

Shadow Strategic Policy and Resources Committee

Monday, 23rd June, 2014

MEETING OF SHADOW STRATEGIC POLICY AND RESOURCES COMMITTEE

Members present: Councillor Stalford (Chairman);
Councillors Attwood, Beattie, Browne,
Carson, Groves, Hanna, Hargey,
Hutchinson, Jones, Kingston, Long,
McNamee, McVeigh, Robinson and Rodgers.

In attendance: Mrs. S. Wylie, Chief Executive Designate;
Mr. R. Cregan, Director of Finance and Resources;
Mrs J. Minne, Assistant Chief Executive/Head of Human
Resources;
Mr D. Rogan, Head of Contracts;
Mr. S. McCrory, Democratic Services Manager; and
Mr. J. Hanna, Senior Democratic Services Officer.

Apologies

Apologies for inability to attend were reported from Councillors Haire, McCabe and O Muilleoir.

Declarations of Interest

No declarations of interest were reported.

Department for Social Development Funding Paper

(Mr J. McGrillen, Director of Development, attended in connection with this item.)

The Committee considered the undernoted report:

“1 Relevant Background Information

1.1 Members will be aware that responsibility for Urban Regeneration and Community Development will transfer to the new Councils on 1 April 2015.

1.2 Whilst DSD will retain responsibility for the overarching policy on urban regeneration and community development, and will be responsible for regionally significant interventions, the transfer will incorporate four main areas:

- **Area Based Regeneration – Neighbourhood Renewal, Masterplans and Frameworks**
- **Physical Development – Comprehensive Development, Public Realm / Environmental Improvements and Urban Development Grants (UDGs)**
- **Community Development – Community Support Programmes, Belfast Area Partnerships & Community Investment Fund**
- **Transfer and Maintenance of Assets – This consists of the current DSD land bank, public spaces, the management and maintenance of the Lagan Weir and the management of the river between the Lagan and Stranmillis Weirs**

1.3 In order to facilitate effective change management, a two stage transfer process has been agreed through the former Statutory Transition Committee and with DSD:

- **Transition – to focus on the practical arrangements/decisions necessary for Council to maintain and deliver agreed transferred services and resources on 1 April 2015. This will provide service continuity and allow planning to take place for transformation over the 2015-2017 period.**
- **Transformation – to focus on developing the future vision, outcomes and delivery models for urban regeneration and community development and to align with the Community Planning process, post 2017.**

2 Key Issues

2.1 In preparation for the transfer of functions, DSD has formulated a resource allocation model to distribute its current resources across the 11 new Councils. This distribution model is principally based on urban population and levels of deprivation. A prospective budget reduction of 4% across the NI Executive Departments was also factored into the model.

2.2 Under this Regional Allocation Model the new Belfast City Council area will receive a total allocation of £20,418,000(indicative at present) as set out in Table 1 below. The allocation will however transfer as part of the rate and it

will be for the new Council to decide how this money is ultimately allocated.

Table 1: DSD Allocation for Belfast City Council:

Component	Draft Allocation
Tackling Disadvantage	£8,700,000
Physical Regeneration Component	£5,585,000
Community Development	£1,715,000
Total Programme	£16,000,000
Laganside (ring-fenced for Belfast)	£2,592,000
Salary and GAE costs	£1,826,000
Total Allocation	£20,418,000

- 2.3 Over the last number of weeks, Council officers have been conducting a due diligence exercise which has involved analysing the average DSD expenditure in the new Council areas over the past seven financial years. This analysis is set out in the table below which clearly indicates that Belfast is the only area which will experience a reduction in the level of resource allocation in comparison to previous years. It should be noted however that expenditure (particularly capital) varies significantly from year to year in some areas.

Table 2: Summary of DSD's Historic Spend within new Council Cluster Areas:

New Council Cluster	REGIONAL BUDGET MODEL ALLOCATION (£,000s)	Average Spend 2007-2014 (£,000)	SURPLUS/ DEFICIT compared to Average (£,000s)
Antrim & Newtownabbey	£4,532	£1,026	£3,506
Armagh, Banbridge & Craigavon	£6,663	£5,314	£1,349
Belfast	£20,418	£26,952	-£6,534
Causeway Coast & Glens	£4,890	£2,352	£2,538
Derry & Strabane	£7,453	£7,248	£205
Fermanagh & Omagh	£2,568	£1,931	£637
Lisburn & Castlereagh	£3,495	£3,188	£307
Mid & East Antrim	£4,609	£1,619	£2,990
Mid Ulster	£3,467	£1,687	£1,780
Newry, Mourne & Down	£4,989	£4,029	£960
North Down & Ards	£5,043	£1,891	£3,152

