



**SOUTH  
KESTEVEN  
DISTRICT  
COUNCIL**

# Companies Committee

23 February 2021

**Report of:** Cllr Dr Peter Moseley

Cabinet Member for Commercial & Operations



## East Midlands Building Consultancy (EMBC)

EMBC is the highly successful building control service for South Kesteven District Council (SKDC), Rushcliffe Borough Council (RBC) and Newark and Sherwood District Council (NSDC). It is hosted and delivered by South Kesteven District Council via a partnership agreement between the 3 authorities. It is not based on a company model, instead all employees and associated responsibilities reside with SKDC. All income and costs are shared with partners as per the agreement, on a 3-way equal share. The purpose of this report is to support the Companies Committee in keeping an oversight of the partnership.

### Report Author

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Corporate Priority:	Decision type:	Wards:
<b>Competitiveness</b>	<b>Administrative</b>	<b>All Wards</b>

<b>Reviewed by:</b>	Anne-Marie Coulthard, Head of Public Protection	4 February 2021
<b>Approved by:</b>	Gary Smith, Strategic Director – Commercial & Operations	13 February 2021
<b>Signed off by:</b>	Cllr Dr Peter Moseley, Cabinet Member for Commercial & Operations	13 February 2021

### Recommendation (s) to the decision maker (s)

1. That the Committee reviews the report, associated Abridged Business Plan and makes recommendations to support the ongoing partnership.

# 1 The Background to the Report

- 1.1 The purpose of this report is to support the Companies Committee role in keeping an oversight of the Council's owned companies and commercial partnerships. This report provides an overview of the partnership arrangement for the statutory provision of building control services through East Midlands Building Consultancy (EMBC).
- 1.2 This report provides information explaining the services provided and demonstrates how the partnership has performed over the last year in delivering its overall objectives. Any information which is commercially sensitive has been excluded from the public report. Recognising the different nature of EMBC, the Companies Committee requested an abridged business plan. The Abridged Business Plan, including commercial information, is attached in the exempt Appendix 1 and follows the Companies Committee's preferred template format.

## 2 Building Control Services

- 2.1 Building control is a statutory service provided by a local authority. Building regulations set the minimum standards for design, construction and alterations to virtually every building. Building regulation approvals can be sought by application to a local authority building control service or an Approved Inspector. These approvals, as provided by EMBC, are referred to as "fee earning" services. The local authority effectively competes with Approved Inspectors in the local market. However, in addition, a local authority is statutorily required to provide "non fee earning" services such as maintaining registers of all building control approvals awarded in its area, whether issued by itself or by Approved Inspectors. Other non-fee earning work includes providing general advice to the public and undertaking work associated with dangerous structures.
- 2.2 The cost of fee earning work associated with the issuing of Building Regulation approvals is required to breakeven with the fee income charged, based on a trading account model over a 3-year period. The non-fee earning work is a cost that falls on the local authority and is charged to the general fund. There are specific requirements associated with the accounting for the service.

## 3 EMBC

- 3.1 The East Midlands Building Consultancy is a partnership, established in 2014, between South Kesteven District Council and Rushcliffe Borough Council, with Newark and Sherwood District Council joining 2015/16.
- 3.2 The partnership was established to improve on the single authority provider model, in that it delivers better **value for money** through sharing management, skills and experience.
- 3.3 Key to success is the objective to improve overall financial efficiency, thereby reducing the cost charged to the local council taxpayer for the non-fee earning work and enabling the fee earning service to successfully compete and break even.
- 3.4 The original partnership objectives were to combine resources to improve resilience, depth of expertise, staff retention and to improve service performance in this highly regulated area of work.
- 3.5 EMBC has successfully provided the three authorities with staffing resilience and shares the considerable expertise that the three authorities employ. Retaining staff and the service expertise required, was a significant issue to each partner, prior to the partnership

being established. The service has financially performed well, reducing and clearing previous trading deficits (see Table 3) and minimising non-fee earning costs.

3.6 The overall aim of EMBC is:

***“to provide efficient and cost-effective building control services”***

3.7 Benchmarking, using published accounts and a recent assessment, has shown that the partnership delivers very good performance and is very cost effective, showing a strong financial performance and requiring each partner to contribute a lower general fund contribution. The General Fund recharge in 2018/19 for each partner was £87,300 which compared favourably when benchmarked with 3 other local authorities which range between £135,000 and £210,000 per annum.

### **Success**

3.8 As well as delivering financially, EMBC has been, and continues to be, involved with larger schemes and award-winning projects which allow it to promote its brand to larger developers. This is critical to the future success of the service as larger schemes are often more financially supportive and future changes are likely to favour larger operators. To this end examples of major larger projects include:

- Stand at Nottingham Forest Football Club.
- Mixed Use development at Trent Bridge, Nottingham.
- 4 Storey Apartment Block at Newark.
- Bespoke Manor being built in Newark.
- Extensive Grantham Housing Development – 2010 / 2022.

