 12 September, 2017 be noted.				
Reasons for Decision:				
To note progress on joint working.				
Alternative options considered and rejected (if any): N/A				
Declarations of interests: None				
Decision subject to call-in: No Date of implementation if not called in: N/A				
Date Record Issued: 08.03.2018 Contact Officer: Joel Hammond-Gant, Chesterfield Borough Council joel.hammond-gant@chesterfield.gov.uk				

CBC: LEADER		Date of Decision 08.03.2018	
BDC: LEADER			
NEDDC:DEPUTY LEADER			
Title Reference: Chesterfield and North East Derbyshire Credit Union – Business Plan 2017 to 2020			
Key Decision References (if applicable): CBC: N/A BDC: N/A NEDDC: N/A		Delegation Reference:	CBC: R080L BDC: NEDDC:
Report and background papers	Yes	Public <input checked="" type="checkbox"/>	Exempt <input type="checkbox"/> Confidential <input type="checkbox"/>
Decision Status	Notice of Key or Private Decision		Authorised By: N/A
	General Urgency	N/A	
	Special Urgency	N/A	
	Exempt Urgency	N/A	
Record of Decision: That the Chesterfield and North East Derbyshire Credit Union Business Plan 2017-2020 be received.			
Reason for Decision: To note the progress of the Chesterfield and North East Derbyshire Credit Union.			
Alternative options considered and rejected (if any): N/A			
Declarations of interests: None			
Decision subject to call-in: No Date of implementation if not called in: N/A			
Date Record Issued: 08.03.2018 Contact Officer: Joel Hammond-Gant, Chesterfield Borough Council joel.hammond-gant@chesterfield.gov.uk			

CBC: LEADER		Date of Decision 08.03.2018		
BDC: LEADER				
NEDDC: DEPUTY LEADER				
Title Reference: Internal Audit Consortium Progress Report 2017/18 and Business Plan 2018/19				
Key Decision References (if applicable): CBC: N/A BDC: N/A NEDDC: N/A		Delegation Reference:	CBC: R080L BDC: NEDDC:	
Report and background papers	Yes	Public <input checked="" type="checkbox"/>	Exempt <input type="checkbox"/> Confidential <input type="checkbox"/>	
Decision Status	Notice of Key or Private Decision		Authorised By: N/A	
	General Urgency			N/A
	Special Urgency			N/A
	Exempt Urgency			N/A
Record of Decision:				
<ol style="list-style-type: none"> 1. That the progress made by the Internal Audit Consortium be noted. 2. That the revised business plan (budget) for 201718 and the draft Internal Audit Consortium Business Plan (and associated charges) for 2018/19, based on Appendix A, be approved. 3. That any accumulated surplus of the Internal Audit Consortium at 31 March 2018 (less £20,000 to be held as a working balance) be distributed to the partner authorities. 4. That an annual report on the outcome of the operation of the Internal Audit Consortium for 2017/18 be submitted to the Joint Board following the year-end. 				
Reason for Decision:				
<ol style="list-style-type: none"> 1. The approval of the 2018/19 business plan will mean that the Consortium can continue to deliver a quality service. 2. To enable the Joint Board to consider and approve the revised business plan for 2017/18 and the draft business plan for 2018/19. 				
Alternative options considered and rejected (if any): N/A				
Page 5				
Declarations of interests: None				

Decision subject to call-in: No
Date of implementation if not called in: N/A

Date Record Issued: 08.03.2018
Contact Officer: Joel Hammond-Gant, Chesterfield Borough Council
joel.hammond-gant@chesterfield.gov.uk

CBC: LEADER BDC: LEADER NEDDC:DEPUTY LEADER	Date of Decision 08.03.2018
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Title Reference: Update on Building Control Consortium Transition

Key Decision References (if applicable): CBC: N/A BDC: N/A NEDDC: N/A	Delegation Reference: CBC: R080L BDC: NEDDC:
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Report and background papers	Yes	Public <input type="checkbox"/>	Exempt <input checked="" type="checkbox"/>	Confidential <input type="checkbox"/>
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Decision Status	Notice of Key or Private Decision		Authorised By: N/A
	General Urgency	N/A	
	Special Urgency	N/A	
	Exempt Urgency	N/A	

Record of Decision:

1. That the final financial position of BCN as at the end of May 2017 be noted.
2. That the work undertaken so far in implementing the unified Derbyshire-wide building control service be noted.

