Paving the Way: Helping Councils Prepare for the Future

All shire county and district councils are affected by reorganisation in one way or another...

- unitary councils will be established in Wales and the Isle of Wight
- ministers have accepted unitary councils in Cleveland, Avon, Humberside and York
- other unitary councils are anticipated
- and status quo councils must live up to their promises to make the two-tier system work better

... but in the current uncertainty some councils are acting irresponsibly

- refusing to cooperate with neighbours
- planning for other councils’ services
- making financial commitments which incoming councils will inherit

All councils should be preparing for the future...

- getting their records straight, in a format agreed with neighbours
- keeping staff informed to maintain morale
- following prudential guidelines on finance
- laying the foundation for white-collar CCT

... because good project planning and timely action will pave the way

- for successful changeover, at minimum cost
- to maximise the opportunities and minimise the risks of change
- and for good quality services, whatever the future structure.

Every council should use the checklists in Paving the Way to plan for the future.

Local Government Reorganisation Paper Number 2 December 1994
The Audit Commission

... promotes proper stewardship of public finances and helps those responsible for public services to achieve economy, efficiency and effectiveness.
Introduction

1. In May 1994 the Audit Commission published a consultative paper, *Time for Change?* (Ref. 1), on the implementation of Local Government Reorganisation. This described the Commission’s concerns for both ‘outgoing’ and ‘incoming’ councils to prepare thoroughly for handover. Copies were sent to all local authorities and other stakeholders such as the professional bodies, voluntary organisations and government departments.

2. The paper included a questionnaire asking for comments on the Commission’s approach. Most responses welcomed the role identified for the Audit Commission and its appointed auditors in helping local authorities during the reorganisation process. Assistance will be needed in areas of long-standing auditor expertise, such as ensuring financial probity, adequate controls and the monitoring of assets. The Commission will also draw on its expertise in encouraging value for money in service delivery, and on parallels with experience elsewhere, for example in local government in New Zealand (Ref. 2) and in the wider context of other public and private sector mergers and demergers.

3. With respect to reorganisation, the Audit Commission’s work has two purposes:
   - maximising the potential benefits, e.g. helping new authorities to realise opportunities for improved service delivery;
   - minimising the risks, both of deterioration of service and financial controls in the final months of outgoing authorities, and of service failure after handover.

4. This paper, the second in the series, analyses in greater depth the tasks for outgoing authorities in order to ensure a smooth transition. Further guidance for incoming authorities will be provided in the Commission’s next paper on reorganisation, due for publication in Spring 1995. It is not possible entirely to separate the two sets of issues: preparations by outgoing councils affect the work to be carried out by incoming councils, and the success or failure of the handover. Only an outgoing council can convene the first meeting of the new; and only an incoming council can wind up the affairs of the old. Often, the same staff will do the work for both old and new councils. The guidance in the Commission’s published papers will be reinforced by the work of its local auditors at individual authorities. Auditors will carry out a review of each authority’s preparations for change.

5. Some councils in England may be unaffected by structural change; and others may be only partially affected. Some of the advice of this paper, *Paving the Way*, is no less relevant to such councils because they still face challenges requiring extensive preparations, particularly in respect of compulsory competitive tendering (CCT).
Change means uncertainty

6. Any reorganisation brings discontinuity and uncertainty for local government, even where the future structure is known. When old local authorities are abolished and replaced by new, there is inevitable political instability. Membership will probably change more than at a normal election. A new council may include several categories of member:

- current district councillors;
- current county councillors;
- current members who serve on both county and district;
- new members with no previous experience of local government.

Some current members may have service dating back to pre-1974 County Boroughs; but their previous experience of the other tier’s services could be positively dangerous unless they recognise that the last 20 years have seen massive change in local authorities’ approach to those services. Excluded from a new unitary council will be current members who are employed in one tier of local government and who serve as members in the other tier, if the new council becomes their employer.

7. The balance between political parties could change, as might the geographical balance between members of the same party: as a result the political direction of the new council may be different from that of its predecessor. The future will be particularly difficult to predict where there is presently no overall political control, and it is entirely possible that political control of the new authority will differ from that in at least some of its predecessors.

8. Current members’ attitudes to their present authority will vary; some will seek a future in the new council, and will wish to concentrate on preparing for change, whilst others who do not intend to seek election will have shortened horizons and an agenda for action to be completed before changeover. Council officers must be aware that the political culture of the new council may well be different from that of the present council, even where party control does not change. Officers of outgoing councils should be careful not to presume on the policies of the future authority.

9. Officers also have different perspectives. Some will be seeking bigger jobs, in their present area or elsewhere, whilst others will be checking whether they will be eligible for early retirement by the changeover date. Many senior officers may feel vulnerable or may be professionally so committed to their present council that they can see only doom and gloom resulting from any new structure; others may see opportunities for personal and professional advancement from proposed changes.

Continuing uncertainty

10. If officer and member behaviour is confused, it is because the ‘phony war’ surrounding reorganisation in England is diminishing its credibility. Despite recent announcements, there is still much uncertainty over the final outcome. So far there is certainty in England only for the Isle of Wight, where the parliamentary order has set April 1995 as the reorganisation date, and in Wales, where the Local Government (Wales) Act 1994 was given Royal Assent in July. Reorganisation throughout Wales will take place in April 1996.

11. Authorities in England are at different stages (Box A): all areas have had draft or final recommendations from the Local Government Commission (LGC); some have progressed as far as Secretary of State decision and await the final decisions of
Parliament. The Government expects that a significant number of county areas will be reorganised in April 1996 (such as Cleveland, Avon and Humberside) with the remainder in April 1997. The process itself – LGC draft recommendations, consultation, LGC final recommendation to the Secretary of State (with referral back to the LGC in some cases), ministerial decision and Parliamentary order – is necessarily protracted. Nevertheless, the sooner the uncertainty facing authorities is removed, the better.

12. The absence of firm decisions is inhibiting sensible planning, and is being used by some county and district authorities as an excuse to delay cooperation. Whilst opponents of reorganisation are seeking to perpetuate such delays, they are not in the interests of public service. The Government should remove the uncertainty as soon as possible, both in respect of decisions on structure and for issues of compensation and other staffing matters, where there is an urgent need for the Staff Commission to give clear guidance. The later decisions are made, the more difficult it will be to conduct elections in sufficient time to allow shadow councils the opportunity for sensible planning.

Two-tier outcomes
13. So far, most thought has been given to preparing for a fresh start for new unitary authorities. It now seems likely that many authorities in England will continue in their present form as county or district councils in a two-tier structure. But this is not a reason for inaction: these authorities must take appropriate action even if they are not to be reorganised. As part of their submissions to the LGC, they may have recommended how the two-tier system could be made to work more effectively, and may have put forward imaginative ideas for improving links with the community. To maintain public credibility, they will need to live up to those commitments, for example by setting up one-stop shops, by establishing joint telephone switchboards or by acting in other ways to integrate services across the tiers.

<table>
<thead>
<tr>
<th>Parliamentary order:</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Isle of Wight</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Secretary of State decision:</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Cleveland</td>
</tr>
<tr>
<td>- Avon</td>
</tr>
<tr>
<td>- Humberside</td>
</tr>
<tr>
<td>- North Yorkshire</td>
</tr>
<tr>
<td>- Somerset</td>
</tr>
<tr>
<td>- Lincolnshire</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Final recommendations from the LGC:</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Bedfordshire</td>
</tr>
<tr>
<td>- Buckinghamshire</td>
</tr>
<tr>
<td>- Cambridgeshire</td>
</tr>
<tr>
<td>- Cheshire</td>
</tr>
<tr>
<td>- Cumbria</td>
</tr>
<tr>
<td>- Hampshire</td>
</tr>
<tr>
<td>- Kent</td>
</tr>
<tr>
<td>- Lancashire</td>
</tr>
<tr>
<td>- Oxfordshire</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Draft recommendations from the LGC:</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Remaining county areas</td>
</tr>
</tbody>
</table>
14. Status quo authorities will have to grapple with CCT sooner than they might have done if reorganised. They will need to do much of the work that reorganising authorities will have to undertake, in collecting information about services provided and resources used, and in drawing up specifications. There will be a significant management challenge for status quo authorities to undertake the tasks they face.

