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### **Local Government Reform Transition Committees and Transition Management Teams**

#### **Advisory note on Winding-Up Arrangements**

## **1. Introduction**

**1.1** Decisions relating to Local Government Reform have established the implementation framework for the progress of the defined reforms to the commencement date of the new Councils in May 2011. In support of these decisions, the Department of the Environment (DOE) circulars have elaborated on the structures and responsibilities assigned to the various stakeholders. As part of the process, the transferring bodies, including Councils, government Departments and other public bodies, will make provision for the transfer of all functions and the related components, such as finance, staff, assets and liabilities, by the changeover date. In addition, the ensuing dissolution of the current Councils and the affected changes in other public bodies will require careful management. This is in terms of winding-up actions for the period leading up to the formation of the new Councils in 2011 and, in particular, for a specified period beyond that date. Winding-up actions will be of an administrative nature and will not impinge on policy development.

## **2. Legislative Context**

**2.1** The proposed legislation to establish the 11 new Councils will incorporate the legal requirements to be fulfilled in advance by the transferor bodies. Transferor responsibilities completed by 2011 will greatly facilitate and simplify the winding-up of the Councils and similarly those parts of the other Review of

Public Administration (RPA) affected public bodies (for example, the Department for Social Development (DSD), the Northern Ireland Housing Executive (NIHE) and Roads Service) impacted by the transfer of functions process. Nevertheless, there will be particular work that is legally necessary and that can only be completed after the changeover date. For example the finalising and auditing of the accounts of dissolved Councils and accounting issues surrounding transferred functions from public bodies, such as the Planning Service.

### **3. Winding-Up Period**

- 3.1** The winding-up period falls into two parts. It is related in the first instance to the lead-in to the new Council commencement date in 2011. During this period, as the transferor responsibilities are prioritised and advanced, preparatory winding-up work will also be planned and commenced and, where possible, completed. Secondly, the residual administrative work required to finalise the dissolution and transfer of functions processes should be completed, preferably before the start of the new financial year in April 2012. In any event, this should be no later than 15 months after the new Councils begin operating.

### **4. Integrated Process**

- 4.1** Transfer and winding-up responsibilities are interwoven and for the process to be effective, it is important that winding-up responsibilities are the remit of designated senior officers. These officers will have 'legal' accountability and defined reporting arrangements during the implementation period.

### **5. Designation of Winding-Up Managers**

- 5.1** Councils should designate a Winding-up Manager. As this officer will undertake an important role, it is recommended that a senior officer be so designated by the transferor body for the winding-up period. If a replacement is required this should be done immediately to secure continuity of the process. Government Departments with functions transferring to the new Councils will make their own similar arrangements for winding-up.

### **6. Key Responsibilities and Activities**

- 6.1** It will be essential for Winding-Up Managers to have the cooperation of elected members and employees to help them efficiently and effectively exercise their responsibilities. They should have authority to request information necessary for the completion of their work.

The key areas, that will need to be addressed by Winding-Up Managers in the periods both pre and post May 2011, include:

## **6.2 Management and Coordination**

Winding-Up Managers will work closely with key staff members (that have transfer responsibilities in their organisation) to ensure effective management of the transition process. They will engage with other Winding-Up Managers to coordinate activities pre and post May 2011. The respective Transition Management Team (TMT) will oversee this work.

## **6.3 Transferring Functions, Assets and Liabilities**

Arrangements for transfer of functions, assets and liabilities will proceed under the specific terms of the legislation established for the transferor bodies. Winding-Up Managers will have an overview management role in this process, liaising closely with TMTs to help the smooth transfer of functions, assets and liabilities to new Councils on the commencement date in May 2011. They will deal with any residual administrative matters associated with the transfer that, for exceptional reasons, could not be finalised before the commencement date.

## **6.4 Finance**

Winding-Up Managers will have key financial responsibilities, including:

- ensuring preparation of the required final accounts of the dissolving Councils. The Chief Financial Officer is responsible for preparing and clearing the statement of accounts of the 'old' Councils and there is an approval role of the statement of accounts by the Council (or a Committee)
- ensuring such accounts are presented to the responsible Public Sector Audit Bodies and the new Councils within six months after the commencement date of the new Councils
- cooperating with the Public Sector Audit Bodies in the exercise of their responsibilities to ensure that the interests of citizens / ratepayers and everyone using public services has been safeguarded in the accounting period prior to 2011
- closing all necessary bank accounts and transfer of any final balances to the new Councils
- transfer of all residual financial records and information to the new Councils

## **6.5 Staff**

Winding-Up Managers responsibilities will not include RPA affected staffing matters – such as transfer, recruitment and severance. These will be dealt with through several mechanisms, such as agreed transfer schemes and the Public Service Commission (PSC) guiding principles. Responsibility for all aspects of

staffing matters not concluded by the final transfer date will rest with the new Councils and the public bodies transferring staff.