Reason for Decisions:

To effectively provide the building control service for Bolsover, Chesterfield and North East Derbyshire in accordance with legislation and the legal agreement for the joint working consortium.

Alternative options considered and rejected (if any):
N/A

Declarations of interests: None

Decision subject to call-in: Yes

Date of implementation if not called in: 15.03.2018

Date Record Issued: 08.03.2018

Contact Officer: Joel Hammond-Gant, Chesterfield Borough Council
joel.hammond-gant@chesterfield.gov.uk

Notes to Record of Decisions (Joint Working):

CBC - CALL-IN REQUESTS

*The implementation of certain decisions is suspended until the call-in period has expired without a call-in being validly invoked. Any Member of the Council shall be entitled to call for a decision to be suspended by giving notice to the Monitoring Officer either by telephone, fax, email or in writing **not later than 5.00 pm on the day following the date of the Joint Board meeting.** Any decisions so suspended shall not be capable of implementation for a period of **five calendar days** from the date of the Joint Board meeting. During the call-in period a request may be made in respect of any decision so suspended by not less than one quarter of the total membership of the Overview and Performance Scrutiny Committee. To do this you will need to notify the Monitoring Officer in writing, by fax or by email by 5.00 pm on the date being five days following the day of the Joint Board meeting.*

BDC - CALL-IN REQUESTS

*All Key Decisions come into effect **five working days** after the meeting unless three members give notice in writing to the Governance Manager requesting to call in the decision. The call-in request should be on a **completed 'call-in' request form and include the names and signatures of the three signatories**, the decision making principles it is believed have been breached and also the reasons for this. Non Key Decisions may not be called in.*

NEDDC - CALL-IN REQUESTS

*The implementation of key decisions is suspended until the call-in period has expired without a call-in being validly invoked. The call-in period is **five working days** after the publication of this decision. During the call-in period the **Chair or Vice Chair together with three other members of any Overview and Scrutiny committee** may object to a key decision and call it in. Non-Key decisions cannot be called in at North East Derbyshire District Council.*

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JOINT BOARD**Thursday, 8th March, 2018**

Present:-

Councillor Hill (Chair)

Councillors Dooley
P Gilby

Councillors Syrett

*Matters dealt with under the Delegation Scheme

**27 DECLARATIONS OF MEMBERS' AND OFFICERS' INTERESTS
RELATING TO ITEMS ON THE AGENDA**

No declarations of interest were received.

28 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Baxter and Serjeant, and Huw Bowen.

29 MINUTES

The notes and the Record of Decisions of the Joint Board meeting held on 12 September, 2017 were noted.

**30 CHESTERFIELD AND NORTH EAST DERBYSHIRE CREDIT UNION -
BUSINESS PLAN**

The Joint Board considered the Business Plan of Chesterfield and North East Derbyshire Credit Union (CNEDCU) for October 2017 to September 2020.

The Business Plan noted the success of the Junior Savers Scheme, and the Board were advised that further engagement with schools across the borough would help to support the growth of this scheme.

The plan outlined the credit unions' mission, aims and objectives and the ways in which the business plan would be delivered. Details were also

provided on the three year financial plan and the associated risks, mitigation and contingency plans.

AGREED –

That the report be noted.

31 INTERNAL AUDIT CONSORTIUM PROGRESS REPORT 2017/18 AND BUSINESS PLAN 2018/19

The Internal Audit Consortium Manager presented a report to update the Joint Board on the progress made by the Internal Audit Consortium during 2017/18 and to seek approval for the Business Plan (budget) for the Consortium for 2018/19.

The report included a progress summary on staffing, working procedures, and internal audit plans for the 3 authorities. The Risk Register for the Internal Audit Consortium had been updated and was attached at Appendix C to the officer's report.