### **LABC Awards**

3.9 The service has been party to four LABC awards in recent years. The LABC awards are the largest business to business awards in the building control sector, recognising quality in all types of building project.

- **Best High-Volume Housing Development** – Rufford Pastures, Edwinstowe, Mansfield
- **Best Non-Residential Construction Professional** – Robert Woodhead Ltd
- **Best Public Service Building** – Visitor Centre, Wyndham Park, Grantham
- **Best Small Commercial Project** – RSPB Visitor Centre, Sherwood Forest, Nottingham

### **Legal Entity Structure**

3.10 Currently the partnership arrangement is based on a simple 3-way equal split with all work and accounting operated as one single trading area, surpluses or deficits shared 3 ways equally. EMBC is delivered by SKDC on behalf of each partner. A partnership agreement exists between the three partners.

### **Business Location**

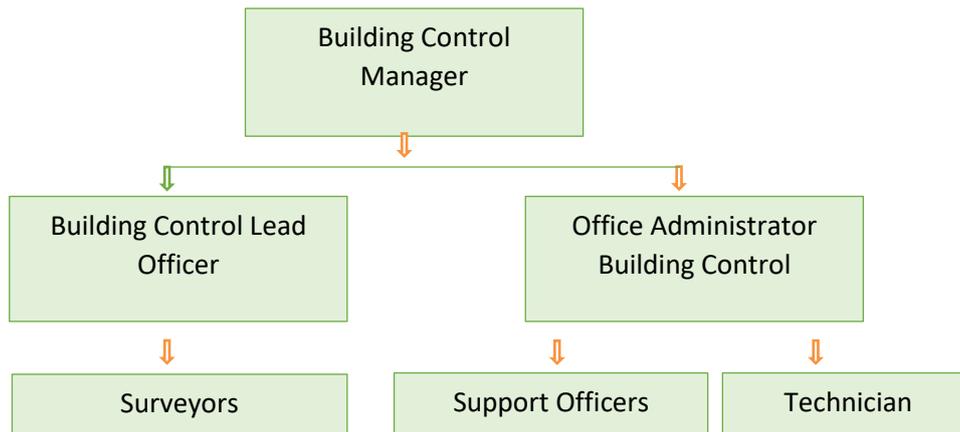
3.11 EMBC is delivered by SKDC whose offices are at St Peters Hill, Grantham, NG31 6PZ.

3.12 All technical and operating equipment is provided by SKDC, including office space. On average an officer is in the office 1 day per fortnight for office time, the rest of the time they operate in conjunction with their flexible homeworking arrangements or on site.

### **Management structure**

3.13 EMBC operates with a partnership board, which has primary responsibility for overseeing the operational management and delivery of the joint building control partnership, and associated Business Planning. Membership has officer representatives from each partner. The service is managed internally by an experienced team of officers.

Figure 1 – Organisational Chart



### **Products and Services**

3.14 The services that are provided by the Building Control Service are associated with:

- **Building Regulations – Inspections**
- **Building Regulations – Plan Checking**
- **Dangerous Buildings**
- **Demolitions**
- **Derelict Buildings**
- **Enforcement**
- **Structural Design Checks**

3.15 In addition to these Building Regulation work and statutory functions, EMBC also offers the following consultancy services:

- **Structural Engineering Services**
- **Energy Performance Assessment**
- **Fire Risk Assessments**

### **Financial Performance**

3.16 Table 1 below sets out the financial performance for the EMBC partnership in 2019/20. As can be seen the partnership made a small surplus on the fee earning work. This is split equally between the 3 partners. Similarly, the non-fee earning work cost £227,737 and has been split equally between the 3 partners resulting in a charge to SKDC of £75,912. SKDC currently also receives a management fee from the two other partners of £20,000 each.

Table 2 below shows the estimated outturn for this year for the fee earning and non-fee earning services. Current forecasts indicate a surplus of £18,786 for this year on latest predictions.

