CABINET SUB-COMMITTEE (LOCAL AUTHORITY TRADING COMPANIES' SHAREHOLDER)
TUESDAY, 22 SEPTEMBER 2026

PART 1 – PUBLIC DOCUMENT

TITLE OF REPORT: Annual Review of North Herts' Trading Companies - Building Control

REPORT OF: Director - Place

EXECUTIVE MEMBER: Executive Member - Place

COUNCIL PRIORITY: Responsible Growth; Accessible Services

1. EXECUTIVE SUMMARY

To provide the Sub-Committee with a report upon Local Authority Trading Companies (LATCos) in which North Herts Council has a role, to enable the Sub-Committee to fulfil its role as shareholder. The LATCos in this report cover the area of building control in which the Council is one of eight equal shareholders. The committee is also requested to consider any information they wish to be included in future reports.

2. RECOMMENDATIONS

2.1. That the Cabinet Sub-Committee note the report.

2.2. That the Cabinet Sub-Committee provide shareholder consent to the proposed arrangements for the Building Safety Levy recommended by the Hertfordshire Building Control Board.

2.3. That the Cabinet Sub-Committee make any recommendations on the content of future reports and annual reviews.

3. REASONS FOR RECOMMENDATIONS

3.1. To enable the Cabinet Sub-Committee to fulfil its role and responsibilities as shareholder in the local authority trading companies for building control.

3.2. To ensure the Council appropriately discharges its new responsibilities under the Building Act in relation to the Building Safety Levy from October 2026

4. ALTERNATIVE OPTIONS CONSIDERED

4.1. No alternative options were considered in relation to Recommendations 2.1 and 2.3 as an annual report is considered best practice.

4.2. There are no viable alternative options to Recommendation 2.2 as there is no Building Control capability retained within the Council. The detail of the proposed financial arrangements have been considered in consultation with the Section 151 Officer.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

5.1. The Cabinet Sub-Committee are presented reports for Shareholder decisions as required by the Council's Constitution and the Shareholders Agreement. Executive Members (and where appropriate Shadow Executive Members and Deputies) are briefed on the performance and key aspects of the trading companies.

6. FORWARD PLAN

6.1 This report does not contain a recommendation on a key Executive decision and has therefore not been referred to in the Forward Plan.

7. BACKGROUND

7.1. This report follows the guidance within the Local Partnerships publication 'Local Authority Company Review Guidance 2023 Edition'. This states it is important for all councils who own trading companies to keep a watching brief and make any necessary adjustments.

7.2. The Council currently is one of eight shareholders of a group of companies, described below, covering the statutory function of building control.

7.3. Local Authorities (LAs) have a statutory duty to provide a Building Control service. This means that if an application is submitted to the authority, it has a duty to ensure that the works comply with building regulations. Originally LAs were the sole supplier of this service. The 1984 Building Act established the legal framework for private building control bodies or Approved Inspectors (AIs). This competitive environment, along with the difficulty of recruiting and retaining Council staff, led to consideration and approval of an alternative delivery solution.

7.4. The initial collaboration was of seven Hertfordshire local authority building control services: Stevenage, Hertsmere, Three Rivers, North Herts, East Herts, Welwyn Hatfield and Broxbourne. Following extensive reporting and decision-making, the function of building control was resolved to be delivered through a wholly owned local authority series of companies.

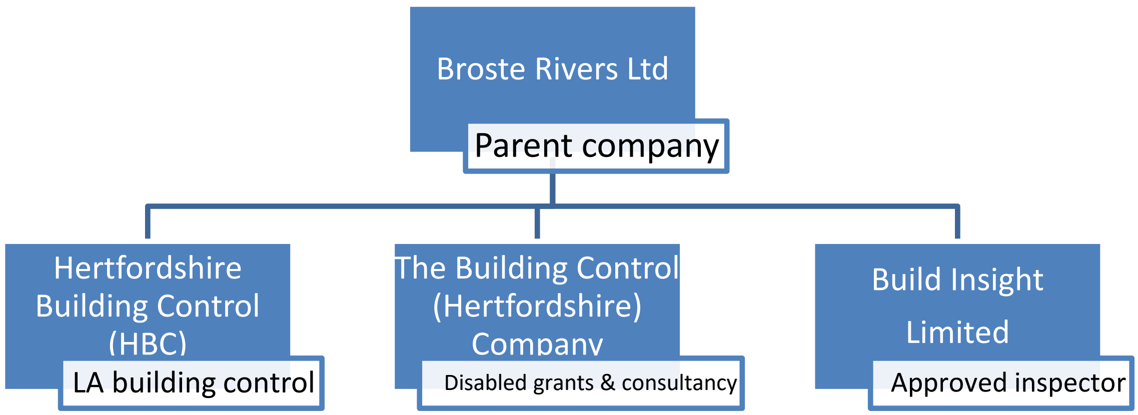
7.5. The statutory building control function is delivered through a single trading company known as Hertfordshire Building Control Limited (HBC). The Building Control Company (Hertfordshire) Limited (TBCC) was also established delivers the commercial aspect of the building control service. These two companies being subsidiaries of the holding company Broste Rivers Limited. All three companies were incorporated on 4 February 2016. In September 2019, Dacorum Borough Council joined the collaboration as an eighth equal shareholder following approval by the existing partners.