## **6.6 Administrative Issues**

The responsibility for ensuring that there are completed schedules of all transferring assets and important documents will rest with Winding-Up Managers. It is also envisaged that there will be some unpredictable administrative issues for Winding-Up Managers to attend to. These will only emerge after May 2011.

## **6.7 Reporting and Accountability**

Winding-Up Managers will be accountable to the Council during the lead-in period to the new Councils in May 2011. Post May 2011, the responsibility of the Council Winding-Up Managers will transfer to the new Council.

Winding-Up Managers will work closely with TMTs and submit periodic progress reports to the transferor bodies, Transition Committees (TCs), TMT and Regional Transition Coordinating Group (RTCG). The RTCG will have an overarching monitoring role.

## **6.8 Programme**

Winding-Up Managers will identify a programme of work in association with each TMT and transferor body. This will include a check list of issues to be addressed and activities to be completed; the illustrative schedule, which is attached at Annex 1, gives some examples of the topics to be addressed within the finance area.

## **6.9 Communication**

Winding-Up Managers will ensure that there is effective communication and engagement with all the appropriate public bodies to achieve completeness in the process. Information sharing will be critical to achieve success.

## **7 Conclusion**

**7.1** This advice should not be regarded as conclusive. The range of responsibilities assigned to Winding-Up Managers will further evolve as the reform process proceeds and the programme of work is developed. For the new Councils to be fully effective and the public interest protected, it is important that winding-up is afforded a high priority.

## 8. **Contacts**

- 8.1 If you have any queries concerning the content of this circular, you should contact either: [john.price@doeni.gov.uk](mailto:john.price@doeni.gov.uk) (028 9025 6786) or [angela.fitzpatrick@doeni.gov.uk](mailto:angela.fitzpatrick@doeni.gov.uk) (028 9025 6065).

## Winding-Up: Illustrative Schedule

### Sample Checklist of Tasks to be Completed

As stated in the paper, Winding-Up Managers should identify a programme of work in association with each Transition Management Team (TMT) and transferor body. This will include a check list of issues to be addressed and activities to be completed.

This schedule is a sample check list of such activities within the finance area. The tasks listed are illustrative and should not be regarded as fully inclusive and detailed, as each Council will have need to develop actions tailored to their particular circumstances in an action plan. The plan should include key milestones implementation and monitoring arrangements.

<b>Bank</b>	Arrangements to close accounts and make transfers.
<b>Accounts and cash management</b>	Arrangements to close accounts and make transfers.
<b>Payroll</b>	<p>Advise Inland Revenue and the Northern Ireland Local Government Officers Superannuation Committee (NILGOSC) of changes.</p> <p>Make all outstanding payments incurred after May 2011.</p> <p>Ensure arrangements are in place for completion of year end returns for tax, national insurance and superannuation.</p> <p>Inform staff of any change of tax office as a result of the transfer of records.</p> <p>Facilitate the smooth hand-over of records to the new Council.</p> <p>Inform all staff of new payroll arrangements in advance of transfer.</p> <p>Ensure that arrangements are in place to supply input for payroll data.</p>
<b>Creditors</b>	<p>Advise all creditors of changes, including details of new invoicing and payment procedures.</p> <p>Update current list of creditors before transfer to the new Council.</p> <p>Exercise strict control of the use and reordering of customised stationery during the winding-up period.</p>

	<p>Arrange appropriate payment schedule with new Council to avoid payment gap.</p> <p>Prepare schedule of payments due to creditors for new Council.</p>
<b>Debtors</b>	<p>Advise all debtors of changes.</p> <p>Ensure that all outstanding debts are actively pursued during the last months of operation.</p> <p>Exercise strict control of the use and reordering of customised stationery during the winding-up period.</p> <p>Prepare schedule of outstanding debtors for new Council.</p>
<b>Value Added Tax</b>	<p>Complete returns, payments and claims.</p> <p>Transfer monies.</p> <p>Advise HMRC of transfer arrangements.</p>
<b>Financial Systems</b>	<p>Complete outstanding system arrangements during merger and loose ends beyond transfer date.</p> <p>Address any enquiries relating to transferor responsibilities / liabilities.</p>
<b>Annual Accounts</b>	<p>Collation of supporting data for accounts preparation.</p> <p>Prepare annual accounts for audit for both 2010 / 2011 and the six week period of 2011 / 2012 through retention / allocation of key staff.</p> <p>Completion of Statement of Internal Control.</p> <p>Response to audit management letter.</p> <p>Managing of audit challenges, as necessary.</p>

Similar checklists will need to be prepared for other areas such as ICT, insurance, files / documents, assets and liabilities, as well as various administrative matters. Close liaison with the new Council will be vital to facilitate the timely transfer of all the necessary data and records.