

POLICY & FINANCE COMMITTEE
25 NOVEMBER 2021

PARTNERSHIP FOR THE EAST MIDLANDS BUILDING CONSULTANCY

1.0 Purpose of Report

To update Members on the financial position for East Midlands Building Consultancy (EMBC) and NSDC, and the ongoing building control work in partnership with Blossom Homes.

2.0 Background Information

- 2.1 Members will be aware that in April 2016 the Council entered into a partnership previously formed between South Kesteven (SKDC) and Rushcliffe Borough Council's (RBC) to provide the Council's Building Control service. This partnership, the East Midlands Building Consultancy (EMBC), is delivered and hosted by SKDC. The contract with EMBC initially ran for 3 years, ending in April 2019. This was extended by Members on a rolling basis, subject to an annual review and an ability to exit subject to specific notice periods and defined actions.
- 2.2 Building Control is unique compared to many other services provided by the Council in that it has to compete for work against the market, principally other councils and [independent] approved inspectors (AI). The exception to this are the statutory functions that a local authority building control service has to provide (and cannot be undertaken by an AI) such as dealing with dangerous structures, applications relating to work for disabled facilities, emergency planning etc. Such work cannot be charged for and is typically referred to as 'non fee earning'.
- 2.3 The reasons for entering into the partnership were captured by a report to the Policy & Finance Committee on 24 March 2016 report. They principally included:
- a) the inability of the service to reduce its strain on both the general fund and a substantial ongoing deficit; and
 - b) issues with staff retention and recruitment given the attractiveness and pay of the private sector.
- 2.4 The partnership board is made up of a representative from each of the partner authorities being Newark & Sherwood District Council, Rushcliffe Borough Council and South Kesteven District Council. The board has primary responsibility for overseeing the operational management and delivery of the joint building control partnership and associated Business Plan. Alongside the partnership board is the Chief Executives Board, with the CEO from each authority attending to oversee the strategic direction of the partnership, ensuring key milestones are delivered, authorising any expansion of the partnership as well as changes to a Resource Availability Statement.
- 2.5 As previously reported, EMBC has successfully arrested the previous financial decline of the service. As is demonstrated by the tables below the net costs of the service have been reduced. Critically, the deficit has been reduced such that in 2018/19 for both NSDC and SKDC that the deficit was cleared and this position has continued into 2020/21 where it can

be seen the account 'surplus' had increased to £57,343. It must be noted that such 'surplus' cannot be absorbed by the General Fund. Rather, this is ring-fenced for the running of the service. In the case of NSDC this is effectively used to reduce the Council's general fund contribution to the service.

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
NET COST (£)	180,607	136,764	120,178	43,920*	152,715	138,634	92,974

* 3 no. staff members left

	2018-19	2019-20	2020-21
NET COST (£)	110,875	82,032	63,543

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
DEFICIT (£)	-114,068	-95,429	-66,117	-187,490	-91,324	-66,366	-7,077

	2018-19	2019-20	2020-21
DEFICIT (£)	15,233	33,305	57,343

2.6 Members will be aware from the report to P&F last November that a review of the partnership was undertaken which looked at [viable] options around the continuation and/or expansion of the partnership. There were 4 possible alternatives:

- **Option 1:** Business as Usual with Service Improvements;
- **Option 2:** Joint Ventures – Larger Informal Partnership with other Councils/Additional Partner with Private Sector Partner / Informal Partner Support;
- **Option 3:** Joint Authority Wholly Owned Trading Company (Teckal Company); or
- **Option 4:** Withdraw from the partnership,

2.7 Members resolved to continue the existing contract under Option 1.

2.8 Service improvements have been implemented and continue to do so. Reports are provided regularly by EMBC to each of the partners which details, through customer surveys that users of their service are very satisfied with their work and response times. A focus has been provided on technical solutions, the need for which has been amplified due to working from home. These include technical updates and mobile solutions for Building Control Officers as well as a review of their website which is to be launched shortly.

2.9 EMBC continues to perform well financially and secure repeat business, retaining market share. That said, the partners still want to continue to optimise market share, performance, and range of services offered. Work will continue in this regards, including further development of a commercial strategy. At the current time it is recommended that NSDC continues to be part of and support the partnership.