It was noted that the revised business plan for 2017/18 now predicted a surplus of £15,770. The estimated accumulated surplus at the end of 2017/18 was £35,770; it was proposed that £20,000 would be retained as a working balance with the remainder (£15,770) distributed to the partner authorities.

The Internal Audit Consortium Manager advised that the draft business plan for 2018/19, as attached at Appendix A to the officer's report, had been prepared based on the FTE of 8.7 posts. It was noted that the draft budget had reflected provision for pay awards.

AGREED –

1. That the progress made by the Internal Audit Consortium be noted.
2. That the revised business plan (budget) for 2017/18 and the draft Internal Audit Consortium Business Plan (and associated charges) for 2018/19, be approved.
3. That any accumulated surplus of the Internal Audit Consortium at 31 March 2018 (less £20K to be held as a working balance) be distributed to partner authorities.

4. That an annual report on the outcome of the operation of the Internal Audit Consortium for 2017/18 be submitted to the Joint Board following the year end.

32 EXCLUSION OF THE PUBLIC

AGREED –

That under Regulation 21 (1)(b) of the Local Authorities (Executive Arrangements)(Access to Information)(England) Regulations 2000, the public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined by Paragraphs 4 of Part 1 of Schedule 12A to the Local Government Act 1972' on the grounds that it contains information on consultations or negotiations, or contemplated consultations or negotiations, in connection with any labour relations matter arising between the authority and employees of, or office holders under, the authority.

33 UPDATE ON BUILDING CONTROL CONSORTIUM TRANSITION

The Assistant Director – Economic Growth for Chesterfield Borough Council presented a report to update members on the progress made by the Derbyshire Building Control Partnership since it commenced trading in June 2017.

The building control service for Bolsover, Chesterfield and North East Derbyshire Councils had previously been delivered by BCN, a joint service hosted by Chesterfield Borough Council. The report noted the final financial position of BCN as at the end of May 2017.

The report also provided details of how the new company had been set up in respect of governance, human resources, finance, business development, and marketing.

AGREED –

1. That the final financial position of BCN as at the end of May 2017 be noted.

2. That the work undertaken so far in implementing the unified Derbyshire-wide building control service be noted.

For publication

INTERNAL AUDIT CONSORTIUM – ANNUAL REPORT 2017/18

Meeting:	Joint Board
Date:	11th September 2018
Cabinet portfolio:	Governance
Report by:	Internal Audit Consortium Manager

For publication

1.0 **Purpose of report**

1.1 To report on the performance of the Internal Audit Consortium during 2017/18.

2.0 **Recommendation**

2.1 That the annual report of the Internal Audit Consortium be approved.

3.0 **REPORT DETAILS**

BACKGROUND

3.1 The Internal Audit Consortium came into operation on the 1st April 2007. Chesterfield Borough Council, Bolsover District Council and North East Derbyshire District Council are full members of the Internal Audit Consortium and in addition to this the Internal Audit

Consortium provides a management role in respect of Derbyshire Dales District Council's internal audit function.

- 3.2 The Public Sector Internal Audit Standards, require that a detailed annual report should be prepared. Detailed reports on the performance against the Audit Plans for each constituent authority have already been presented to each council's respective Audit Committee.

PERFORMANCE IN 2017/18

Internal Audit Plans

- 3.3 Internal Audit Plans were established and agreed for each authority before the start of the financial year. The plans were substantially completed for 2017/18 and this was reported to each audit committee in May 2018.
- 3.4 Regular progress reports were submitted to each audit committee summarising internal audit reports issued.

Working Procedures / Improvement plan

- 3.5 Progress has continued in addressing a number of service improvements, for example:
- Testing schedules are continually being reviewed and updated as each audit is undertaken to ensure that key controls and risks are addressed.
 - The Internal Audit manual was reviewed in August 2017 and will be reviewed again in the next few months
 - A self -assessment of compliance with the Public Sector Internal Audit Standards was completed in April 2018 and the review did not identify any significant areas of non- compliance. This was supported by the findings of the external review of internal audit that took place in October 2016.
 - The external review of internal audit in October 2016 recommended some improvements and the resulting action

plan has now been substantially completed. A further improvement plan will now be developed.