15. A further dimension to the challenge facing status quo authorities may arise if in future most local government staff work in unitary authorities. There may be problems of declining morale and fears of lack of progression for able staff working in two-tier authorities. New unitary authorities may be seen to be ‘where the action is’. This is something which should concern status quo authorities of both tiers and is already exercising some chief executives who fear an exodus of their best staff. In response, districts and counties could agree to temporary exchanges of staff who work in common functions such as financial, administrative, legal and planning departments, so that they gain broader experience. Not being reorganised does not exempt a council from the management challenge surrounding the reorganisation process. In the words of one local government officer: ‘there’s no such thing as no change’.

What needs to be done

16. Where change has been decided upon, authorities have much to do. Preparations in the Isle of Wight should already be well advanced, although progress has been hampered by disagreement between the tiers over guidelines from the English Staff Commission on the fair treatment of staff. But, across the country, there is no justification for a lack of action by any council. Clearly debate will continue for some months but that should not preclude sensible cooperation between the tiers. The 1996 reorganisations are now just 15 months away and the pace of preparation will need to accelerate.

17. There is much to do in a short time. Experience from previous reorganisations, such as the abolition of the Inner London Education Authority (ILEA) in 1990, shows that setting up an education department in an existing authority is a major task (Ref. 3). In the current reorganisation there will be the added difficulty of creating entirely new authorities by the disaggregation and aggregation of existing ones. Final decisions on service planning in incoming authorities must wait until after shadow elections. But information collection in existing authorities, and the identification of potential service delivery options, should be completed before then, so that subsequent planning can proceed as quickly as possible.

18. Some districts and counties have been largely inactive either because they are convinced that they are going to disappear in any of the proposed structures – and as a result are under the mistaken belief that there are no preparations to be made because the new authorities will make all the running – or, worse, members and officers are taking an ostrich-like attitude, denying current reality, hoping that reorganisation will never happen and that they will be left to carry on much as before. In contrast, some large district authorities, are hyperactive, making preparations for unitary status on present boundaries, which may be beyond their legal powers. Some counties are purely reactive, reluctantly cooperating with their neighbours only where absolutely necessary and otherwise doing as little as possible, intending to make no preparations until the die is cast. What is needed is an interactive approach, where
county and districts work together (Exhibit 1). The level of interaction should increase as uncertainty decreases, but there should be cooperation even where disagreement remains about future structure, and much can be done even before final decisions are taken.

19. The Audit Commission has no intention of anticipating Parliamentary decisions about the structure of local government in England, or of influencing the debate about future structures (except where requested for an opinion by the LGC under section 16 of the Local Government Act 1992). But it cannot endorse the current lack of action affecting some parts of local government. All shire authorities, sooner or later, will benefit from carrying out essential groundwork now: for example, updating asset registers and recording service attributes, such as the level of provision, location of individual consumers and their special needs. Such work is never wasted. Even in an area where there is no change, service delivery should improve as a result of more complete information and a fresh look at options for service delivery.

20. The tasks facing authorities undergoing change are broadly similar (since services are similar) but the difficulties faced locally are likely to be related to the complexity of the new structure (Exhibit 2, overleaf). The proposed structure can condition current behaviour both because of its inherent complexity and because of the relationships between possible partners.

Exhibit 1
What kind of action?

What is needed is an interactive approach.
21. Issues to be addressed in this paper fall under five headings (Exhibit 3), which are the subject of the next five chapters:

1) **Cooperation / coordination**: vital to ensure a successful future;

2) **Records and information**: including asset registers, current service clients and specifications for services delivered;

3) **Staffing issues**: communication and consultation with staff to help maintain morale (even where hard information is lacking) and collection of detailed information about current staff. These are important to maintain essential services up to transfer, to enable rapid pick-up in successor authorities and to ensure fairness to all staff;

4) **Financial issues**: sound financial control, to ensure continued probity and regularity, and prudential issues, e.g. not entering into marginally justified long term commitments which would place a burden on successor authorities;

5) **Preparing for handover**: effective project planning to provide the maximum opportunity for incoming authorities to succeed, while not pre-empting future action or indulging in work which may be abortive when shadow councils start to take their own decisions.

22. These issues need to be considered in each of several stages:

- before the Secretary of State's decision
- before a Parliamentary decision;
- from the Parliamentary decision up to shadow elections, i.e. before shadow successor authorities formally come into effect. (In Wales the Transition Committees are operating during this period);
- from shadow elections up to the reorganisation date, i.e. where members

‘...difficulties faced locally are likely to be related to the complexity of the new structure’
and officers of outgoing authorities will be working in parallel with their incoming colleagues;

- **after handover**: although the outgoing authority will no longer exist, and responsibility for service delivery will have been handed on, work will be needed by the incoming authority to sort out outstanding issues and finally to close down the old authority with no loose ends.

The pace of preparation should increase through these stages. For example, even before Parliamentary decision, cooperation with neighbouring authorities, coordination of activities and early information collection in each county area should already have started. After a decision, there will be certainty about the new structure, and options for future service delivery can be identified. Once the shadow council has been elected, decisions on these options can be taken.

23. Good practice is easy to describe but, with some exceptions, has so far proved harder to find. In many parts of England and Wales there has to date been evidence in local government of a failure to start the necessary tasks, or of bad practice. The rest of this paper examines the five areas for action in more detail and also highlights examples of these failures. At the end of each section there is a good practice checklist so that every authority can examine, in parallel with the Commission’s appointed external auditors, its state of preparedness for the future.
1. Cooperation / Coordination

24. The process of local government review has usually been adversarial: at the national level between associations representing the different tiers, and at the local level between the tiers within a review area and even between neighbouring districts. Some professional bodies have entered the debate. The process has, in some areas, led to ill-feeling, tension and a lack of cooperation, which has caused some authorities to refuse to work with, or even talk to, neighbours. Such an attitude, usually centred on local politicians, can block progress as effectively as the man with the red flag who walked in front of early motor cars. The circumstances preceding impending change are adversely affecting the success of that change.

25. Yet for local government to have a successful future, the opposite is required: sympathy to a common end, cooperation amongst all those involved and coordination of effort. Only then will service delivery be safeguarded in the short term and opportunity be allowed for service improvements in the long term. This sort of cooperation and coordination is required both internally and externally (Exhibit 4). The law is constructed on the presumption that this will occur. However resentful they may be about new and...
proposed structures, councils should work with other stakeholders, including neighbouring councils and the other tier, and external bodies such as health authorities and voluntary bodies. Failure to cooperate is damaging to the interests of the public whom local government exists to serve.

Internal arrangements

26. For cooperation with others to work well, present authorities must organise themselves. At an early stage there should be an internal steering group, chaired by a senior corporate officer. This group should be supported, as necessary, by working groups for different service areas. Each should have a responsible coordinating officer. The work must be coordinated with the continuing role of the officers’ management team and the normal committee structure.

27. Activity will grow in intensity and scope throughout the period until changeover, reflecting progress through the stages outlined in paragraph 22 above. It must be properly resourced even though existing budgets are under pressure. And it must be coordinated with continued service delivery. This might involve designating staff to concentrate either on preparing for the future or on maintaining present services, to ensure both tasks go ahead without confusion. A balance must be maintained: if too much attention is directed to reorganisation issues, then existing services will suffer. Existing officer or member groups must continue to review service delivery or policy planning issues across services.

28. The provision of service information to an authority’s inhabitants will be important during the current uncertain period in England and during the transition phase, when there is likely to be considerable concern about service continuity. Existing customer care/customer focus initiatives, such as customer surveys, tenant satisfaction surveys and council newsletters and newspapers should be maintained as far as possible.

29. However, authorities must draw a distinction between the provision of information about services and the process of reorganisation, and persuasion of the electorate during the consultation phase designed to influence the eventual decisions. The former is within the lawful powers of local authorities; the latter may be deemed unlawful. Auditors have felt the need to draw this distinction in some areas. All authorities must satisfy themselves that their actions are lawful.

External arrangements

30. Existing links with other bodies, such as county / district links for consumer protection, or local authority / health authority links for community care will need to be maintained, or reforged. Where existing authorities are replaced by two or more successor authorities, new links between all authorities will be needed to replace existing links. For example, local authorities now have a statutory requirement to consult on their community care plans with other agencies. This did not apply in 1974. Appropriate consultation networks will be needed. In addition, new links will need to be created with neighbouring / designated successor authorities to facilitate a smooth handover. Local statutory and voluntary bodies fear that their role and participation could suffer in the period up to the reorganisation date as attention is focused elsewhere. This would be unfortunate, and efforts must be made to provide them with access to deliberations which affect them.

