

Report for Resolution

Report to Executive
24 February 2010
Report of Deputy Chief Executive
Subject Extension of the CNC Building Control Partnership

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Purpose

To seek the approval of the Executive to extend the membership of the CNC Building Control Partnership to include the Borough Council of King's Lynn and West Norfolk.

Recommendations

To approve the extension of membership of the CNC Building Control Partnership to include the Borough Council of King's Lynn and West Norfolk.

Financial Consequences

The financial consequences of this report are that BCKLWN will contribute to the finances of the CNC Building Control Partnership, but that this might also expose the partnership, and therefore the 4 partners to increased losses (see Risk Assessment).

Risk Assessment

The cultural differences between the partners may prove more problematic than currently appear, leading to the loss of partnership and business efficiency. In this case the partnership may deteriorate leading to one or other organisation withdrawing. This may result in a short-term financial loss. However, this risk would be balanced by the potential opportunities for long-term financial stability presented by the partnership.

There is a risk that a partnership of four partners – with the potential of balanced votes - may lack the decisiveness essential for any effective organisation operating in a highly competitive environment. This will need to be an issue addressed through the review of legal and organisational arrangements.

If the current economic position were to dramatically worsen a new, enlarged partnership might be exposed to even more substantial losses in terms of staff and other fixed costs. However, current data suggests that the economic climate is improving. Also, any significant losses would now be shared between four as opposed to three partners as in the existing arrangements.

Strategic Priority and Outcome/Service Priorities

The report helps to meet the strategic priority Aiming for Excellence

Executive Member: Brian Morrey

Ward: All Wards

Contact Officers

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Background Documents

Minutes of the meeting of the CNC Building Control Joint Committee held on Monday 18 January 2010.

Report

1. At the latest CNC Joint Committee held on 18 January 2010 a business case was presented by CNC management team to extend the partnership to include the Borough Council of Kings Lynn and West Norfolk (BCKLWN). At this meeting it was agreed by all partners to recommend to their Councils to proceed with the extension of the Partnership. In addition, it was agreed that the wider review of the governance of the partnership should take place. In addition it was resolved to allow BCKLWN to become an equal shareholder in CNC CS. It was also agreed to proceed with a joint restructuring process to be implemented at the same time.
2. The extension of the Partnership is subject to a number of conditions:
 - 2.1 That BCKLWN pay an entry sum for joining the Partnership. This will be equal to the required contribution to reserves held in proportion to the turnover of the region, similar to those retained for the existing partners
 - 2.2 In order to become a full and equal shareholder in CNC CS, BCKLWN will also purchase a share in the company equal to that paid by other shareholders and make the same loan facility available as the existing shareholders have
 - 2.3 In line with the detailed financial assessment of long-term viability 9.26 fte staff, including business support staff, should be transferred from BCKLWN into the new partnership. The business case has shown that transferring this number of staff will allow the new Partnership to deliver a balanced budget in year 2010 and beyond.
 - 2.4 That the BCKLWN incur the costs of releasing staff over the required 9.26 fte that are required following a needs assessment of the business.
 - 2.5 That the BCKLWN make an additional contribution to enable the release of sufficient management time from the existing CNC Management team to ensure that the required transition and cultural/business model change can be achieved.
 - 2.6 That extension of the Partnership will be treated as an opportunity for a wider review of partnership/company agreements, legal structures, management and meeting arrangements to make sure that they are all fit for purpose.
 - 2.7 That the extension of the partnership be for an indefinite period, subject to a 1 year notice period from any partner.
- 3 Key elements of the business case are:
 - 3.1 The opportunity for business expansion in CNC BC and CS presented by the extension. CNC BC market share is currently 95%, which presents a major constraint on further growth. In contrast,

BCKLWN currently has only 70% market share in its local area. Access to this relatively unsaturated market for a larger invigorated organisation will present a major opportunity for business expansion. Besides offering advantages for CNC BC it is also expected that CNC CS will have the opportunity for even more significant growth.

- 3.2 The enlarged partnership will create an invigorated organisation with far greater critical mass and economies of scale. As a result there will be greater resilience and flexibility in resourcing and service delivery. Also, good practice and effective standardised working currently found in both areas of the partnership will bring increasing business efficiency throughout.
- 3.4 CNC BC restructuring proposals will also enable the new partnership to create an organisational structure that will further optimise efficiencies and costs. This will still see the reduction by three posts of the staffing levels in the Norwich office. Also, it will create a robust structure with area managers and business support in both office locations.
- 3.5 It will provide the opportunity to review the legal and organisation arrangements around the partnership and company. This will seek to ensure that both organisations have more effective management arrangements and controls, communication and accountability. This would also allow the relationship between the partnership and company to be redefined to encourage greater transparency and responsiveness to the aspirations of the partner organisations.
- 3.6 The implementation of the restructure and the inclusion of BCKLWN will ensure that the Joint Committee meets the initial objectives set of having a long term balanced budget, with the potential that the deficits made can be recovered by the partners. If CNC completed the proposed restructure without the inclusion of BCKLWN, a balanced budget would still be achievable, but without the potential to recover the previous year deficits.