**Table 1 EMBC Building Control – fee earning and non-fee earning Actuals 2019/20**

EMBC	Fee Earning 2019/20 £	Non-Fee Earning 2019/20 £	Total 2019/20 £
Total income	(642,969)	(21,227)	(664,195)
Total expenditure	633,738	248,964	882,701
	(9,231) Surplus	227,737	218,506

**Table 2 EMBC Building Control – fee earning and non-fee earning Estimates 2020/21**

EMBC	Fee Earning 2020/21 £	Non-Fee Earning 2020/21 £	Total 2020/21 £
Total income	(625,000)	21,500	646,500
Total expenditure	606,214	237,413	843,627
	(18,786) Surplus	215,913	197,127

**Table 3 SKDC Building Control Surplus Position**

SKDC	Actuals 2019/20 £	Estimated 2020/21 £
Surplus b/fwd	30,853	33,930
In year surplus (third of £9,231/£18,786)	3,077	6,262
Surplus c/fwd	33,930	40,192

- 3.17 South Kesteven had a trading deficit of £104,423 in July 2014 when the partnership commenced. This has been reduced over time and now shows a surplus of £33,930 at the end of last year. Surpluses are retained as part of the EMBC trading account and allow for future investment in the service and a financial buffer for when trading difficulties arise.
- 3.18 The Building Control (Local Authority Charges) Regulations 2010 govern the fee earning core element of the Building Control Service. Non-Fee earning work (safety related services) represents an unavoidable cost to a Local Authority/the Partnership in the form of statutory services and cannot be subsidised from Building Regulation fee income.

## 4 Covid19 Impacts and Work Activity

4.1 In response to the direct downturn in building work and the associated reduction in building control application fee income, the partnership decided to furlough some staff under the Job Retention Scheme from April 2020. As work activity resumed staff gradually returned until all were back by mid-August 2020. Whilst the levels of work did fall significantly during the first lockdown the volumes of work have since returned to higher levels than normally expected. Chart 1 below shows a comparison of application activity year on year. This upturn in work volume was a significant challenge to the team and they have managed the situation showing great resilience and dedication. The overall result is that the additional fee income will place the service in a much better position than originally anticipated.

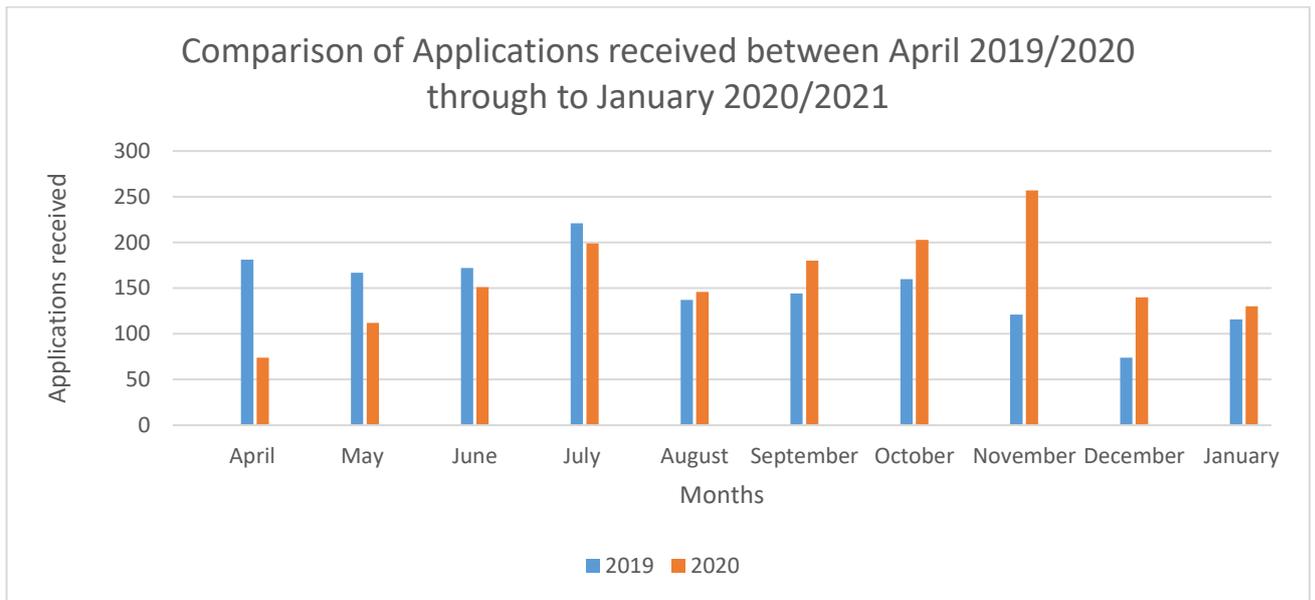


Chart 1 comparison of applications

4.2 Chart 2 below shows the directly associated levels of income impacted due to the variations in work activity during year. It shows the shortfall against target in the early months during the first Covid lockdown and its improvement as the restrictions eased. The levels of building work recovered as material suppliers came permanently back on stream. The income levels exceed targets from September onwards.