7.6. The Background Papers listed below provide further information on how the current arrangement was formed.

7.7. Further acquisitions were approved in 2021 to broaden the commercial offer of the partnership under the badge of Build Insight Limited, in a part as a means of supplementing and cross-subsidising the core local authority offer.

7.8. Governance and decision-making arrangements were reviewed in 2023 to ensure statutory requirements around non-delegable functions were satisfied through secondment arrangements with the participating local authorities. The service was moved from a fixed-term to a rolling contract for the provision of Building Control services as early years' trading had provided robust 'proof of concept'. The overarching shareholder agreement was reviewed to provide sufficient operational autonomy to the companies as steady-state operation had been achieved.

7.9. The Director: Place holds the operational delegation for Building Control functions and acts as the Council's shareholder representative. The Director: Enterprise is the North Herts Director of the companies and is on the company Board.



8. RELEVANT CONSIDERATIONS

8.1. Governance arrangements and the adopted delivery model have been kept under continuous review to ensure the company has sufficient freedoms to deliver and grow on a commercial basis whilst retaining sufficient control and oversight by the owning Councils.

8.2. Business planning is a key aspect and the companies' Senior Management Team and all Directors are part of the business planning process. As part of this the Chief Executive Officer presents and discusses the business plan and the Board agree the financial target for the following year.

8.3. In recent years, the Directors of the company have undertaken appropriate training which includes 'the role of a director' and 'financial management of a company.'

8.4. The companies Chief Executive Officer and the Finance Director meet with the Councils' Chief Finance Officers at least annually. Additional meetings can also be arranged.

8.5. Regular Shareholder meetings are held with the Board of Directors and HBC representatives. The Shareholder Representative attends the AGM on behalf of the Council. The Board Director attends other meetings required by their role.

<u>Overall company performance</u>

8.6. 2026 marks the 10th anniversary of Hertfordshire Building Control.

8.7. The most recent AGM was held in November 2025, reporting on the 2024/25 financial year. The headline outcome was that the overall operation had moved from a loss position in 2023/24 to profitability underpinned by an increase in sales and robust cash position. It should be noted that, prior to the establishment of HBC, the participating Councils had been running building control services at a collective annual loss (or cost to General Funds) of £1.3m.

8.8. Financial results for 2025/26 have been reported to Shareholders (with the AGM to be arranged) and show continued growth. Statutory Building Control operations continue to provide the majority share of revenue activity with the commercial arms ensuring the overall company remains profitable.

8.9. At the end of March 2026, the first repayment instalment was made of the loan granted to the Broste Rivers holding company by the local authorities when the current arrangement was established in 2016. A structured loan repayment schedule has been agreed.

8.10. On a practical level, HBC and North Herts planning officers have begun to meet regularly to consider how building control and planning can better support each other on operational matters. This includes development monitoring, implementation of accessibility and sustainability standards, compliance and promotion of the HBC offer to prospective developers in the District.

8.11. This move recognises that (i) due to staff turnover and changes to work practices since the establishment of HBC, there has been a loss of professional contacts between planning and building control on day-to-day basis and (ii) there are potential benefits and efficiencies to be achieved through closer working.

Building Safety Act and the Building Control Levy

8.12. The Building Safety Levy (BSL) is a statutory charge on new residential buildings which will contribute to fixing building safety defects under the Building Act. The BSL is a measure introduced in response to the Grenfell tragedy. Regulations have been made to support the Levy which come into force on 1 October 2026. The Levy is operated under the provisions of the Building Act 1984 (as amended).

