

POLICY & FINANCE COMMITTEE

4 APRIL 2019

PARTNERSHIP FOR THE EAST MIDLANDS BUILDING CONSULTANCY

1.0 Purpose of Report

1.1 To seek authorisation to extend the current contract for the provision of the Council's building control functions by the East Midlands Building Consultancy (EMBC) for a further 12 month period.

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 District Council's (RDC) to provide the Council's Building Control service. This partnership is called the East Midlands Building Consultancy and is delivered and hosted by SKDC. The contract with EMBC runs for 3 years, ending in April 2019, albeit this can be extended by agreement.

2.2 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.

2.3 Following 3 years of operation EMBC has successfully arrested the previous financial decline of the service. As is demonstrated by the tables below the net costs of the service has been reduced. Critically, the deficit has been reduced to such a degree that the expected year-end position for both NSDC and SKDC is that they will have cleared any deficit by the end of the current financial year.

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
NET COST (£)	180,607	136,764	120,178	43,920*	152,715	138,634	92,974	104,130

* 3 no. staff members left

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
DEFICIT (£)	-114,068	-95,429	-66,117	-187,490	-91,324	-66,366	-7,077	15,233

3.0 Proposal

3.1 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. As shown at paragraph 2.2, the forecast is that two of the partners will be in a position to clear any deficit within the financial year 2018/19. The Council could take a decision to continue with the EMBC Partnership as it is for the foreseeable future. Whilst this may ultimately be recommended, Members are advised that EMBC Partner Chief Executive Officers are now turning their attention to the future opportunities and potential for EMBC. On this basis, a 12 months extension only is recommended at the current time.

3.2 An aspiration to progress EMBC further has always been present, if matched by demand from other Local Authorities to possibly join the partnership or work closely with it. There have been previous approaches from 2 authorities in the region to join.

3.3 EMBC will shortly be commissioning specialist advice for growth options. This would offer a framework for due diligence and consideration of the risks involved with acquiring other authority services (likely with a deficit need) or working with them. Options would be appraised in order to ensure they continue to meet the requirements of high quality, efficient service and reduce general fund contributions and ultimately profit generation. The NSDC Commercials team has assisted in preparing the commission which will broadly focus on two options (accepting that this Council will ultimately have a third option, which is to bring the service back in-house and grow a new team):

- a) continue with the 3 way partnership, 'as is' and servicing other Councils via management company
- b) a company model – wholly owned trading company

3.4 In appraising the above options the commission requires that any proposals have regard to achieving the following:

- Costs reduction for all partners
- Economies of scale
- Deficit reduction and a balanced trading account
- Synergy and opportunity to grow market share
- Improved customer service and resilience
- Staff development
- Opportunity for alternative delivery models
- Contribution to the delivery of the partner's wide strategic objectives.

3.5 It is expected that feasibility work will be concluded in May 2019, allowing discussion between the EMBC partners. Options, including that preferred, will then be presented to the Members of each partner Authority in summer 2019.

4.0 Financial Implications (FIN18-19/4033)

4.1 Continuing the Partnership for the next 12 months is unlikely to have any financial implications beyond the already forecast budgetary position. Now the deficit has been cleared there is an expectation that any surplus is deducted from the Management fee paid to EMBC, reducing the required contribution from the general fund. The proposed work on feasibility options will be a separate financial commitment from the host authorities (as opposed to a cost EMBC will absorb themselves). NSDC's one-third contribution will not exceed £10,000. The reduction in the management fee due to a surplus will be able to cover this additional £10,000 if the surplus continues as projected.

5.0 RECOMMENDATIONS that:

- (a) **the existing contract with East Midlands Building Consultancy to continue to deliver Building Control Services in partnership with Rushcliffe Borough Council and South Kesteven District Council be extended until April 2020; and**

- (b) the commission to explore growth opportunities as detailed in paragraphs 3.3 – 3.5 of the report, and the intention to bring such options back to the Committee when complete, be noted.

Reason for Recommendations

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

Background Papers

Report and appendices to the 24 March 2016 Policy & Finance Committee

For further information please contact Matt Lamb on Ext 5842.

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