‘…there is likely to be considerable concern about service continuity’

There is a tradition in central government that civil servants can brief contending political parties before a general election. It is unfortunate that a similar protocol enabling local government officers to talk to their neighbours does not apply.

The Audit Commission has a long-standing interest in the development of community care and is currently considering the implications of reorganisation of local government in this area.
31. Liaison with other authorities may have broken down in the period of uncertainty and competition. In Wales before the Act was passed, as in some parts of England now, some councils refused to make any prudent preparations or to talk with relevant neighbouring councils about the possibility of change. Even now, there is little enthusiasm for cooperation in some places. This must change. Joint working groups should be set up as soon as possible for all service areas, involving both officers and members. In some parts of the country this can be relatively straightforward – for example, where a new unitary authority is to be created from an existing county (as in the Isle of Wight) or for each of the existing districts in a county (as in Cleveland). But sometimes, the pattern of necessary links can become quite complex and greater effort will be needed. In Dyfed, for example, six existing districts and the county council are cooperating to facilitate the setting up of three new unitary councils (Exhibit 5).

32. Cooperation between the tiers is critical now and will continue to be so after shadow elections, when outgoing and incoming authorities will need to recognise their respective roles and not trespass into each other’s territory. Continuing liaison

---

**Exhibit 5**

**Cooperation at several levels**

All the existing authorities are cooperating to facilitate the setting up of three new unitary councils.
between the two is essential (Exhibit 6), setting aside any legacy of antagonism, rivalry or disappointment with Parliament’s eventual decision. Outgoing authorities have three key roles:

- continuing to be responsible and accountable for the delivery of services up to the last day;
- enabling the transfer of functions to their successors, particularly by passing over information and records;
- and, in the early stages, helping to set up the successor authorities, e.g. by organising shadow elections and providing administrative support to new members.

Limits on action

33. Outgoing authorities should neither impede the planning of their successors, nor plan on their behalf. Even where authorities in England are technically defined as ‘continuing’, they should use the period up to the shadow elections only to identify options for presentation to the incoming council. Only when there is a newly elected council can members, whether with experience from the previous tiers, or elected for the first time, decide what to do and how to do it. Outgoing authorities should not anticipate the decisions of incoming authorities; if they do, the penalty is likely to be wasted effort since the newly-elected members will want to determine their own priorities and strategic vision. And newly-elected shadow authorities must respect the continuing role of outgoing authorities on which they must depend for administrative support in the early days, as well as for information about services and resources.

34. There is a danger that staff working in a present service who are preparing it for transfer to new authorities may be predisposed towards structures which involve minimum change from the status quo. Thus, a dialogue between predecessor

---

Exhibit 6
The roles of outgoing and incoming authorities

Continuing liaison is essential

---

* In Wales, change is effected by the Local Government (Wales) Act 1994
councils is needed to ensure that the range of identified options gives the incoming authority real choices.

35. Close cooperation between incoming and outgoing authorities will assist the process, and agreement should be sought on the division of responsibilities between the two. For example, one of the main tasks of an outgoing authority as it prepares for reorganisation is to collect service information and to analyse census data. Such data can be analysed for the new geographical areas to identify issues and options, enabling new authorities to reach decisions on future service delivery for both the short and long term. The statutory transition committees in Wales provide a framework for such cooperation. In England, the most efficient and effective way of achieving the equivalent is for the authority which currently deals with a service to be responsible for collecting and analysing the information relating to it.

36. The principle that present authorities should prepare information only on their own services is not universally accepted. In particular, there is a view in some districts that they wish to plan for county services. But until the new authority has been elected, there is no one with the legitimacy to take decisions or make plans for the new service. And such an approach will not provide the best basis for a harmonious merger with staff who currently deliver the service. What is needed is cooperation between the tiers: clearly a county council and a district council can together discuss the interface between their services - between social services and housing, for example.

37. Authorities are not entitled to anticipate powers which may be conferred upon them by future legislation. However, existing powers may be exercised to prepare for the assumption of functions which may be conferred by future legislation.

38. The above paragraph sets out the general position. How the law applies in any particular case will depend on the circumstances of that case, and specific legal advice should be sought. Authorities should evaluate proposed action on the basis of three tests:

- is it legal? in particular, can the authority demonstrate the existing power which it proposes to exercise?
- is it financially sensible?
- is it managerially sensible?

39. Particular issues will arise if a county council continues in a modified two-tier structure with the largest city in the county, such as Derby or Leicester, detached as a unitary authority. Downsizing and a refocusing of priorities will be necessary for a county council which loses the spending power associated with the city which leaves its jurisdiction. In such cases the county council may lack the incentive to assist with planning for the future of its services in the area it will lose. Where a county is to be abolished and its services divided, those who work on county services will have every incentive to take planning seriously. But where a county of reduced size continues, many of the county's staff may feel little commitment to planning the transfer of part of their service to the city that will become a unitary authority. Not surprisingly, such cities have an appetite to do the work themselves. These potential difficulties are compounded by the uncertainty of whether the reduced county will be defined as 'abolished' or 'continuing' but with a smaller area. The

See, for example, the Audit Commission's report Numbers that Count (Ref. 4).
Government can help by clarifying the position and should do so urgently.

40. There is a need to identify the critical areas for cooperation, particularly where joint arrangements may be needed. Among these is the future of Information Technology (IT) systems. Since 1974, there has been a massive increase in the importance of IT, across all service areas. As a result the current reorganisation will be particularly complicated. Cooperation is especially important to identify any incompatibility and the opportunities for sharing systems. It is estimated that two-thirds of the new Welsh authorities, for example, will start out with incompatible systems. The priority for all authorities must be to ensure a working handover for day one, if necessary using existing separate systems, and allowing the incoming authorities to develop new integrated systems in the longer term. To attempt to introduce new systems and hardware in the midst of so much other change could be a recipe for disaster. Outgoing authorities should identify strategic options, as described in the Audit Commission’s recent report on IT (Ref. 5).

41. Cooperation is not universal. Many councils have been inactive or, at best, reactive when pushed. The questions in the checklist (overleaf) will enable authorities to review their progress. Preparatory work should start now, whatever the final outcome. Even when reorganisation is not due until 1997, an early indication of potential problems will be helpful. A ‘no’ answer to any question should be the trigger for action to remedy the deficiency. And where the status quo is to continue, the checklist will help councils focus on the need to improve cooperation between the tiers.
Cooperation / Coordination:  
a Checklist for Action

<table>
<thead>
<tr>
<th></th>
<th>Before Parliamentary decision (England only)</th>
<th>Up to shadow elections</th>
<th>After shadow elections</th>
</tr>
</thead>
</table>

(i) Internal arrangements

Has a steering group been established, with supporting working groups and responsible coordinating officers identified for each?

If so, are they active and is progress being monitored?

Is there regular reporting to a designated group of members with responsibility for oversight of preparations for implementation?

Is the officers’ management team continuing to give leadership on this issue?

Is established internal performance management (based on corporate standards and ground rules) continuing?

Are existing officer or member or joint working groups continuing to operate?

Are customer care / customer focus initiatives being maintained (e.g. newsletters, customer surveys, tenant satisfaction surveys)?

(ii) External arrangements

Have inter-authority officer or member liaison groups been established with agreed terms of reference?

Are existing inter-authority working groups being maintained (e.g. community care initiatives)?

Has the council instituted liaison with neighbouring councils to agree compatibility and opportunities for shared IT systems?

Are links being maintained with other external bodies such as other statutory agencies and voluntary organisations?

Are the councils keeping the public informed about the future outlook for services?
2. Records, Records, Records

42. Records and information are needed in five inter-linked areas: services, fixed assets, contracts (and other legal issues), finance and staff (Exhibit 7). Outgoing authorities will need this information in order to provide successor authorities with the best possible start. Status quo authorities will also benefit from complete records as they carry out a reappraisal of their activities. Much of the information should be available already in well-run authorities, especially those with quality certification for particular service areas; in others there will be much work to do in a short time. In some, information may be held only informally – local records, paper-based systems in scattered filing cabinets, perhaps known only to certain long-serving individuals. The prime task is to track down and collate available information, identify gaps, agree common formats and collect the basic details essential to a

Exhibit 7
Records and information
These are needed in five inter-linked areas

- Services
  - specifications
  - clients
  - needs
  - policies
  - resources
  - other agencies
  - voluntary organisations

- Fixed assets
  - land
  - buildings
  - accommodation
  - stores
  - vehicles
  - computers
  - equipment, etc.

