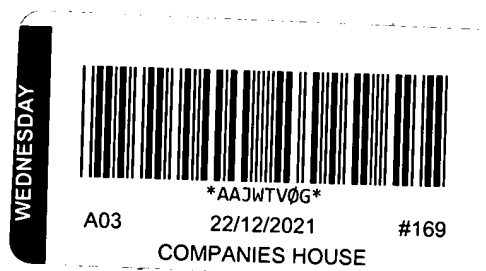


COMPANY REGISTRATION NUMBER: 1952969

NHBC Building Control Services Limited
Annual Report and Financial Statements
31 March 2021



NHBC Building Control Services Limited

Financial Statements

Year ended 31 March 2021

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NHBC Building Control Services Limited

Strategic Report

Year ended 31 March 2021

Who we are and what we do

NHBC Building Control Services Limited ("BCS") is the largest single building control body throughout England and Wales with 35 years of experience. Regulated and licensed by the Construction Industry Council Approved Inspectors Register (CICAIR), BCS provides building control on residential, mixed-use and commercial projects of all sizes and complexities, providing dedicated support and technical advice for builders and their agents. BCS is central to the National House-Building Council's purpose of helping to maintain and raise standards across the industry, also supporting Government and the wider construction sector on regulation changes and other industry issues.

Our strategy and objectives

Our business strategy is focussed on providing services that support the National House-Building Council to achieve its objectives of working with the house-building and wider construction industry to raise the standard of new homes and to provide consumer protection for homeowners.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks and uncertainties.

The key business risks and uncertainties affecting the Company relate to legislative changes introduced by the Government which may limit our potential market, increased competition from other building control bodies in a smaller available market with potential business loss through builder defection.

The Draft Building Safety Bill has been published following the Independent Review of Building Regulations and Fire Safety led by Dame Judith Hackitt commissioned following the Grenfell Tower tragedy. The draft bill enables the statutory introduction of a new national Building Safety Regulator ("BSR") within England, alongside other changes following the principles of the detailed recommendations made in the independent review. The new BSR has been formed in shadow form within the Health and Safety Executive and we continue to engage with Government and the shadow BSR to help establish effective building regulations and practices. The outcome has the potential to affect significantly BCS's activities, particularly in relation to high rise residential buildings. The Welsh Assembly Government has also published its recommendations and has indicated that BCS and other Approved Inspectors will be restricted from offering its services to customers building high rise residential buildings in Wales.

The industry has recovered positively from the impact of the Covid-19 pandemic aided by demand-side stimulus from Government through stamp duty relief and help to buy. The impact of the United Kingdom leaving the European Union has yet to be fully understood, with any impact being difficult to disaggregate from pandemic effects. There are strains in the supply chain affecting labour and materials which are likely to have some commercial and operational impact on house builders in the short term. These risks have an indirect effect on BCS, where we retain the resource and expertise to ensure regulatory functions are discharged and service is delivered to customers to the standard required.

Financial risk management objectives and policy have not been disclosed as the directors believe the disclosure is not material to users' understanding of the Company's financial statements.

The Company's risks and uncertainties are considered and reviewed by the BCS Board at each Board meeting with action being recommended and taken as appropriate.

NHBC Building Control Services Limited

Strategic Report *(continued)*

Year ended 31 March 2021

Review of the year

The number of new homes registered with the Company for residential building control was 18.0% lower than the previous financial year whilst completion volumes decreased by 24.5%. Total turnover decreased by 20.6% as a consequence. The Company recorded a profit before taxation in the financial year of £543,669 (2020: £2,254,866). After allowing for corporation tax and dividends paid, shareholders' funds have increased to £4,847,510 (2020: £4,303,454).

Given the straightforward nature of the business, the Company's directors are of the opinion that detailed analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

Outlook


The outlook for BCS is closely associated with prospects for house building which itself is likely to out-perform many other sectors of the UK economy, not least because of expected continued active support from Government. The Board continues to monitor market activity levels and economic prospects, continuing to place emphasis on customer service and building on core competencies within BCS. The business will continue to invest in resources which will allow it to meet future challenges as they arise and to continue to return a satisfactory level of profit to the National House-Building Council.

The full implications of proposals in the Draft Building Safety Bill are yet to be fully understood along with the impact on the building control market, broader building regulations, construction standards and social policy. We will continue to seek to influence outcomes through engagement with Government and other stakeholders; this should mitigate risks for BCS.

Corporate governance

The Company is a wholly owned subsidiary of the National House-Building Council. The Board of BCS ensures that the Company achieves an appropriate standard of governance having regard to its constitution and the regulatory framework in which the Company operates.

This report was approved by the board of directors on 28 June 2021 and signed on behalf of the board by:

DocuSigned by:

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P Hosking
Director

Registered office:
NHBC House
Davy Avenue
Knowlhill
Milton Keynes
Bucks
MK5 8FP

28/6/2021

NHBC Building Control Services Limited

Directors' Report

Year ended 31 March 2021

The directors present their report and the financial statements of the company for the year ended 31 March 2021.