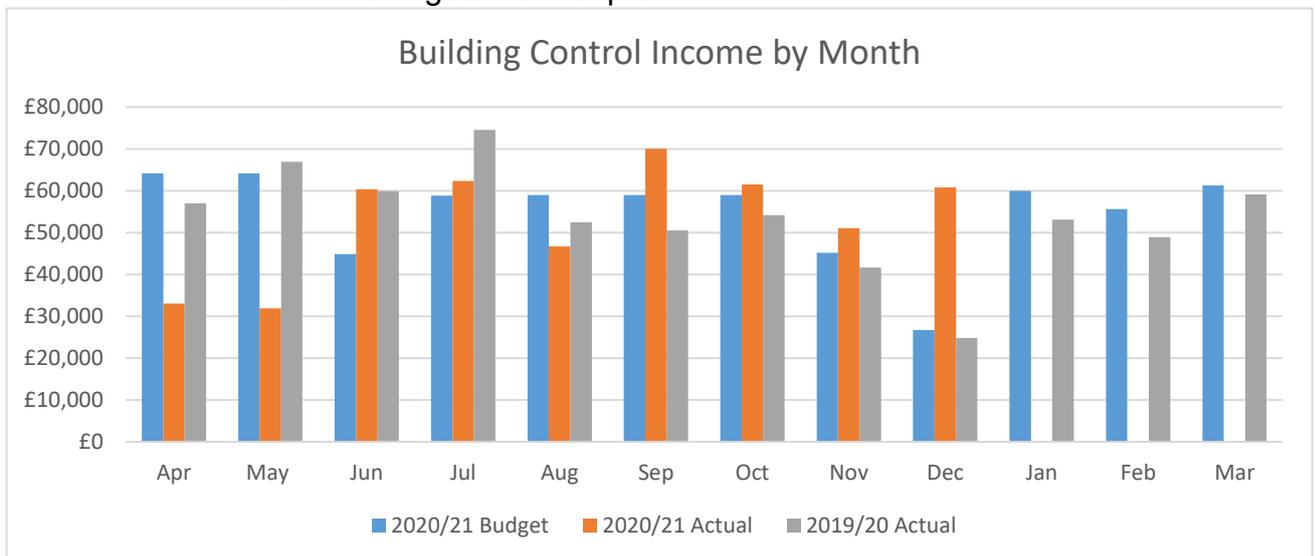


Chart 2 building control income by month

## **5 Business Plan**

5.1 Whilst EMBC is not allowed to make a profit it must act commercially to compete with Approved Inspectors operating in the area. Due to this commercial nature of the operation the Abridged Business Plan attached is exempt.

5.2 The Abridged Business Plan covers the following areas:

- Background
- Partnership management
- Products and services
- Market opportunities
- Competition
- Financial performance and forecasts

## **6 Overall Position**

6.1 The partnership is a significant success. Overall service performance is very good providing excellent value for money for all stakeholders.

## **7 Available Options Considered**

7.1 Any additional recommendations to support the ongoing partnership are welcomed within the preferred option.

## **8 Preferred Option**

8.1 That this report and appended abridged business plan is noted with any recommendations made to support the ongoing partnership.

## **9 Reasons for the Recommendation (s)**

9.1 To support the ongoing success of the EMBC partnership.

## **10 Next Steps – Communication and Implementation of the Decision**

10.1 Continued ongoing marketing and delivery of EMBC services.

## **11 Financial Implications**

11.1 The financial information contained in the report is based on the actual financial position for 2019/20 and the forecast position for 2020/21. The accounting treatment of recording both fee earning and non-fee earning activity is undertaken in accordance with the necessary legislative accounting requirements.

**Financial Implications reviewed by: Richard Wyles, Interim Director of Finance**

## **12 Legal and Governance Implications**

12.1 There are no legal implications arising from this report, however in governance terms, members of this committee are tasked with looking at the business plan and model and are able to make any recommendations to the partnership and to Cabinet as need be.

**Legal Implications reviewed by: Shahin Ismail, Director of Law and Governance**

### **13 Equality and Safeguarding Implications**

13.1 No specific issues identified.

### **14 Risk and Mitigation**

14.1 This is set out in appendix 1.

### **15 Community Safety Implications**

15.1 No specific issues identified.

### **16 How will the recommendations support South Kesteven District Council's declaration of a climate emergency?**

16.1 No specific issues identified.

### **17 Other Implications (where significant)**

17.1 None.

### **18 Background Papers**

18.1 None.

### **19 Appendices**

19.1 Appendix 1: EMBC Abridged Business Plan

This appendix is exempt under paragraph 3, Schedule 12A of the Local Government Act 1972 (as amended) because it contains information relating to the financial or business affairs of an individual or organisation.

<b>Report Timeline:</b>	Date of Publication on Forward Plan (if required)	N/A
	Previously Considered by:	N/A
	Final Decision date	23 February 2021