- Contracts/legal issues
  - supplies
  - services
  - CCT
  - outstanding litigation
  - capital contracts

- Finance
  - budgets
  - balances
  - investments
  - grant claims
  - current assets and liabilities
  - superannuation funds

- Staff
  - numbers
  - location
  - conditions
smooth handover. For many this will be a formidable task.

**Service information**

43. An important issue for incoming authorities will be the harmonisation of current service provision, e.g. the method and frequency for refuse collection. Therefore, precise information is needed from the outgoing councils on the services currently provided, to which client groups and by whom. The move towards a purchaser-provider split and the advent of CCT has meant that explicit specifications for many services have been developed, but for others there may still be no clear specification. Moreover, even if customer service information is codified, the central support services which underpin front-line services may not be adequately specified. The work of auditors on value-for-money (VFM) relating to IT and CCT for central support services may have helped generate necessary information. Even if a specification exists, disaggregating such information could be difficult; for example, an individual special school could be transferred to the authority in which it is geographically located, but its pupils may in fact live in several new authority areas. Such problems were experienced with the abolition of ILEA.

**Fixed assets**

44. Even where the new structure of local government within a county area is unknown, all authorities within the area should begin gathering information on fixed and other assets. Outgoing authorities will have to produce registers of their fixed assets, such as land, buildings, accommodation, stores and equipment. The Chartered Institute of Public Finance and Accountancy (CIPFA) has issued guidance notes on the compilation of asset registers (Ref. 6) which will be needed in order to implement the new capital accounting arrangements. The current Accounting Code of Practice requires asset registers to have been set up by 1 April 1994, and such registers will be vital in order to agree with incoming authorities on the assets to be transferred on the reorganisation date (subject to arbitration if agreement is not reached). Moreover, there will be other assets which, though not on the asset register itself, still need to be recorded in some form: some items of computer equipment, for example, may fall below the threshold for inclusion.

45. A steering group consisting of officers from each of the authorities to be reviewed should be set up to coordinate the collection of asset records; this should continue after shadow elections and involve officers, when they are appointed, from the shadow authorities. The steering group should draw up a timetable which meets the statutory deadlines for the production of asset records and for agreement on their transfer. Experience from earlier reorganisations has shown that problems of land ownership can take a long time to resolve. The group should agree on the format of asset records; key officers from each authority should already have been given responsibility for the production of these records (Box B). Such records need not be complicated: the Audit Commission’s 1988 report on local authority property management (Ref. 7) provided an example of a basic property record suitable for strategic property review. This could be used as a starting point, augmented by local agreement in relation to the needs of the authorities concerned.

46. These considerations will mean that some outgoing authorities must move into territory to which resources have not been devoted in the past. In a recent survey, fewer than half of Welsh authorities had a complete IT inventory. A further 20 per
cent did not know if the inventory was complete or not. Comprehensive inventories of moveable plant and equipment are not available in all local authorities, but they will be important in ensuring that incoming authorities start on a sound basis and in minimising opportunities for theft, particularly at abolished authorities. A starting point is to identify existing records of equipment, e.g. those kept for Health and Safety regulations, or for insurance purposes in those authorities which have external insurance.

Contractual / legal issues

47. Incoming authorities will inherit the contractual rights and responsibilities of existing authorities. In order to hand over properly those rights and liabilities which fall within the boundary of the incoming authorities, outgoing authorities must address a number of topics (Box C, overleaf). There will be greater difficulties where authorities are to be split up than where they are combined. But such information is important in either case, to safeguard services to the public and to protect against potential fraud and corruption.

<table>
<thead>
<tr>
<th>Outgoing authorities should:</th>
</tr>
</thead>
<tbody>
<tr>
<td>● ensure that all land and property has been identified and valued in line with CIPFA guidance, and that transfers to successor/acquiring authorities have been determined according to their function;</td>
</tr>
<tr>
<td>● ensure that all records supporting asset registers (terriers, title deeds, etc.) are identified and gathered together ready for transfer;</td>
</tr>
<tr>
<td>● determine the current users of land and property and identify any problem areas:</td>
</tr>
<tr>
<td>- joint-user property/multiple-user property</td>
</tr>
<tr>
<td>- property straddling new boundaries</td>
</tr>
<tr>
<td>- property which may be surplus to current requirements</td>
</tr>
<tr>
<td>- complex ownership issues</td>
</tr>
<tr>
<td>- user rights of individuals and non-local authority bodies;</td>
</tr>
<tr>
<td>● identify fixtures and fittings and moveable plant and equipment associated with land and property;</td>
</tr>
<tr>
<td>● draw up inventories of moveable plant and equipment, including leased cars issued to staff;</td>
</tr>
<tr>
<td>● permanently mark valuable equipment (faxes, computers etc.) to discourage unauthorised removal;</td>
</tr>
<tr>
<td>● identify surplus assets for disposal prior to reorganisation.</td>
</tr>
</tbody>
</table>
48. Outgoing authorities must prepare schedules of all capital contracts in progress, or which are likely to be in progress at the reorganisation date. Dealing with capital contracts is relatively more simple than those for supplies and services. Capital schemes normally relate to a defined location; other contracts could provide services across the whole of an abolished authority’s area. All supporting documentation will have to be gathered ready for transfer to incoming authorities (Box D). It is particularly important to ensure continuity of the contract management and supervision arrangements, e.g. the contract architect or clerk of works with knowledge of the scheme in progress.

49. Schedules of all contractual agreements and informal arrangements with external bodies also need to be prepared. For example, authorities may have leased properties to housing associations or entered into arrangements with housing associations to deal with homelessness following a Large Scale Voluntary Transfer (LSVT). Agreements with voluntary bodies such as the WRVS and Age Concern are increasingly on a formal basis.

**Box C**

**Contractual rights and responsibilities**

Outgoing authorities should:

- identify all contractual rights and liabilities;
- highlight those rights and liabilities which relate to an area extending beyond the area of a single unitary authority;
- identify all contracts with private sector companies (including those for services subject to CCT) which were made for a period beyond the life of the outgoing council;
- abide by conditions for the extension of contracts.

**Box D**

**Information required on capital contracts**

Incoming authorities will need:

- a contracts register, giving details of payments on schemes;
- committee authorisation - agendas, minutes, correspondence;
- financing approvals (which may also be recorded on contracts register);
- relevant details of the capital programme;
- relevant papers from the architects/surveyors;
- certificates and payment records;
- final accounts (if not settled);
- internal audit work on current contracts/final accounts;
- legal files relating to any outstanding litigation/disputes with contractors;
- contract management/supervision arrangements.
basis, but there are also many informal local arrangements. There may also be agency agreements with other bodies, such as trunk road agency agreements with the Department of Transport in England, which will have to be transferred to the incoming authorities. Information to support these agreements includes:

- copies of contracts/written agreements;
- correspondence files;
- legal records (e.g. relating to guarantees to housing associations);
- financial records relating to the contracts (e.g. claims, accounting records);
- committee report.

50. Leases and licences are likely to be significant at many authorities and may include software licences, equipment leases for items used in DSO/DLO operations, leases relating to the Housing Revenue Account (HRA) (e.g. private sector leased properties), and property leases. Documentation provided in support of these contracts should include:

- copies of lease agreements;
- capital financing records (in the case of finance leases);
- correspondence with lessors;
- schedules of actual and anticipated lease rentals;
- other background information (reports to committee etc.);
- accounting records;
- HRA subsidy working papers.

51. CCT contracts (including ‘quasi-contracts’ with in-house providers) must be in accordance with specific legislative requirements under the Local Government, Planning and Land Act 1980 and the Local Government Act 1988. As such they require closer attention than other supplies and services contracts. Outgoing authorities should produce schedules of all CCT contracts (Box E).