Directors

The directors who served the company during the year were as follows:

P Hosking
D Marshall
S Wood
S Evans
A Webster

Unless stated otherwise, the directors listed above served up to the date of the sign-off of the accounts.

Dividends

Particulars of recommended dividends are detailed in note 10 to the financial statements.

Disclosure of information in the strategic report

The company has disclosed information on future developments and use of financial instruments in the strategic report.

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

NHBC Building Control Services Limited

Directors' Report *(continued)*


Year ended 31 March 2021

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This report was approved by the board of directors on 28 June 2021 and signed on behalf of the board by:

DocuSigned by:

25C090A137944C7...

P Hosking
Director

Registered office:
NHBC House
Davy Avenue
Knowlhill
Milton Keynes
Bucks
MK5 8FP

28/6/2021

NHBC Building Control Services Limited

Independent Auditor's Report to the Member of NHBC Building Control Services Limited

Year ended 31 March 2021

Opinion

In our opinion the financial statements of NHBC Building Control Services Limited (the Company):

- give a true and fair view of the state of the Company's affairs as at 31 March 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of income and retained earnings;
- the statement of financial position; and
- the related notes 1 to 16.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) [ISAs (UK)] and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the FRCs') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

NHBC Building Control Services Limited

Independent Auditor's Report to the Member of NHBC Building Control Services Limited *(continued)*

Year ended 31 March 2021

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the Company's industry and its control environment, and reviewed the Company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, internal audit and those charged with governance

NHBC Building Control Services Limited

Independent Auditor's Report to the Member of NHBC Building Control Services Limited *(continued)*

Year ended 31 March 2021

about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the Company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act (2006) and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

The company earns revenue from its inspection activities and there is a fraud risk that revenues are inappropriately accelerated or deferred between accounting periods.

We have assessed that there is a significant risk of material misstatement relating to revenue recognition which is pinpointed to the cut-off assertion specifically around the year end.

- We have obtained an understanding of the revenue process, including procedures for determining the recognition of revenue for deferred inspection income;
- Assessed the design and implementation of controls in the revenue process specifically focusing on the controls that address revenue recognition cut-off; and
- Performed additional cut-off testing around the year-end date by selecting additional samples for revenue recognised in March 2021 and April 2021 to identify any transactions which may have been erroneously recognised as revenue in the incorrect period

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house / external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
 - the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.
-

NHBC Building Control Services Limited

Independent Auditor's Report to the Member of NHBC Building Control Services Limited *(continued)*

Year ended 31 March 2021

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

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Claire Clough, FCA (Senior Statutory Auditor)

For and on behalf of
Deloitte LLP
Statutory auditor
London, UK

28 June 2021

NHBC Building Control Services Limited**Statement of Income and Retained Earnings****Year ended 31 March 2021**

	Note	2021 £	2020 £
Turnover	4	11,443,199	14,406,314
Gross profit		<u>11,443,199</u>	<u>14,406,314</u>
Administrative expenses		10,904,139	12,211,669
Operating profit	5	<u>539,060</u>	<u>2,194,645</u>
Other interest receivable and similar income	8	<u>4,609</u>	<u>60,221</u>
Profit before taxation		<u>543,669</u>	<u>2,254,866</u>
Tax on profit	9	<u>387</u>	<u>—</u>
Profit for the financial year and total comprehensive income		<u><u>544,056</u></u>	<u><u>2,254,866</u></u>
Dividends paid and payable	10	—	(2,000,000)
Retained earnings at the start of the year		<u>4,303,454</u>	<u>4,048,588</u>
Retained earnings at the end of the year		<u><u>4,847,510</u></u>	<u><u>4,303,454</u></u>


All the activities of the company are from continuing operations.

The notes on pages 11 to 15 form part of these financial statements.

NHBC Building Control Services Limited**Statement of Financial Position****31 March 2021**

	Note	2021 £	2020 £
Current assets			
Debtors	11	16,005,815	15,056,108
Cash at bank and in hand		151,228	106,438
		<u>16,157,043</u>	<u>15,162,546</u>
Creditors: amounts falling due within one year	12	11,259,533	10,809,092
Net current assets		<u>4,897,510</u>	<u>4,353,454</u>
Total assets less current liabilities		<u>4,897,510</u>	<u>4,353,454</u>
Net assets		<u>4,897,510</u>	<u>4,353,454</u>
Capital and reserves			
Called up share capital	14	50,000	50,000
Profit and loss account	15	4,847,510	4,303,454
Shareholder funds		<u>4,897,510</u>	<u>4,353,454</u>

These financial statements were approved by the board of directors and authorised for issue on 28 June 2021, and are signed on behalf of the board by:

DocuSigned by:

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P Hosking
 Director

Company registration number: 1952969

28/6/2021

The notes on pages 11 to 15 form part of these financial statements.

NHBC Building Control Services Limited

Notes to the Financial Statements

Year ended 31 March 2021

1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is NHBC House, Davy Avenue, Knowlhill, Milton Keynes, Bucks, MK5 8FP.

2. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis.

Going concern

After reviewing the Company's forecasts and projections, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements. The Company's Board of directors have considered the effect of Covid-19 in their assessment of the Company's going concern.