8.13. It has been agreed in principle at Board level that HBC should perform this function centrally on behalf of the eight District Councils. However, this Board-level agreement engages Reserved Matters under the Shareholders' Agreement for which formal approval is required from each Shareholder. A formal proposal has been submitted by the Board to shareholders.

8.14. In summary, the rationale for HBC to perform these duties, is that these fall within Building Control duties already carried out and allows for a standardised approach and economies of scale.

8.15. There is also the de facto position that there is no viable alternative for this Council to meet its BSL responsibilities; we have not retained any Building Control department, staff or – following the retirement of the previous Director: Place in 2025 – professional expertise.

8.16. Government has announced new burdens funding for local authorities to support implementation of BSL. The funding has not been strictly ring-fenced, however there is a clear expectation that funding will be utilised for the stated purposes.

8.17. The proposition is that Shareholders approve

a. HBC undertaking the role of centralised collecting agent for the BSL on behalf of all eight District Councils.
b. Each Council passing its New Burdens funding through to HBC in full, to be spent on capital and revenue requirements imposed by operation of BSL.
c. Retention by HBC of any projected operating surplus from the set-up grant as a ringfenced contingency reserve

9. LEGAL IMPLICATIONS

9.1. Under 5.12 of the Council's Constitution the roles and functions of the Cabinet Sub-Committee (Local Authority Trading Companies' Shareholder) are listed, including at 5.12.4(a) To represent the Council's interests as shareholder in wholly owned and other companies and 5.12.4(f) To provide, or withhold, consent as appropriate (in principle, where formal company ratification is required) on those matters requiring shareholder consent as defined in the Memorandum and Articles of Association and shareholders agreements.

9.2. Under 14.6.10(b)(i), the Director: Place has delegated powers with regard to Building Control including client-side Building Control company operational matters as required under any agreements, in addition to all activities relating to discharge of the Council's function as the Local Building Regulation Authority.

9.3. Under 14.6.7(a)(iv), the Director: Enterprise can act as Director to any wholly owned Local Authority company to which the Director is appointed.

9.4. The Building Safety Levy will operate under the provisions of the Building Act 1984 (as amended by the Building Safety Act 2022) and The Building Safety Levy Regulations (England) 2025.

9.5. Implementation of the BSL are operational matters and covered by the existing constitutional framework:

- The Director Place's existing delegation for client-side Building Control company operational matters; and
- The pre-existing delegation to HBC / Broste Rivers of the Council's Building Control function under the Building Act granted when the arrangement was established in 2016

10. FINANCIAL IMPLICATIONS

10.1. As above, the most recent financial years have seen the Building Control group of companies return to a position of profit. This follows losses in 2022/23 and 2023/24 influenced by, among other matters, the downturn in building activity during and post-covid and the defined benefit pension position.

10.2. Filed returns for 2024/25 posted a net profit of £56k, representing a financial turnaround of £409k from the previous year. Revenue grew by nearly 10% to £4.74m with cash reserves of £1.26m

10.3. The Councils supported the company at set-up with a loan of £107k each on which interest is charged (Bank of England Base Rate +2% per annum). As above, the first loan repayment instalment was made in March 2026 with annual scheduled repayments now anticipated until the loan is fully repaid in 2030.

10.4. The Councils all pay the company to provide statutory services on their behalf. For 2026/27, this charge is approximately £38k. This is significantly less than the net cost of running the whole service directly. The Council pays other costs to the company, but these are ones for which a local authority would be responsible. For example, applications for works that benefit a disabled person(s) are exempt from a fee under the regulations, as such, this cost is reimbursed to HBC. A 24/7 dangerous structure service is also provided for North Herts. There are provisions to enable recharge that are operated on a discretionary basis. Where a call-out occurs and there is no danger requiring action, the costs of the call out are covered. These costs are met from established budgets.

10.5. The original business case projected a cost to the General Fund if the Council did not join the consortium of circa £1.34m between 2017/18 and 2020/21. A projection to 2025/26 indicated that the additional cost to the Council compared to the current budget of not joining would have been circa £2.76m (over £400k increase in 24/25).

10.6. The Company pays a contribution to each of the Councils to contribute towards the reimbursement of the Directors' time in running the company.