Performance Targets

3.6 The results of the performance targets measured in 2017/18 are shown in the table below.

Description	2016/17	2017/18	
	Actual	Plan	Actual
Cost per Audit Day	£256	£280	£266
Percentage of Plan Completed	92%	96%	96%
Sickness Absence (Average Days per Employee)	2.4	8.0 (Corporate Target)	4.02
Customer Satisfaction Score	93%	85%	93%
To issue internal audit reports within 10 days of close out meeting	98%	90%	100%
Number/proportion of audits completed within time allocation	76%	80%	88%
% 2017/18 Agreed recommendations implemented by due date	77%	80%	75%
Quarterly reporting to Audit Committee's	100%	100%	100%

FINANCIAL PERFORMANCE

3.7 The original budgets and charges for 2017/18 were agreed by the Joint Board on the 13th March 2017 and subsequently revised on the 8th March 2018. The revised budget for 2017/18 showed an estimated surplus for the year of £15,770 plus a brought forward

balance of £20,000. The main reason for the surplus was due to salary savings.

3.8 The outturn for the year shows a surplus of £19,112 plus a brought forward balance of £20,000. **Appendix A** provides a comparison of the budget and outturn figures.

3.9 At its meeting on the 8th March 2018 Joint Board agreed that :

- The accumulated surplus less £20,000 be distributed to the partner authorities
- That £20,000 be held as a working balance

3.10 This has resulted in the following distribution:

	£
Surplus at 31 st March 2017	39,112
Less Balance carried forward	20,000
	<u>19,112</u>
Distribution:	
Chesterfield (36.6%)	6,995
North East Derbyshire DC (31.8%)	6,078
Bolsover DC (31.6%)	6,039
	<u>19,112</u>

Staffing

3.11 The Senior Internal Auditor based at NEDDC resigned in May 2018. Following a recruitment exercise the post has been offered to a candidate subject to the relevant HR checks. The candidate is fully qualified which therefore continues to add resilience to the service in terms of compliance with the Public Sector Internal Audit Standards.

3.12 A part time Auditor based at CBC also left the Council during the year for a Senior Auditor position at DDDC. The post has now been filled.

Training

- 3.13 Training needs are discussed and assessed with each staff member during employee personal development reviews.
- 3.14 Training consists of a combination of formal qualifications, CPD activities/courses, internal courses, team meeting updates/information sharing, reading relevant articles and on the job training.

RISK REGISTER

- 3.16 The Internal Audit Consortium risk register has been updated and is shown as **Appendix B**.

Financial implications

- 3.17 The Internal Audit Consortium operated under budget during 2017/18 which has resulted in a repayment to each of the partner authorities.

Risk management

- 3.18 The production of an annual report enables Joint Board to assess if the Internal Audit Consortium is providing an effective value for money service.
- 3.19 The provision of an effective Internal Audit service helps to ensure that the organisations internal controls and governance arrangements are appropriately assessed in terms of their adequacy and effectiveness.

4 Alternative options and reasons for rejection

- 4.1 Not Applicable.

5 Recommendation

- 5.1 That the annual report of the Internal Audit Consortium be approved.

6 Reasons for recommendations

- 6.1 To enable the Joint Board to consider and approve the 2017/18 Annual Report of the Internal Audit Consortium.

Decision information

Key decision number	829
Wards affected	All
Links to Council Plan priorities	An effective internal audit service helps towards the Council's priority of providing VFM

Document information

Report author	Contact number/email
Jenny Williams – Internal Audit Consortium Manager	01246 345468
Background documents These are unpublished works which have been relied on to a material extent when the report was prepared.	
Appendices to the report	
Appendix A	Internal Audit Consortium Budget and Actual - 2017/18 and Estimate 2018/19
Appendix B	Internal Audit Consortium Risk Register