Disclosure exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the financial statements of National House-Building Council which can be obtained from The Secretary, NHBC, NHBC House, Davy Avenue, Knowlhill, Milton Keynes, Bucks, MK5 8FP. As such, advantage has been taken of the disclosure exemptions available under paragraph 1.12 of FRS 102.

No cash flow statement has been presented for the company.

Disclosures in respect of financial instruments have not been presented.

No disclosure has been given for the aggregate remuneration of key management personnel.

Judgements and key sources of estimation uncertainty

There are no significant judgements or sources of estimation uncertainty in preparation of the Company's financial statements.

Revenue recognition

Turnover is measured at the fair value of the consideration received or receivable for goods supplied and services rendered, net of discounts and Value Added Tax.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have transferred to the buyer (usually on despatch of the goods); the amount of revenue can be measured reliably; it is probable that the associated economic benefits will flow to the entity; and the costs incurred or to be incurred in respect of the transactions can be measured reliably.

NHBC Building Control Services Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2021

3. Accounting policies *(continued)*

Revenue recognition *(continued)*

Revenue from the rendering of services is measured by reference to the stage of completion of the service transaction at the end of the reporting period provided that the outcome can be reliably estimated. When the outcome cannot be reliably estimated, revenue is recognised only to the extent that it is probable the expenses recognised will be recovered.

Income tax

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

4. Turnover

Turnover arises from:

	2021	2020
	£	£
Rendering of services	<u>11,443,199</u>	<u>14,406,314</u>

The whole of the turnover is attributable to the principal activity of the company wholly undertaken in the United Kingdom.

5. Operating profit

Operating profit or loss is stated after charging:

	2021	2020
	£	£
Fees payable for the audit of the financial statements	<u>5,000</u>	<u>5,250</u>

6. Employee information

There were no direct employees of the Company during the year (2020: Nil). The salary costs incurred in the year relate to employees of the National House-Building Council, which makes a recharge to the Company in respect of their services.

NHBC Building Control Services Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2021

7. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services was:

	2021 £	2020 £
Remuneration	<u>99,600</u>	<u>139,500</u>

There were a maximum of five directors (2020: five) serving NHBC Building Control Services Limited at any one time during the financial year. All directors were paid for by National House-Building Council and then recharged to the Company.

8. Other interest receivable and similar income

	2021 £	2020 £
Interest from group undertakings	<u>4,609</u>	<u>60,221</u>

9. Tax on profit

Major components of tax income

	2021 £	2020 £
Deferred tax:		
Origination and reversal of timing differences	(387)	—
Tax on profit	<u>(387)</u>	<u>—</u>

Reconciliation of tax income

The tax assessed on the profit on ordinary activities for the year is lower than (2020: lower than) the standard rate of corporation tax in the UK of 19% (2020: 19%).

	2021 £	2020 £
Profit on ordinary activities before taxation	<u>543,669</u>	<u>2,254,866</u>
Profit on ordinary activities by rate of tax	103,297	428,425
Utilisation of tax losses	(103,212)	(428,425)
Deferred tax written-off	(472)	(50)
Effect of tax rate differences between current and deferred taxes	—	50
Tax on profit	<u>(387)</u>	<u>—</u>

10. Dividends

	2021 £	2020 £
Dividends paid during the year (excluding those for which a liability existed at the end of the prior year)	<u>—</u>	<u>2,000,000</u>

NHBC Building Control Services Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2021

11. Debtors

	2021	2020
	£	£
Trade debtors	751,984	695,242
Amounts owed by group undertakings	10,059,763	9,294,683
Deferred tax asset	387	—
Prepayments and accrued income	5,193,681	5,066,183
	<u>16,005,815</u>	<u>15,056,108</u>

Amounts owed by group undertakings arise from transactions with group entities in the ordinary course of business. Interest is charged with reference to Bank of England base rate and amounts are repayable on demand.

12. Creditors: amounts falling due within one year

	2021	2020
	£	£
Accruals and deferred income	10,372,256	10,102,715
Social security and other taxes	712,031	615,324
Other creditors	175,246	91,053
	<u>11,259,533</u>	<u>10,809,092</u>

13. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	2021	2020
	£	£
Included in debtors (note 11)	<u>387</u>	<u>—</u>

The deferred tax account consists of the tax effect of timing differences in respect of:

	2021	2020
	£	£
Accelerated capital allowances	<u>(387)</u>	<u>—</u>

14. Called up share capital

Issued, called up and fully paid

	2021		2020	
	No.	£	No.	£
Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>

15. Reserves

Profit and loss account - This reserve records retained earnings and accumulated losses.

NHBC Building Control Services Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2021

16. Controlling party

National House-Building Council ("NHBC"), a Company limited by guarantee and registered in England, is the Company's immediate, ultimate, smallest and largest parent company. NHBC is the parent of the Group into whose consolidated accounts the Company is consolidated. Copies of the financial statements of the NHBC can be obtained from The Secretary, NHBC, NHBC House, Davy Avenue, Knowlhill, Milton Keynes, Bucks, MK5 8FP.