10.7. The funding grant for BSL was confirmed in June 2026 and includes a total settlement over three years of £111,800 for North Hertfordshire consisting of £60,500 capital and £51,300 revenue funding. Expenditure of the new burdens funding is governed by a Memorandum of Understanding between the local authority and MHCLG. This makes clear that the MOU "sets out the shared understanding, principles, and expectations between MHCLG and the Council in relation to the payment of this funding. It is not legally binding and creates no legal obligations".

10.8. The MOU states the Council has flexibility in the use of funding within the principle that it is designed to support implementation of the levy. The MOU additionally confirms that MHCLG is not imposing any formal reporting requirements. HBC will provide any information returns that are requested by MHCLG,and ensure compliance with any obligations (e.g. split between revenue and capital spend).

11. RISK IMPLICATIONS

11.1. Good Risk Management supports and enhances the decision-making process, increasing the likelihood of the Council meeting its objectives and enabling it to respond quickly and effectively to change. When taking decisions, risks and opportunities must be considered.

11.2. There is always risk in operating in a commercial environment. The Directors of the company are expected to make decisions to manage those risks and react to trading conditions. Where decisions require shareholder approval then these will be reported to the sub-committee for a decision. These additional annual reviews/ update reports provide the sub-committee with an awareness of the opportunities and risks that are facing the companies.

11.3. The most significant risks facing the Council in relation to any Company failure would be:

- Reputational impacts.
- Financial losses from any unpaid loans
- The requirement to deliver statutory Building Control services.
- The economic climate that relates to construction, both the domestic and larger scale markets.

11.4. The Building Control companies are subject to external audit. This helps provide assurance (alongside Council oversight) of their financial position.

11.5. In March 2026, all eight host authorities were notified that their Building Control functions – through Hertfordshire Building Control – will be subject to a statutory inspection by the Building Safety Regulator during 2026/27.

11.6. The Council's Annual Governance Statement Action Plan for 2026/27 includes an action to ensure regular and appropriate reporting on all the Council's companies.

12. EQUALITIES IMPLICATIONS

12.1. In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.

12.2. There are no equalities implications arising from this report.

13. SOCIAL VALUE IMPLICATIONS

13.1. The Social Value Act and "go local" requirements do not apply to this report.

14. ENVIRONMENTAL IMPLICATIONS

14.1 There are no known Environmental impacts or requirements that apply to this report.

15. HUMAN RESOURCE IMPLICATIONS

15.1 None

16. APPENDICES

16.1. None

17. CONTACT OFFICERS

Nigel Smith	**Director - Place,**	**nigel.smith@north-herts.gov.uk, Tel: 01462 474 847**

Ian Couper	Director: Resources	Ian.couper@north-herts.gov.uk
Steve Crowley	Director: Enterprise	Steve.crowley@north-herts.gov.uk
Natasha Jindal	Governance Consultant	Natasha.jindal@north-herts.gov.uk
Ellie Hollingsworth	Policy & Strategy Team	Ellie.hollingsworth@North-herts.gov.uk

18. BACKGROUND PAPERS

18.1 Local Authority Company Review Guidance 2023 Edition *LATCo guidance 2023 edition - Local Partnerships*

18.2 Previous Cabinet / Sub Committee reports:

- August 2014 item 35: Meeting of Cabinet on Tuesday, 5th August, 2014, 7.30 pm | North Herts Council
- March 2015 items 126 & 128: Meeting of Cabinet on Tuesday, 24th March, 2015, 7.30 pm | North Herts Council
- December 2015 item 81: Meeting of Cabinet on Tuesday, 15th December, 2015, 7.30 pm | North Herts Council
- November 2017 item 60 & 62: Agenda for Cabinet on Tuesday, 21st November, 2017, 7.30 pm | North Herts Council
- September 2019: Agenda for Cabinet Sub-Committee (Local Authority Trading Companies' Shareholder) on Friday, 20th September, 2019, 3.00 pm | North Herts Council
- December 2021: Agenda for Cabinet Sub-Committee (Local Authority Trading Companies' Shareholder) on Tuesday, 21st December, 2021, 9.00 am | North Herts Council
- March 2023: Agenda for Cabinet Sub-Committee (Local Authority Trading Companies' Shareholder) on Wednesday, 1st March, 2023, 10.00 am | North Herts Council
- July 2023: Agenda for Cabinet Sub-Committee (Local Authority Trading Companies' Shareholder) on Friday, 21st July, 2023, 10.00 am | North Herts Council
- November 2024: Agenda for Cabinet Sub-Committee (Local Authority Trading Companies Shareholder) on Thursday 28th November 2024