### Box E

**Information requirements for CCT contracts**

<table>
<thead>
<tr>
<th>Records should show:</th>
</tr>
</thead>
<tbody>
<tr>
<td>the date that the contract commenced;</td>
</tr>
<tr>
<td>whether it is 1980 or 1988 Act work;</td>
</tr>
<tr>
<td>whether the contract is with a private contractor or a DSO/DLO;</td>
</tr>
<tr>
<td>contract expiry date;</td>
</tr>
<tr>
<td>contract conditions (e.g. for variations, defaults, extensions);</td>
</tr>
<tr>
<td>basis of service provision (e.g. area-based housing maintenance);</td>
</tr>
<tr>
<td>applicability of EU Works or Services Directives;</td>
</tr>
<tr>
<td>details of sub-contracting arrangements;</td>
</tr>
<tr>
<td>history of contractor performance (e.g. defaults, committee reports, correspondence);</td>
</tr>
<tr>
<td>client side arrangements.</td>
</tr>
</tbody>
</table>
Staffing information

52. Staff records should, in theory, be readily available in all authorities from payroll systems and statutory returns. But in practice, there are often difficulties. Overall numbers by location, basic salary scales, length of service and other information about individuals all need to be collected and aggregated. There are special considerations about staff since they are the vital ingredient in continuity of service delivery. These are discussed in more detail in the next chapter.

Financial information

53. Incoming authorities will need sufficient financial reserves to cope with uncertainty in grants and Standard Spending Assessments (SSAs) in the first year. They will also rely to a large extent on the quality of the information provided by outgoing authorities, especially in drawing up revenue and capital budgets. Where there has been significant change, information may be required for several years previously. The main categories of information (Box F) must be presented in a form most helpful to the incoming authority. Dyfed County Council, for example, identified expenditure to the proposed new authority areas when it prepared its budget for 1994/95, and intends to continue this in 1995/96. Auditors should be able to assist in this task.

Box F

Examples of information include:

- details of budgets and outturn figures for individual services currently provided by existing authorities;
- details of contingency reserves held by existing authorities and the likely calls on such contingencies (e.g. increased recoupment of private and voluntary care expenditure);
- copies of existing schemes for local management of schools (LMS) and details of formula funding;
- information on the anticipated level of reserves at the reorganisation date and the estimated council tax base for each incoming authority, to determine the allocation of these reserves;
- details of capital schemes, both current and planned, together with capital expenditure profiles and projections of the revenue consequences of this expenditure;
- copies of grant claims together with details of anticipated income;
- expenditure and income in respect of DSO/DLOs and copies of internal trading accounts which may have to be disaggregated or transferred on reorganisation;
- information on the costs and organisation of support service provision, which will be of value to both shadow and continuing authorities in determining the likely cost of supporting changed functions;
- scales of charges for services or use of facilities (e.g. pest control, leisure admission fees);
- information relating to superannuation funds.
54. In drawing up budgets, English authorities must be aware of the principles adopted by the Department of the Environment (DoE) in calculating notional amounts which will define capping limits for new and reorganised authorities; these have recently been issued in a consultation paper (Ref. 8). They are to be based not on notional SSA's for the new authority areas but, as nearly as possible, on the disaggregation of the last year's budgeted expenditure in the old authorities. Although the issues are sometimes straightforward, as with most district services and for schools with LMS budgets, there are other services where the methodology accepts that it will not be possible to separate spending on a precise geographical basis. In areas such as special education and many parts of social services, the notional amount will be based on population within the client group rather than on where money was spent. There will also be notional amounts in Wales, although the Welsh Office has not yet published its proposals.

55. The Commission's next paper, for incoming authorities, will expand on these issues. In the meantime, members in outgoing authorities should seek assurance from their officers on the adequacy of all records and information, using the checklist overleaf.
## Records and Information: a Checklist for Action

<table>
<thead>
<tr>
<th>Question</th>
<th>Before Parliamentary decision (England only)</th>
<th>Up to shadow elections</th>
<th>After shadow elections</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is the council maintaining up-to-date records and information on service standards and resource needs?</td>
<td>Yes? No?</td>
<td>Yes? No?</td>
<td>Yes? No?</td>
</tr>
<tr>
<td>Are formats for information agreed with relevant neighbours?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Is the information being collected on a consistent basis across all services?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Does information include details of all contractual arrangements (including all supply contracts)?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Is the information being analysed on the basis of the new / proposed council areas on behalf of successor authorities?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Are strategic financial records being maintained (periodic income register, deed registers, rental records)?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Is the asset register / terrier in place and up-to-date?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>If so, has CIPFA guidance on asset classification and valuation been followed?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Is all IT systems documentation up-to-date (particularly operating and user instructions)?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Are IT systems software master files physically secure?</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
3. Staffing Issues

56. Staffing costs account for over 60% of revenue expenditure in a typical authority. Many staff delivering services direct to the public, such as teachers, will transfer automatically to successor authorities on vesting day. Others will feel, once the decision on structure has been settled, that their future is uncertain - particularly in central support and administrative functions, where there may be net reductions in the number of posts. As time goes on, some will be appointed to incoming authorities and have their attention diverted from their current tasks. Others may lose interest and start to focus on early retirement or redundancy, or to seek jobs elsewhere. Maintaining the commitment, interest and motivation for continued service delivery in the ‘old’ authority will therefore be a major task, to be addressed under three headings (Exhibit 8):

- keeping abreast of regulations and guidance;
- finalising personnel records for all staff;
- identifying key staff essential for continued service delivery.

Regulations and guidance

57. The English and Welsh Staff Commissions are addressing issues such as the filling of vacancies, regrading of staff, staff transfer, harmonisation of conditions, detriment, voluntary severance and redundancy. The local authority associations, the Local Government Management Board (LGMB) and other bodies are also working closely to address these issues. The implications of circulars...
and guidance notes from these bodies need to be considered by all outgoing (and incoming) authorities, which must augment the guidance with local arrangements. Communication and consultation with staff and their Trade Unions will be essential even if in the early days there is no progress to report.

58. There is continuing debate about whether the 1981 Transfer of Undertakings (Protection of Employment) Regulations (TUPE) apply to all staff affected by reorganisation. If TUPE applies, then all staff are entitled to transfer on existing terms and conditions. The English Staff Commission has expressed views based on recent legal advice: ‘that TUPE applies in a general sense to local government reorganisation, and that a district whose functions are to be transferred more or less intact to a successor authority is likely to be regarded as a TUPE entity. However... in a disaggregating authority, employees working in self-contained areas such as schools would be covered by TUPE, but the authority as a whole would be unlikely to be regarded as a TUPE entity. This would have implications for employees in, for example, some central services’. Other legal opinions challenge this view. In its report on local authorities’ client role for contracted services (Ref. 9) the Audit Commission has previously commented on the concern expressed in local government about the applicability of TUPE. It would be in the best interests of all staff likely to be affected if the TUPE position were to be clarified.

Incoming authorities may well face problems in harmonising different terms and conditions.

60. Some individual members of staff have terms and conditions of one sort or another, which may be personal to them or based on long-standing, but outdated, historical practice. Inappropriate terms and conditions should be phased out as soon as possible. However, in a reorganisation context, there may not be time for the, possibly protracted, negotiations. In the short term, ensuring that those conditions are at least explicitly identified is a key issue. If an individual member of staff receives a special allowance in March 1996 and, without warning, the payment is not made in April, there will be consequences, particularly if the new authority does not know why the payment was being made or why it has stopped. It will be a major task to ensure that all staff records are up-to-date for all such special circumstances.

Key staff

61. Experience with previous reorganisations has shown that it can be difficult to prevent deterioration of services in the last few months of an outgoing authority. On the demise of the Greater London Council and the metropolitan counties, many key staff obtained new jobs or otherwise left the authority in the closing months. In the run-up to transfer, special attention to staffing requirements will be essential. Motivation and retention of key staff will be vital. In order to minimise disruption to services provided by outgoing authorities, those staff already appointed by successor authorities may need to be ‘twin-hatted’ in the final months, i.e. continuing to retain some responsibility for their old job while making preparations for the new. This will raise questions about appropriate

Personnel records

59. Personnel records must contain detailed information on individual members of staff. Every member of staff transferred will expect continuity, or to be consulted where there are to be changes proposed to working conditions affecting salaries/wages, work location, or personal and collective terms and conditions.