**INTERNAL AUDIT CONSORTIUM BUDGET & ACTUAL - 2017/18
AND ESTIMATE 2018/19**

	2017/18			2018/19
	Original £	Revised £	Actual £	Estimate £
<u>Expenditure:</u>				
Employees	365,690	356,140	352,702	377,160
Transport	3,150	3,000	1,895	3,000
Supplies	6,540	1,900	1,221	6,850
Support Services	52,470	50,940	50,537	51,810
Total Expenditure	427,850	411,980	406,355	438,820
<u>Income:</u>				
Charges to CBC	152,800	152,800	152,800	156,800
Charges to NEDDC	132,740	132,740	132,740	136,240
Charges to Bolsover	131,910	131,910	131,910	135,380
Charges – other	500	400	400	400
Charges to DDDC	9,900	9,900	9,900	10,000
Total Income	427,850	427,750	427,750	438,820
Bad debts provision			2,283	
Net surplus/(deficit) in year	0	15,770	19,112	0
Net surplus/(deficit) b/fwd	20,000	20,000	20,000	20,000
Net surplus/(deficit) c/fwd.	20,000	35,770	39,112	20,000
Less surplus to be distributed	0	15,770	19,112	0
Working Balance Carried Forward	20,000	20,000	20,000	20,000

Internal Audit Consortium Risk Register

Total Risk Score: Likelihood x Impact. Rating Key:



CAUSE	EFFECT	ACTIONS UNDERTAKEN TO MITIGATE THE RISK	CURRENT RISK RATING LIKELIHOOD /RISK IMPACT	FURTHER ACTION REQUIRED/DATE	TARGET RISK RATING LIKELIHOOD /RISK IMPACT/DATE	RISK LEAD
Failure to substantially complete the agreed audit plans	The Internal Audit Consortium Manager can't give an opinion on the controls in place which may lead to external audit undertaking more work or qualified accounts	Quarterly monitoring and reporting of progress to client officers and Audit Committees. £20,000 working balance retained which could be used to fund additional resource if required.	Unlikely/High 2 x 4 = 8 Amber	None	Unlikely/High 2*4 = 8 Amber	Internal Audit Consortium Manager

IA -Failure to undertake work to a satisfactory standard	External audit and section 151 officers can't place reliance on work	All work subject to quality reviews by senior staff. Regular review of compliance with PSIAS. External review of internal audit undertaken October 2016 concludes that the Consortium is compliant with the PSIAS	Highly Unlikely/Medium 1 x 3 = 3 Green	None	Highly Unlikely/Medium 1 x 3 = 3 Green	Internal Audit Consortium Manager
IA - Insufficient financial resources to fund consortium	Cannot achieve plans	Joint Board approved the Consortiums budget March 18 for 2018/19	Unlikely/High 2 x 4 = 8 Amber	None	Unlikely/High 2 x 4 = 8 Amber	Internal Audit Consortium Manager
Loss of data through IT failure	Loss of work	Data stored on each Councils network and subject to their back up and security procedures.	Unlikely/Medium 2 x 3 = 6 Amber	None	Unlikely/Medium 2 x 3 = 6 Amber	Internal Audit Consortium Manager

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Please ask for Rachel Appleyard
Direct Line: 01246 34 5277
Fax: 01246 345252
Email: committee.services@chesterfield.gov.uk

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.