- 2.4 In addition to the analysis above, Council officers working alongside DSD officials have identified that some £15.7m will be spent in supporting neighbourhood renewal and community development activity in Belfast during the 2014/15 financial year. The STC, recognising the fact that there was no time to put a new delivery model in place prior to transfer, previously agreed that the current levels of revenue support would be made available between 2015-2017 to meet the needs of communities across the city and to address the chronic levels of deprivation in 14 Neighbourhood Renewal areas.
- 2.5 Almost £2.6m has been allocated to Belfast for the Lagan Weir. Officers estimate however that the annual cost is likely to be £2.7m (consisting of £1.95m annual maintenance and £750,000 towards the sinking fund). The sinking fund provides the resources for seven yearly dredging and replacement of the rams every ten years.
- 2.6 Officers also estimate that the current sinking fund has a shortfall of circa £3.5m which would require a one off capital injection from DSD.
- 2.7 If one assumes that the salary allocation of £1.82m for posts associated with the services transferring from DSD to the Council are realistic (current DSD salary costs in Belfast are circa £2.6m), there will only be £300k available for the delivery of capital projects.
- 2.8 The consequences of this and a number of associated recommendations are set out in an associated report prepared by the Director of Property & Projects attached to this report.

Transitional Funding

- 2.9 One of the principles of Local Government Reform is that functions should transfer at 'nil cost' to Councils. The due diligence work done to date demonstrates that whilst this might apply for 10 of the new Councils, Belfast City Council will lose out substantially in comparison to expenditure in previous years.
- 2.10 There is clearly a case therefore for transitional funding to be made available to Belfast City Council for the 2015-17 period given the likely reduction in resources, the fact that 8 out of 10 of the most deprived wards in NI are in Belfast and 14 out of the 36 Neighbourhood Renewal Areas are in the new Belfast city Council Area.

- 2.11 A 2 year Transitional Funding period would allow the Council to provide appropriate support to communities whilst giving time to restructure service delivery and align resources with the new Community Planning Process.
- 2.12 BCC officers are currently preparing a case for Transitional Funding to be presented to DSD at a future meeting with the Minister as a follow up to the previous meeting with Party Leaders on 28 April 2014

Projects of Regional Significance

- 2.13 When the Party Leaders previously met with the DSD Minister on 28 April 2014, Members made the case that there were a number of physical projects currently being progressed by DSD which the Council could not possibly fund from the resources due to be allocated under the Regional Allocation Model. In particular, Members referenced the next phase of Belfast Streets Ahead (BSA3) which alone has a projected cost of £37m.
- 2.14 At the Minister's suggestion Council officers, in consultation with DSD officials, are currently working on a policy paper which will set out the key principles that could define 'Projects of Regional Significance'.

This policy will consider specific references to Projects of Regional Significance within NI Executive policy documents including the DRD Regional Development Strategy and DSD's own Urban Regeneration and Community Development Framework. Officers will also draw on examples elsewhere, particularly in Scotland and Australia.

The policy will be based on two key principles:

- Scale – i.e. where the scale of the project is such that it would be unreasonable to expect the funding to come from the notional allocation from DSD to Local Government e.g. Streets Ahead 3
- Impact – i.e. where the project is associated with schemes which will have impact and benefit beyond the Council's boundaries eg the relocation of the University of Ulster, Transportation Hub, Rapid Transit, York Street Interchange and the National Stadia

- 2.15 It is intended that this policy would apply to the whole of local government across a range of Executive Departments and deal with existing and future large scale projects.
- 2.16 It is intended that this paper would be presented to the DSD Minister and potentially the DFP Minister requesting that there should be an ongoing process for defining major projects as regionally significant which would enable them to be financed by the Executive (many delivered in partnership with Local Government).

3 Resource Implications

- 3.1 Council officers are currently working with DSD officials to extend revenue funding to existing recipients of DSD grants for the period up to 31 March 2017 in line with the decision previously taken by the Statutory Transition Committee.
- 3.2 In the absence of Transitional Funding or funding for Projects of Regional Significance there will be little, if any finance available to support capital projects currently being taken forward by DSD.

4 Equality and Good Relations Considerations

- 4.1 There are no equality or good relations implications identified at present.