Robert Upex, Professor of Law, Kingston University.
remuneration in this period, and who should fund any salary enhancements.

62. Statutory posts must be maintained up to the last day; for example, the monitoring officer role and financial responsibilities must be exercised with particular vigilance in the final months. Where there must be an essential separation of duties, for example in financial matters, it will be particularly important to ensure appropriate staff responsibilities are maintained. Procedures should be set in place for keeping staff informed on reorganisation issues, and counselled if needed about their own future. Services must be safeguarded, particularly if there is an increasing incidence of sickness absence. Imaginative approaches may be needed, including the use of temporary, part-time or even old-time staff from the ranks of the recently retired. Contributions from a group of senior staff who intend to retire upon reorganisation, and are thus disinterested in the outcome, can do much to ensure a smooth handover.

63. The questions relating to staffing (see checklist, overleaf) will provide a first level diagnostic of where difficulties could arise at different stages in the reorganisation process. Negative answers should prompt remedial action.
## Staffing Issues: a Checklist for Action

<table>
<thead>
<tr>
<th></th>
<th>Before Parliamentary decision (England only)</th>
<th>Up to shadow elections</th>
<th>After shadow elections</th>
</tr>
</thead>
<tbody>
<tr>
<td>Has the council agreed to follow Staff Commission guidelines on good practice?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Are procedures in place to ensure this is done?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Has the council taken steps to ensure staff are adequately informed on reorganisation issues?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Is the council committed to consultation with incoming authorities before agreeing to redundancies and early retirements?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Are redundancy / severance and retirement packages in accordance with regulations?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Has the council refrained from making any new senior staff appointments on permanent terms?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Are the levels of sickness and staff turnover consistent with normal levels?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Are staff training and counselling programmes being maintained?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Are statutory posts being maintained (Chief Financial Officer, Monitoring Officer, Head of Paid Service)?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Are corporate / departmental / business unit establishment lists being maintained?</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
4. Financial Issues

64. A well run authority maintains good financial control, operates sound and reliable systems and procedures and follows prudential guidelines set out by government and professional bodies. The Audit Commission’s report Regular as Clockwork (Ref. 10) contains detailed good practice in these areas. But in an authority facing imminent demise, standards can quickly erode, leaving taxpayers vulnerable to additional costs, and service consumers to suffer a deteriorating service. Attention is needed in several areas (Exhibit 9):

- prudential guidelines;
- systems and procedures;
- checks and controls.

**Prudential guidelines**

65. It is particularly important that authorities adopt guidelines on the management of their affairs in the run up to reorganisation in order to transfer the authority as a ‘going concern’. The local authority associations and CIPFA, with the Audit Commission, have issued a code of practice and guidance on financial management leading up to local government reorganisation (Ref. 11).

66. CIPFA is also about to issue a Financial Management Handbook, and other guidance and regulations will be provided by the DoE and Welsh Office. The guidance will be discretionary, but outgoing authorities should consider its relevance. In most circumstances, it should be formally adopted by council decision. Such guidance should be incorporated into the authority’s existing financial regulations and standing orders, and a mechanism set up to ensure compliance so that requirements are not

---

**Exhibit 9**

**Financial issues**

Attention is needed in several areas

---

<table>
<thead>
<tr>
<th>Prudential guidelines</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>commitments</td>
<td>liabilities</td>
<td>balances</td>
</tr>
<tr>
<td>asset disposals</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Systems and procedures</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>standing orders</td>
<td>debt management</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Checks and controls</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>probity</td>
<td>fraud</td>
<td>misappropriations</td>
</tr>
<tr>
<td>theft</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
set aside as soon as they become inconvenient.

67. Reorganisation brings the risk of changed behaviour. Members of authorities which are to disappear may be tempted to turn their authorities' reserves into physical assets within their area - perhaps signing contracts without knowing whether the incoming authority can afford them. Some metropolitan counties used tombstone funding, committing funds to favoured outside bodies to ensure that particular initiatives survived their passing. Time for Change illustrated the impact, in the 1974 reorganisation, of outgoing authorities committing their successors - four or five times as many swimming pools were commissioned around that time compared with the years either side.

68. Authorities may argue that this was a reasonable use of capital to provide local facilities, but this sort of expenditure should be avoided except where it forms part of long-standing strategic expenditure plans to address identified need. Many councils point out that with capping and the present system of capital controls, inappropriate spending is less likely than in 1974. But some, such as those who have transferred their housing to an association, have substantial resources. Vigilance is required. One district council has described itself in recent publicity material as 'cash-rich and debt-free' and is considering providing 'sporting facilities, purpose-built swimming pools, a marina and scores of local community projects'. Auditors have reported that another authority has plans to spend its receipts from a recent housing LSVT, and is considering setting a zero Council Tax in its final year to highlight the price of reorganisation. Such actions are unlikely to be in the long term interests of the residents and should be discouraged.

69. A council which feels that expenditure is justified should consult with neighbouring authorities before committing itself. Outgoing councils should aim to provide successors with an adequate dowry in the form of a reasonable level of general fund and HRA balances. Running down balances perniciously would not be in the interests of those the authority serves - the citizens who will continue to live in the area regardless of the structure of local government over their heads. Similarly, other specific provisions and reserves (e.g. for repairs and renewals, or insurance purposes) should be maintained and not spent on non-specific or unrelated purposes. The Commission's auditors will be monitoring these aspects as part of their normal audit function. Equally, auditors will be monitoring the level of asset disposals, actual or proposed (including land, property, companies) to ensure that they are carried out as part of the authority's agreed long-term asset management strategy. Any disposals which take place must be in accordance with standing orders and comply with the requirements of section 123 of the Local Government Act 1972, requiring disposals to be for the best consideration.

**Systems and procedures**

70. Existing systems and procedures must be maintained up to close down, particularly those relating to the council's income. Eligible grants and subsidy claim forms must be completed by the due date to ensure that the authority does not lose revenue from oversight, when staff attention is directed elsewhere. Attention must be given to containing arrears (e.g. council tax, housing rents, non-domestic rate income, sundry debtors). It would be too easy to neglect these in the final months. Equally, the collection of past debts such as residual
community charge and outstanding rates should remain active.

**Checks and controls**

71. The internal audit control function in outgoing authorities will have an increasingly important role to play as the reorganisation date approaches. Increased vigilance will be required where internal systems are at risk of breakdown. The temptation to divert audit staff to other finance functions, perhaps to replace staff who have left, should be resisted. Where internal audit effort declines seriously, external auditors may need to do more work to compensate, charging the authority accordingly. Internal audit plans should reflect the potential risks of asset loss, declining computer security, deteriorating financial controls and the possibility of increased fraud, both internally and externally. All authorities should apply the checklist for action overleaf.
# Financial Issues: a Checklist for Action

<table>
<thead>
<tr>
<th></th>
<th>Before Parliamentary decision (England only)</th>
<th>Up to shadow elections</th>
<th>After shadow elections</th>
</tr>
</thead>
<tbody>
<tr>
<td>Has the council formally adopted the code of practice on a prudential approach to financial management prior to local government reorganisation?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Has the code of practice been incorporated into existing financial procedures and standing orders?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Is compliance being monitored by an identified officer?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Are projected general fund and HRA working balances (expressed as percentage of net revenue expenditure and balance per dwelling) being maintained and are they consistent with previous practices?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Are other specific provisions and reserves (e.g. repairs and renewals fund, insurance fund) being maintained and not utilised or planned for non-specific or unrelated purposes?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Do budgetary control statements indicate that major revenue or capital spending against estimates continues as planned?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Are all new capital and revenue contracts / commitments (greater than £1m capital or £100,000 revenue) reasonable (e.g. in relation to previously identified need)?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Are neighbours being informed/asked to comment on such developments?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Are all major asset disposals (actual or proposed) including land, property and companies, part of an agreed long-term asset management strategy?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Have the requirements of section 123 of the Local Government Act 1972 relating to asset disposals been complied with?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Are all eligible grants and subsidies claimed on time?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Do internal audit plans adequately reflect the increased inherent risk from reorganisation, and are the plans correctly weighted to issues of concern?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Are reviews of computer security up-to-date?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Is security maintained at an acceptable level?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Are the levels of the council’s arrears (i.e. council tax, housing rents, sundry debtors, NNDR) consistent with previous levels?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Have planned collection levels of residual community charge and rates been achieved?</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
5. Preparing for Handover

72. All of the foregoing elements: cooperation, records, staffing and financial control, are essential. Together, and done properly, they will pave the way to an effective handover to successor councils and allow status quo authorities to prepare for improved service delivery. But to work coherently they need to form part of a coordinated project plan for outgoing councils, individually and collectively. Good project management is the key to a successful handover (Exhibit 10) and will help to maintain service delivery in the outgoing authority, help to ensure that there are no loose ends when the authority closes down and, most importantly, gives successor councils the opportunity of a fresh start.

