



**Report to:** Cabinet

**Subject:** Proposal to merge the Building Control services of Gedling Borough Council and Newark and Sherwood District Council

**Date:** 28<sup>th</sup> November 2007

**Author:** Building Control Manager on behalf of the Head of Planning & Environment

### **Background and Rationale**

Members will be aware that since May 2007 formal agreements have been put in place for all 8 Building Control services in Nottinghamshire to be managed by the 5 Building Control managers as part of a management team. This was the first stage of proposals to ultimately form a combined countywide Building Control Unit.

As part of this initiative the manager from Gedling Borough Council has been managing Newark & Sherwood DC Building Control since the departure of the previous manager in March 2007. Since then a number of initiatives have been undertaken providing cost efficiencies to both Authorities in relation to training. Following the departure of another officer, inspections have been carried out by officers from Gedling within an area of the District to ease the pressures placed on remaining Newark & Sherwood staff pending recruitment. There have been clear salary savings and efficiencies from this initiative that could be realised from a formal merging of the two services. This would also provide a stimulus to the wider initiative of the County working project.

The purpose of this report is to request authorisation for a formal merge subject to whether the projected benefits justify the cost of carrying out the merger and illustrate through the project plan how due diligence will be followed to consider all aspects of the proposal.

### **Objectives**

The objective of the merge will be;

- To maintain and build upon a first class Building Control service to customers and stakeholders
- To build in robustness and resilience of service
- To identify efficiencies and gains that can be made through shared services
- To limit amount of work lost to Approved Inspectors

- To raise the profile of the merged services
- To explore the possibility of moving eventually to a local authority company to deliver the service in order to allow a more flexible approach to be taken regards the retention of trading surpluses
- Identify opportunities for joint funded posts with other Authorities in the County that can be used to benefit of cross boundary working e.g. trainees, specialist officers

## **Scoping Report**

There are 5 clear stages to be considered within the project plan;

### **Phase 1 Decision to merge**

- Test the business case for the merger with a detailed assessment of the costs and benefits of carrying it out, using due diligence to further the understanding of the existing organisations

### **Phase 2 Early Planning**

- Set the structure and processes that will be needed to make the merger a success, including a measurement framework to monitor how the merger achieves its objectives.

### **Phase 3 Detailed Planning**

- Validate in detail any assumptions in the business case and develop detailed plans for integrating the organisations

### **Phase 4 Implementation**

- Ensure rigorous programme and change management to ensure that integration of the bodies is on time and uncertainty is minimised for staff and stakeholders

### **Phase 5 Benefits Optimisation**

- Ensure that each aspect of integration is approached at the right time so that benefits are delivered and the objectives of the merger achieved

## **Financial**

Accounts are currently under scrutiny from officers of both Authorities and a full breakdown of costs will be forwarded in due course for consideration

## **Human Resources**

In view of existing terms and conditions of staff, early indications are that it would be more appropriate for Gedling staff to be transferred under TUPE to Newark & Sherwood DC. Discussions with Personnel sections at both Authorities are being undertaken and comments will be forwarded in due course for consideration.

## **Operational**

Service costs are currently under scrutiny from officers of both Authorities and a full breakdown will be forwarded in due course for consideration. It is not intended at this stage to centralise the two services and that office space would be "rented" at Gedling to facilitate appropriate cover for the Borough and maintain full integration with Council functions and duties e.g. Local land searches, Development Control liaison.

### **Legal Implications**

Indemnity and Liability Insurance requirements together with formal contract particulars e.g. Exit strategy and implications for County initiative, are currently under scrutiny from officers of both Authorities and a separate report will be forwarded in due course for consideration.

GBC will probably require a 'client function' to be retained. Further consideration should be given to the wider issues of service provision across the whole Council and how this could be consolidated and managed in conjunction with the 'client function'.

### **Union Involvement**

Initial discussions with Regional Unison representatives concerning the County proposals have proved positive. Detailed discussions will be undertaken as part of due diligence.

### **Risk Assessment**

Post and Pre merge risk assessments are to be undertaken and a full report will be forwarded in due course for consideration

### **Due Diligence**

Areas that will be examined are contained in Appendix 1

### **Key Milestones**

Committee dates for both Authorities are as follows;

#### **Briefing Paper**

NSDC Cabinet	6th December	deadline 28th November
GBC Cabinet	6th December	deadline 28th November

#### **Personnel TUPE**

NSDC GPC	10th January 08	deadline 3rd January 08
GBC P&R	4th February 08	deadline 28th January 08

#### **Final Approval**

NSDC Cabinet	28th February 08	deadline 21st February 08
GBC Cabinet	6th March 08	deadline 28th February 08

See project plan in Appendix 2 for more detail.

### **Project Team**

To achieve the targets identified within the project plan a team will be required and include a nominated representative of each Authority from;

Finance

Personnel

and Legal sections

The team should report to the Head of Service for each Authority and be able to call on assistance by nominated staff when required in relation to Information Technology, Health & Safety and Audit. GBC will also require a 'client function' to be retained and a representative will need to be nominated as part of this process.