5 Recommendations

- 5.1 Agree to the development of position papers to support requests for both Transitional Funding and funding for Projects of Regional Significance, including University Ulster/Royal Exchange/BSA3, National Stadia and Belfast Rapid Transit;

Seek a further meeting with the DSD Minister to make the case for Transitional Funding for the period 2015 -2017 and the allocation of resources for Projects of Regional Significance “

The Committee was advised that the above-mentioned report had been considered and agreed at the meeting of the Strategic Policy and Resources Committee held on 19th June. During discussion, the Members reiterated the points which had been made at that meeting, that is, the need to seek urgently a meeting with the Minister to discuss the Funding Allocation Model and how it was disadvantaging Belfast.

The Chief Executive Designate advised the Members that a letter had been received from the Minister the previous week in relation to the points which had been raised by the Local Government Sector regarding the Budget Allocation Model and the Department's response thereto. The letter had indicated that a recent due diligence exercise had uncovered approximately £3.6million of base line costs that potentially should not have been included in the model for distribution to Councils. Further analysis had confirmed that £2.4million of that amount should be retained by the Department for Social Development as it related to commitments which would not transfer to Local Government. The Minister had made the point that due diligence work was ongoing and further amendments might be made to the allocation model to reflect that work and the Executive's final decision which would be part of the 2015/16 Budget Process.

The Chief Executive Designate indicated that a meeting would be sought with officials at a senior level as well as with the Minister to discuss the matter.

The Members then sought and received clarification from the Head of Contracts in relation to the funding of the projects as set out in the Appendix to the report.

After further discussion, during which the Members expressed considerable concern about their ability to carry out any significant physical regeneration work within the budget, the Committee adopted the recommendations.

Terms of Reference for the Shadow Strategic Policy and Resources Committee

The Committee was reminded that the Shadow Council at its inaugural meeting on 11th June had agreed to select a traditional committee form of governance which would be made up of 4 standing Committees of 20 members each. The Shadow Council had approved also the draft Corporate Plan for the shadow period which included proposed Terms of Reference for each of the 4 standing committees.

The Members were advised that the role of the Shadow Council was principally to prepare the organisation to assume its full powers and functions in the extended boundary area on 1st April, 2015. The Shadow Strategic Policy and Resources Committee would therefore take the lead role in putting in place the relevant structures and resources for the new council. That would include the development of:

- new decision making structures, including new political management arrangements and supporting organisational development and design;
- a new corporate plan setting out the vision and priorities for the Council for the next number of years, taking account of the Council's emerging role in the development and implementation of the Community Plan; and
- the setting of the budget for the new council, including revenue estimates, the medium-term financial plan, the Capital Programme and the striking of the district rate.

The Committee would oversee also a programme of Member and officer capacity building and be required to respond to any relevant emerging legislation and guidance. It was envisaged that, as the year progressed, the work of the Committee would be intense, particularly as it approached the rate setting deadline in the new year up until the new Council took effect on 1st April, 2015. At this time the recommendation was that the Committee should meet once a month but that might have to be reviewed later in the year. Also, since specific pieces of work emerged, it might be necessary to establish one or two short-term Working Groups. Further reports on that would be brought to the Committee as necessary.

Accordingly, the Committee was requested to approve the undernoted draft Terms of Reference for the Shadow Strategic Policy and Resources Committee:

Appendix 1

Terms of Reference for Shadow Strategic Policy and Resources Committee

Role

The Shadow Strategic Policy & Resources Committee will take decisions or make recommendations in relation to budgets, post 2015 governance arrangements, organisational development and design, corporate planning and performance processes.

Governance

The Shadow Strategic Policy and Resources Committee shall be responsible to the Council for the matters described below:-

- **Commence organisation development and design work including new temporary and future organisational structures.**
- **Identify and design the preferred governance model for the new council (including the number, size and role of committees and area working groups, a method for filling positions of responsibility and the allocation of Special Responsibility Allowance).**
- **Develop governance frameworks (including the Standing Orders, Scheme of Delegation and the Constitution).**
- **Develop process for dealing with current and future contracts**
- **Consider initial service budget estimates.**
- **Submit Equality Scheme to Equality Commission**
- **Develop a corporate and business plan for the new Council.**
- **Agree budget for the new council and strike the rate for 2015-16.**

- Agree a medium term financial plan and capital programme for the new Council.
- Prepare for the performance management of transferring functions (to include planning, regeneration, and service standards) and to take account of future community planning needs.
- Agree branding and signage for the new Council.
- Appoint staff as appropriate.
- Build member and officer capacity in preparation for new functions
- Commence the winding up process of the existing Council.