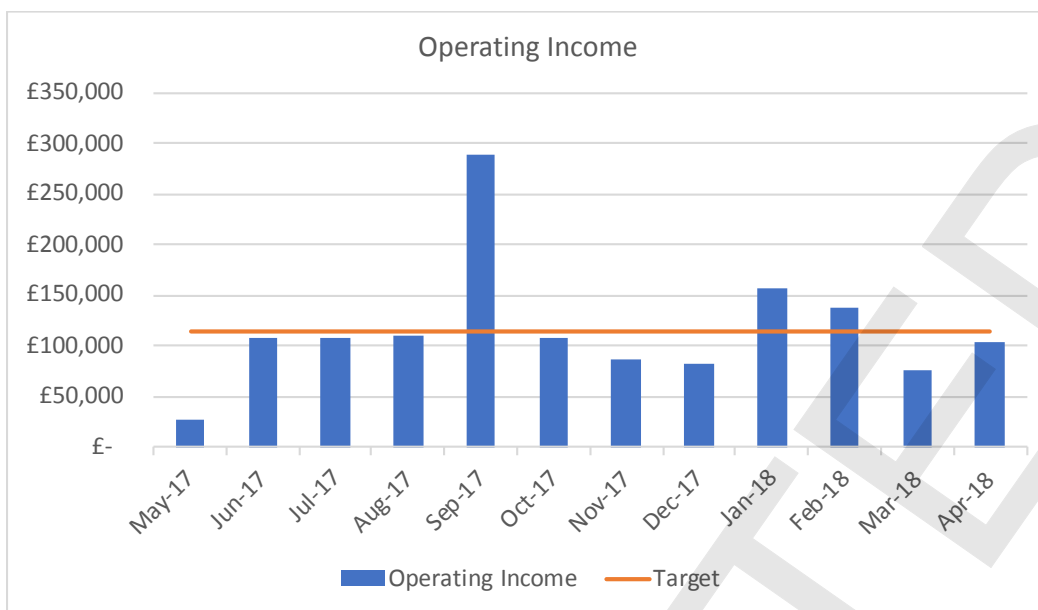
Activity	Elements
Meetings and Interviews	One to one meetings to discuss the current and future business with particular emphasis on planning and control
Financial Review	Collection, collation and review of financial information. Comparison with agreed business plan. Meetings and Q&A with accountants
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	£ 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	£ 62,310
Laptops						£ -	£ -
Smartphone / Data charge	£ 17,446	£ 4,362	£ 4,362	£ 4,362	£ 4,362	£ 17,446	£ 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	£ 4,419
Connectivity						£ -	£ -
Office Rent	£ 23,740	£ 18,000	£ 18,000	£ 18,000	£ 18,000	£ 72,000	£ 72,000
Repairs and Maintenance	£ 5,576	£ 1,394	£ 1,394	£ 1,394	£ 1,394	£ 5,576	£ 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	£ 319
Accounting / Audit Support	£ 14,544	£ 3,636	£ 3,636	£ 3,636	£ 3,636	£ 14,544	£ 14,544
Legal-Gen. Services	£ 144,259	£ 2,000	£ 2,000	£ 2,000	£ 2,000	£ 8,000	£ 8,000
Printing & Postage	£ 6,026	£ 1,507	£ 1,507	£ 1,507	£ 1,507	£ 6,026	£ 6,026
Other Subscriptions	£ 944	£ 236.00	£ 236	£ 236	£ 236	£ 944	£ 944
Bank Charges	£ 7,951	£ 1,987.75	£ 1,988	£ 1,988	£ 1,988	£ 7,951	£ 7,951
non claimable VAT	£ 16,038	£ 4,009.50	£ 4,010	£ 4,010	£ 4,010	£ 16,038	£ 16,038
Administration	£ 190,081	£ 13,456	£ 13,456	£ 13,456	£ 13,456	£ 53,822	£ 71,168
Summary							
	Actual Yr1	Yr2 Budget					Yr 2 Agreed TARGET
		Q1	Q2	Q3	Q4	Total	
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	£ 1,167,995
External Support	£ 197,782	£ -	£ -	£ -	£ -	£ -	£ 75,000
Marketing and Promotion	£ 2,620	£ -	£ -	£ -	£ -	£ -	£ 25,000
IT support and infrastructure	£ 79,756	£ 19,939	£ 19,939	£ 19,939	£ 19,939	£ 79,756	£ 76,441
Office Costs	£ 35,669	£ 20,499	£ 20,499	£ 20,499	£ 20,499	£ 81,995	£ 47,785
Administration	£ 190,081	£ 13,456	£ 13,456	£ 13,456	£ 13,456	£ 53,822	£ 71,168
Total Costs	£ 1,296,153	£ 305,893	£ 305,893	£ 305,893	£ 305,893	£ 1,223,573	£ 1,463,390
Total Income	£ 1,315,429	£ 616,202	£ 286,202	£ 286,202	£ 286,202	£ 1,474,808	£ 1,474,808
Total Costs	£ 1,296,153	£ 305,893	£ 305,893	£ 305,893	£ 305,893	£ 1,223,573	£ 1,463,390
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