### **Recommendation**

- (a) Cabinet support the principle of a formal merger of the Building Control Services of Gedling Borough Council and Newark & Sherwood District Council, with this Newark & Sherwood District Council acting as the host/employing authority; and**
- (b) officers be authorised to prepare a full business case dealing with all the issues outlined in this report, and submit a further report on this to the Cabinet for further consideration.**

### **Reasons for Recommendations**

To maintain and build upon a first class Building Control service to customers and stakeholders, to build in robustness and resilience of service following staff departure to private sector competition, to identify efficiencies and gains that can be made through shared services (including any salary and operational savings that could be made), to raise the profile of the merged services and to create a step change to service delivery that will provide a stimulus towards a County Building Control Unit.

## Appendix 1

### Identified areas for due diligence in the merger process

Area	Aspects Included	Public Sector Equivalent
<b>Financial</b>		
Historical Data Income Statements	Distribution of revenue, cost of sales, corporate reallocations	Key differences in accounting policies Historic surplus or deficits and performance relative to budget Main sources of funding including post merger Main expenses incurred Transactions with other parts of organisation
Historical Data Cash Flow statements	Sources and use of cash, working capital requirements	Sources and use of cash Capital expenditure summaries Split of expenditure between Statutory and Non statutory functions Method of cash receipt transfer Working capital requirements
Historical Data Balance Sheet	Inventory valuations, fixed asset summaries, loans and other obligations	Description and valuation of inventories Fixed asset summary type, location, value Adequacy of asset records and balances Intra group and govt balances Investments and Liabilities Financial statements and accounts
Financial reporting capability	Staffing, Accounting controls	Staffing and data processing facilities Financial reporting - data collection Accounting controls Current auditors
Projected financial data	Income Statement, assumptions, cash flow	Major assumptions including certainty over future funding sources Working capital requirements Movement in major balance sheet accounts Projected financial statements, current annual budget and long term strategic plan
<b>Legal</b>		
Legal	Ownership, structure, litigation, material long term contracts	Reporting mechanisms and resource boundary Legal status Main leases in operation, cost and term Litigation pending or threatened Relationship with other public sector bodies Material long term contracts or commitments Develop SLA's for statutory non fee earning functions
<b>Business</b>		
Products / Services	Description and breakdown of products / services	Key activities performed and overall aims in service delivery to the public

		<p>Nature of activities (statutory / discretionary)</p> <p>Main customers (public / businesses)</p> <p>Fee earning activities and any restrictions</p> <p>Any alternative suppliers</p> <p>Restrictions (statutory or political)</p> <p>New services to be offered/ future change</p>
Business Strategy	Industry trends, customer / competitor strategies, future acquisitions etc	<p>Short and long term trends affecting the body</p> <p>Current organisational plan &amp; strategies</p> <p>PSA targets and other objectives</p> <p>Political importance/ profile within parliament</p>
Communications and Marketing	Organisation of staff, stakeholder relationships	<p>Communication with stakeholders through major campaigns</p> <p>Public relations and complaints history</p> <p>Discussions with Unions</p> <p>Importance within the press and PAC</p> <p>External reports on the bodies</p> <p>Stakeholder surveys</p>
<b>Human Resources</b>		
Organisation	Organisation charts, reporting etc	<p>Organisation charts</p> <p>Description of reporting relationships</p>
Management	Management CV's, compensation etc	<p>Management CV's compensation and contracts</p> <p>Ability of existing management to run newly merged organisation</p>
Employees	Headcount, skills base, turnover etc	<p>Headcount by organisation /location</p> <p>Description of labour skill base</p> <p>Turnover and absenteeism</p> <p>Current wage rates (and disparities)</p> <p>Cultural differences between organisations</p> <p>Union representation</p>
Compensation Structures	Salaried vs. Hourly rate employees, retirement plans, severance plans	<p>Current and future pension arrangements</p> <p>Existence of reserved rights within pension scheme and future cost</p> <p>Severance plans</p>
Post Completion	Organisational structure, retention of key management etc	<p>Organisational structure post completion</p> <p>Retention of key management/ personnel</p> <p>Transferability of existing skills</p> <p>Ability to redeploy surplus staff</p>
<b>Operations and facilities</b>		
Location and facilities	Location and quality of facilities	<p>Description of location, tenure of occupation, quality, age and layout of facilities</p> <p>Description of significant fixed assets</p> <p>Strengths and weaknesses of asset base</p> <p>Information technology usage</p> <p>Description of key processes</p> <p>Reliance on skilled labour or key</p>

		suppliers and impact of merger Licensing of IT systems and contract arrangements for maintenance and upgrades
Quality Assurance	Q&A programmes, technical service and support	Appropriate measure of quality for the previous and new organisation Current performance assessments of quality
Cost Analysis	Fixed/ Variable costs, indirect costs etc	Cost profile and how this will influence intended savings Incentive schemes to be provided to staff
<b>Risk Management</b>		
Sustainability	Community and environmental impact	Relative importance of environmental factors Authorisation prior to disposal of waste Political impact on local communities
Health & Safety and Insurance	records of injuries, current safety programmes, policies etc	Importance of H&S issues Historical records of accidents or injuries Assessment of current safety procedures Any current insurance policies held
Tax	Tax, audit status, payroll taxes etc	Tax status Current taxes payable particularly VAT
Treasury	Cash Management systems, treasury policy	Details of bank accounts held Cash management systems and security Restrictive covenants or ring-fenced funds Foreign exchange exposure Treasury policies and procedures for draw down of grant aid etc





## **Appendix 2**

### **Project Plan**

See separate Acrobat pdf file attached