Project planning

73. The use of project management techniques, including the drawing up of a project plan, is not new. Most large scale projects in industry, business and the public sector are based on these techniques. In essence, the principles are well established (Exhibit 11, overleaf): identification of key tasks, responsibility for their discharge, estimates of the elapsed time required to carry out each identified task, decisions on the necessary order of these tasks and hence the links between them, and finally producing the plan itself showing a ‘critical path’, defined by the elapsed times and links, and the deadlines by which time tasks must be completed. Experience from the reorganisation of local...
government in New Zealand (Ref. 2) confirmed the importance of a project plan.

74. Applying these principles can be complex, particularly for a project like local government reorganisation. Plans prepared for different services must be coordinated; there may be several outgoing and incoming authorities involved; and the first attempt at defining a critical path – and hence the overall time required to achieve successful conclusion – may well show that the time remaining is insufficient for the task! Successive attempts, however, will identify those areas where initial estimates, or the relative priority of tasks, may have been unrealistic.

75. In reality, the production of a project plan is not the only purpose of the exercise: equally important is the planning process itself, which will help to identify areas where the original thinking is inadequate. Even if, initially, the process appears to throw up more problems than solutions, this, in itself, is a step beyond proceeding in ignorance of the problems. Implementation and the planning process must be carried out on the basis of negotiation, give and take, and ‘can do’ cooperation as the deadlines approach.

76. Plans are needed at several different levels: each outgoing council needs its own overall plan, comprising separate plans for services, staffing and resources (Exhibit 12). The overall plan and sub-plans must dovetail with those of the other authorities involved. These must jointly feed into the developing plans for incoming councils. And the plans must not simply be a paper exercise: they must lead to action by identified individuals.

77. Members should set the ground-rules for planning. They must set clear objectives to officers and define their latitude for decision making. Members must also monitor progress against the plan. In Wales, the statutory transition committees have an important role; in England, authorities should set up equivalent joint preparatory committees, and individual authorities will also need their own
reorganisation committees to steer the process and relate to the work of other service committees and planning groups within the authority. Plans must be flexible enough to cope with changes as they occur – fresh guidance from the Staff Commissions, updates to service information, and so on.

78. Up to the date of the shadow elections, the outgoing authority’s own reorganisation committee will need to
update the plan periodically, monitor progress on its achievement and liaise actively with the preparatory or transition committee (Exhibit 13). After elections, the new shadow authority will take on this role, and it will be important to ensure a smooth transfer of responsibilities to the shadow authority.

79. Plans must be devised locally, by every authority and relevant group, and will differ according to local circumstances. Some authorities, such as Avon, Hull, Dyfed and Cleveland, already have internal expertise in project planning and have gone some way towards successful implementation. Others may need to buy expertise or share with others. A number of proprietary software packages are available on the market for this purpose, although they should be used with care: it is important first to think through the logic of the process and not assume that a software package can replace thinking.

Service delivery

80. An essential part of the project plan for service delivery in outgoing authorities is the maintenance of quality service provision up to the date of final handover. The level of customer complaints about service delivery in the final months can provide a good indication of continued satisfaction or deterioration in services. Additionally, links with the voluntary sector must be maintained. Particular attention must be paid to mechanisms for communication with the authority’s customers - consumers of services, client groups and citizens.

81. As part of the Citizen’s Charter initiative (set out in the Local Government Act 1992), local authorities have an obligation to collect and report information about their performance. It is important that the public continues to receive comparative information during the reorganisation of local government, so that a baseline is established against which the public and local authorities themselves can assess the performance of incoming authorities. The citizen is likely to want to ask the question ‘Is the new council doing better than the old one?’ New or significantly changed local authorities will also want to achieve at least the same level of performance as their predecessors and to
rise to the challenge of bettering that performance.

82. An informed debate can take place only if the most recent information available about the previous authorities is published. There may be good reason for an apparent difference in performance. For example, where a county’s services are to be divided up into smaller areas, the performance of each area may already be significantly different from the overall county average, perhaps reflecting urban/rural characteristics. Outgoing authorities, therefore, must continue to collect and analyse the required information in the agreed format up to closedown and, as far as possible, break down the information on the basis of the new structure. Incoming authorities must then make that information available to the citizens of the area.

83. The register of contracts for supplies and services, and particularly information on existing CCT contracts, must be maintained and used. Where contracts are due to expire before reorganisation, and, in the case of CCT contracts, before the CCT exemption period, procedures must be in place to ensure continuity of service delivery. If contracts are to be extended rather than renewed, this must be done in accordance with existing contract conditions. Authorities must monitor their compliance with CCT regulations. In Wales, CCT has been suspended since April 1994, although DSOs/DLOs must continue to keep their statutory accounts. Where CCT contracts cannot be extended but do not yet fall within the exemption period (e.g. possibly for some authorities to be reorganised in April 1997) tendering must proceed in accordance with existing regulations.

84. The extension of CCT to white-collar activities, and renewal of blue-collar contracts, will be major tasks for incoming authorities early in their life, even though contracts will not need to begin operation for 18 months or more. But outgoing authorities have an important role too, in advance of reorganisation, even where the authority is to be abolished. The Audit Commission’s 1994 report on central support services (Ref 12) outlined the steps to be taken. Whatever the eventual structure of new authorities, by and large the front-line services will be delivered by the same staff as before – teachers, social workers, environmental health officers etc. Similarly, the support services to these front line staff may be provided by staff transferred from outgoing authorities. It is essential therefore that both provider and user staff be prepared now for CCT, even if it is not formally to be introduced for some years, by means of service level agreements, or ‘quasi-contracts’. Users of support services need experience in working in a contractual environment, and providers need experience of developing business plans, operating trading accounts and so on in order to prepare realistic, competitive bids when the time comes.

85. There are already signs in some outgoing authorities of a view that they should lie down quietly and wait until the end. Such stagnation is clearly unacceptable, since quality service provision is required until changeover day. In addition, there may be important decisions needed for eventual service developments. Service plans and business plans should be reviewed to identify that which rightly should be deferred for the incoming authority and that which should proceed as planned. There is a difficult balance to be struck, and authorities should cooperate to ‘square the circle’.

A fresh start

86. Incoming authorities will initially be focused on the continuity of immediate service delivery. The new shadow
authorities will develop their budgets and service strategies for the short term and start to prepare their long-term vision to provide better, more cost-effective services to their citizens. Long-term vision is important, but, initially, transferred systems and methods will be necessary to ensure continuity of services from the first day.

87. There may be concern that ‘temporary’ solutions could become permanent, but at first new authorities will have neither the time nor the energy to design their ideal world, and the upheaval of major change is not the time to pioneer too many radical approaches. What is important is the setting up of review mechanisms to ensure that temporary solutions do not outlive their usefulness; strategic thinking at the political level should proceed in parallel with immediate continuity of services at the administrative level. Outgoing authorities should record any opportunities for service improvement which are yet to be achieved, including VFM improvements identified by auditors, and pass the knowledge on to incoming authorities. The Commission’s next paper, on the tasks of incoming authorities, to be published in Spring 1995, will explore these issues further.

88. Outgoing authorities also have a particular role in promoting the ‘fresh start’ for their successors. They must run the elections and facilitate the first meeting of the new council (see Commissioning the New Authorities, Ref. 13) but even after the elections it will be some time before the incoming authority can pick up the baton. The project plan must allow for the assistance needed to enable early staff recruitment, to provide administrative support to the new members, and to ensure continuing progress with project management. Outgoing authorities must not walk away until the shadow authority is able to take on the task.