3.0 **Blossom Homes**

3.1 During the previous 12 months, EMBC is working in partnership with Blossom Homes Ltd. Blossom Homes is a company that is currently based on the former Thoresby Colliery Site,

Thoresby Vale. The homes that they create are reported to be zero carbon and factory built using sustainable Modular Methods of Construction. The homes are constructed of a timber frame with extensive insulation between outer and inner skins within the factory. Each of the walls and roofs are then transported to sites where they are constructed in a fashion similar to flat-pack furniture, where other eco-friendly measures are incorporated including heat exchange, solar power battery storage etc.. These measures allow dwellings to be occupied off grid. The homes can be finished in a variety of external designs (e.g. brick, render) enabling them to respond to site constraints and geographical locations.

- 3.2 In view of climate change and requirements for greenhouse gas emissions to be net zero by 2050, these homes are a positive step to the future. EMBC are excited by these homes and they have partnered with Blossom Homes on the LABC partner authority scheme to check the plans for building projects in England. This means that EMBC will check the plans where all new buildings are proposed nationally, carrying out the inspections and issuing the completion certificates as the Approved Inspector. This partnership is a really positive outcome for EMBC and it is hoped that it will also have a positive financial benefit as these properties gain popularity. The District Council is also working closely with Blossom Homes to develop their manufacturing and training facility in partnership with Leonard Design and Harworth Estates.

4.0 Financial Implications – FIN21-22/4083

- 4.1 EMBC has demonstrated success since its inception in increasing market share, fee income, staff resiliency, and reducing the level of deficit for all three Local Authority Partners. The trading account continues to show surpluses by two of the three partners and a deficit for RBC. This is a gap that will not close as RBC entered the partnership with a substantially larger deficit than SKDC and NSDC. The surplus for NSDC for 2021-22 is anticipated to be £1,623 bringing the total trading ring fenced account surplus reserve to £58,966.

The Trading Fee Earning account is **ring-fenced** and the objective is to net nil over a 3 year period and so we are likely to see increases in the coming years due to the changes in management establishment as SKDC recruit a new Building Control Manager, which was initially delayed due to Covid.

2021-22 anticipates a £77,587 general fund Management cost for each partner. This is £13,603 less than originally budgeted for. We intend to place this into a separate un-ring fenced reserve in order to mitigate future cost increases to the General Fund element and stabilise the General Fund impact.

Payments to the Partnership, are made up of the following elements - a Management Fee and an Admin Fee, and in addition NSDC pay Con29 fees.

Management Fee NSDC 21-22

Gross Expenditure NSDC: £309,166.67

Gross Income NSDC: -£219,848.67

Surplus/Deficit to move to Ring fenced Reserve £1,623

Net Costs NSDC General Fund: £77,587.00 (plus the Admin and Con29 Costs)

Administration Fee

£20,000 payable by NSDC General Fund.

Building Control Con 29

£7,000 payable by NSDC General Fund.

The Statutory Non Fee Earning Element of this service along with the Admin Fee and Con29 will always generate a cost to the Council's General Fund. The net cost is now slowly and consistently improving the Councils overall position. It is estimated that the impact for 2021-22 net cost is to be £104,587.00, an estimated cost for 2022-23 to be £108,187.00 and for 2023-24 is estimated to be £109,257.00 including the Management Fee, Trading Account movement, Admin Fees and Con 29 Fees.

- 4.2 The Covid-19 outbreak had impact during the previous financial year and, as report previously, the service furloughed staff for a number of months. However, the financial position is such that 'business as usual' has returned as is reflected in the above financial accounts.
- 4.3 The service has shown over the previous two years a significant positive benefit to the Council in terms of income received and clearing the deficit since joining the partnership.

5.0 RECOMMENDATIONS that:

- (a) the financial position of the East Midlands Building Consultancy be noted; and**
- (b) the partnership with Blossom Homes Ltd be noted.**

Reason for Recommendations

To provide a sustainable Building Control service in partnership with neighbouring authorities.

Background Papers

Report to 26 November 2020 Policy & Finance Committee

Report to 4 April 2019 Policy & Finance Committee

Report and appendices to 24 March 2016 Policy & Finance Committee

For further information please contact Lisa Hughes on Ext 5565.

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