**No loose ends**

89. There will be important tasks outstanding when the incoming authority has taken over, particularly closure of the accounts of abolished authorities. Where an authority is abolished, a relevant successor will be chosen by the Secretary of State as the designated authority or, in Wales, as lead authority. After handover, the designated authority must close the accounts of the old authority, and submit them for audit. Before changeover, staff from outgoing and designated authorities must plan to achieve closure as soon as possible after reorganisation day, by carrying out as much preparatory work as possible and afterwards ensuring that staff are dedicated to the task.

90. It is vital that all accounting procedures are documented and reconciliations are performed on a regular basis in the year leading up to reorganisation (Box G). Afterwards, all incoming authorities, not just the designated authority, must commit time and resources to the task, setting a deadline of, say, six months for completion. Prior to the year end, the outgoing and designated incoming authorities must agree closure procedures and arrange for continuity of staff and systems to allow late adjustments to the general ledger prior to balancing and the production of a statement of accounts. Where an abolished authority has been disaggregated, cooperation between several incoming authorities will be required.

91. In the final days of an outgoing authority there will be last minute problems or forgotten tasks. With cooperation and commitment from all concerned these can be overcome. By then, all staff should know their destination and future role and even those
due for redundancy or retirement should remain motivated to make the transfer a success. But abolition of a local authority is a very emotional event for members and officers, many of whom may have dedicated a large portion of their lives to its service. If the new arrangements are to get off to a sound beginning, and to command the loyalty of members and officers, it is important that the new authority should be seen as reflecting all of its component parts without being perceived by one former authority as a takeover in a triumphalist manner.

92. Some outgoing authorities may choose to celebrate their passing, in order to draw a line between one era and the next and to recognise that the old authority had made a substantial contribution to the life of its area. Examples of appropriate activity might be a farewell concert to mark the passage of the authority, or the commissioning of a history of the authority that is going out of existence, to be published near the end of the authority’s life. Middlesbrough County Borough Council, for example, produced a comprehensive history of the community up to the formation of Teesside in 1968: ‘commissioned and published by the mayor, aldermen and burgesses’ (Ref. 14). Expenditure on such activities should not be excessive, but appropriate celebrations of the work of an outgoing authority can provide an important stepping-stone towards building commitment to new authorities.

93. Attention to all these areas will help to prepare for handover, with a well-thought-out project plan drawing together the separate strands. The checklist for action (overleaf) summarises the key concerns.

---

**Box G**

Tasks to enable early closure of accounts

<table>
<thead>
<tr>
<th>Tasks to enable early closure of accounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>♦ the general ledger is maintained properly;</td>
</tr>
<tr>
<td>♦ key control accounts are reconciled to feeder systems on a regular basis and in particular the bank reconciliations kept up to date;</td>
</tr>
<tr>
<td>♦ suspense accounts are cleared on a regular basis;</td>
</tr>
<tr>
<td>♦ personal account balances are reconciled to prime records;</td>
</tr>
<tr>
<td>♦ feeder systems are in balance;</td>
</tr>
<tr>
<td>♦ all journals are properly authorised and validated.</td>
</tr>
</tbody>
</table>

---

5. Preparing for Handover
<table>
<thead>
<tr>
<th>Preparing for Handover: a Checklist for Action</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Before Parliamentary decision (England only)</strong></td>
</tr>
<tr>
<td><strong>Yes?</strong></td>
</tr>
<tr>
<td>Has a list of key tasks for the outgoing authority been identified?</td>
</tr>
<tr>
<td>Have they been developed into a formal project plan for reorganisation, approved by members?</td>
</tr>
<tr>
<td>If so, is it realistic, properly timetabled, and based upon some form of critical path analysis?</td>
</tr>
<tr>
<td>Has a timetable for final accounts close down been prepared and is progress up-to-date?</td>
</tr>
<tr>
<td>Is the internal planning and development of service specifications for white-collar CCT continuing (e.g. through the use of Service Level Agreements and development of provider business plans)?</td>
</tr>
<tr>
<td>Is tendering for all activities under the Local Government Planning and Land Act 1980 and the Local Government Act 1988 continuing up to the CCT exemption period?</td>
</tr>
<tr>
<td>If contracts are being extended rather than renewed, are they within defined limits in accordance with conditions for existing contracts?</td>
</tr>
<tr>
<td>Are existing service plans, service specifications and business plans continuing in line with the council’s corporate objectives?</td>
</tr>
<tr>
<td>Are customer complaints to the authority concerning service delivery consistent with normal levels?</td>
</tr>
<tr>
<td>Are established links (including grant payments) with the voluntary sector being maintained?</td>
</tr>
<tr>
<td>Are services provided by external agencies being continued?</td>
</tr>
<tr>
<td>Are major outstanding VFM recommendations by auditors being implemented as far as possible?</td>
</tr>
<tr>
<td>If any VFM recommendations have not been implemented, are they being recorded to enable early action by the incoming authority?</td>
</tr>
<tr>
<td>Is the build up of work backlogs being kept under control (e.g. benefit or council tax/NNDR processing, responsive housing repairs, planning applications, student awards)?</td>
</tr>
<tr>
<td>Are statutory performance indicators being collected and published as required?</td>
</tr>
</tbody>
</table>
Conclusion

94. The tasks facing local government in the next few years are immense. Many mergers in other spheres, such as between banks or building societies, fail to achieve their intended benefits or never come to fruition, even where there is goodwill on both sides and a common intention to succeed. With the current local government reorganisation, where mergers may be actively opposed until the last minute, the process can get off to a bad start. It will take particular effort, by all affected, to make reorganisation work and to ensure that services to the public do not suffer. Even where reorganisation is some years away, all would benefit from asking themselves the questions which reflect the issues considered in this paper: cooperation/coordination, records and information, staffing, financial issues and, finally, preparing for handover. Many of the checklist questions will also be relevant in status quo authorities, as they prepare for their own fresh start.

95. So far, commitment to a successful outcome and the detailed preparations along the lines described in this paper are not universal. Attention to the checklists for action and the detailed guidance herein can replace inaction, reaction and hyperaction with beneficial interaction (Exhibit 14). This paper also identifies a

Exhibit 14
The interactive approach

Attention to the checklists can promote beneficial interaction

<table>
<thead>
<tr>
<th>Inaction</th>
<th>Reaction</th>
<th>Hyperaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Refusal to cooperate</td>
<td>Grudging cooperation even after Parliamentary decision</td>
<td>Protecting self-interest</td>
</tr>
<tr>
<td>Hoping it will never happen</td>
<td>Dragging of feet on work to do</td>
<td>Triumphalst takeover</td>
</tr>
<tr>
<td>Failure to acknowledge that others can contribute</td>
<td>Belittling others’ good ideas</td>
<td>Over-ambitious solutions (e.g. new IT systems)</td>
</tr>
<tr>
<td>Allowing existing channels of communication to lapse</td>
<td>Covering the tracks of past failures</td>
<td>Prematurely assuming the mantle</td>
</tr>
<tr>
<td>Disappointment at chosen option</td>
<td>Failure to act if status quo confirmed</td>
<td>Spending all the balances, making new commitments</td>
</tr>
</tbody>
</table>

Interaction

<table>
<thead>
<tr>
<th>Joint approach to tackle common problems</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commitment to successful outcome</td>
</tr>
<tr>
<td>Practical short term solutions</td>
</tr>
<tr>
<td>Timely preparation and assistance to incoming councils</td>
</tr>
<tr>
<td>Achievement of a smooth transfer with committed, motivated staff</td>
</tr>
<tr>
<td>Enabling budget preparation in incoming authorities</td>
</tr>
</tbody>
</table>
number of responsibilities for central government. Box H sets out an agenda for Government action which will assist local government to put the Audit Commission’s good practice into effect.

96. Local government officers and members have a track record of achievement and commitment in previous reorganisations. With common purpose, commitment to getting the basics right and effective project management, members and officers are capable of achieving success on this occasion. Often the external audit function will be the only constant in a sea of change. The Commission and its auditors will do all they can to help authorities succeed.

Box H
Responsibilities for Central Government

The Government should, if possible, remove uncertainty about:

- future structures in England
- status of ‘reduced’ counties in England – continuing or abolished?
- staff transfer arrangements
- compensation packages for surplus staff
References

1. Time for Change? A consultative paper on work to support the implementation of local government reorganisation, Audit Commission, HMSO, 1994.


8. The Calculation of Notional Amounts for New and Reorganised Local Authorities, DoE, 1994. (Consultation paper)