Review

The Terms of Reference will be reviewed periodically throughout the shadow period and updated as and when required.

The Committee approved the Terms of Reference.

Corporate Plan post-2015

The Committee considered the undernoted report:

“1 Purpose of Report

- 1.1 To introduce for Members the process for developing the Corporate Plan which will guide the work of the new Council from April 2015 onwards.

2 Relevant Background Information

- 2.1 As set out in the Committee’s terms of reference, a key task for the Strategic Policy & Resources Committee in the shadow year is to develop the corporate plan for the new Council.

The corporate plan is an important document for the new Council, as it sets out:

- Members’ vision for the city and the organisation in the context of the emerging community plan for Belfast;
- How we will deliver new functions and in new areas;
- The priorities Members wish to see delivered during the Council term;
- The ways in which Committees and departments will work together and with partners to deliver on these priorities;

- The way the resources of the organisation in terms of money, people and assets, will be aligned to ensure delivery;
- The measures that Members will use to manage the performance of the organisation and ensure and monitor improvement
- How the council will deliver significant governance and organisational change (a separate report on the Committee's agenda deals with this issue).

Over the coming year, it will be important that Members are given the time and information that they need to lead the development of the new corporate plan in an evidence-based way and within the affordability limits established through the rate setting process.

3 Key Issues

3.1 Setting and managing Council priorities – the planning framework

The corporate plan is one of a number of strategic plans which Members will use to manage the new Council and the city.

At a city wide level Members will be leading the development of a strategic or community plan for Belfast, this will set out long-term objectives and priorities for the city and will be developed in partnership with other statutory bodies, communities and other stakeholders. Amongst other things, the corporate plan will set out ways in which the Council will contribute to these city priorities.

Within the organisation, the corporate plan sits along-side the Council's financial management plans and strategies which show the ways in which financial resources will be used to deliver on Members priorities.

The Council's organisational development strategy, outlines the ways in which the capacity of the organisation will be developed in order to deliver on the priorities in the plan.

Over the next year, Members will also decide on the way in which they wish to see services, departments and committees plan to deliver on the priorities in the corporate plan and how progress will be measured. This may include area-based plans.

A diagram setting out an illustrative example of how the different plans of the organisation may come together in 2015 is

attached at Appendix 1. Over the next year we will work with Members to refine this approach, in line with Members' direction, the emerging processes for developing the community plan and the local development plan and guidance from the DoE on monitoring and reporting of performance information.

The corporate planning process

The corporate planning process will have two key elements; firstly, an outward city-wide focus, with an emphasis on the issues facing the city as well as its strengths and opportunities. The new corporate plan needs to reflect and give expression to the new place-shaping role that the Council will have as the planning and regeneration authority in 2015. It also needs to reflect the Council's role in improving quality of life through efficient and effective service delivery and providing civic leadership to issues requiring partnership approaches.

Secondly, the corporate plan has an organisational focus, ensuring that all parts of the Council are working towards the delivery of Members priorities for the city and that the organisation has the right capacity, design, and resources to deliver.

To support Members in developing the plan, a number of steps will be taken, these include:

The city-wide context

- A survey of residents of the new Council area, as well as other stakeholder engagement, to help inform priority setting, this will also support development of the community plan;
- A city 'base-line' report will be developed to provide an understanding of the socio-economic context in which the new Council will operate, including new areas;
- An analysis of the plans and strategies affecting the city and the work of the Council to consider how these might impact on the future work of the Council.

The organisational context

- Work is underway to understand the impact of the transfer of functions and to plan for the delivery of services to people across the new council area. As the results of this work are brought to Members it will

shape the development of the new corporate plan and the standards of service included within it;

- A review of the current corporate plan and Investment Programme will be carried out to assess the progress made so that this can inform future priority setting;
- Organisational analysis to assess the ability of the Council to deliver on future priorities and the steps required to make the organisation fit for purpose – the organisation development strategy;
- Engagement with employees will be important in ensuring priorities are informed by the experience of delivery.

The financial context

- The corporate planning process is closely linked to the rate-setting process, as the plan must be set within clear affordability limits. It will also reflect the Council's approach to efficiency and ensuring value for money for rate-payers. The plan will also reflect the decisions Members make about the capital programme and will, on an on-going basis help shape and inform investment decisions for the new Council.
- In the weeks ahead, officers will work with Members, of the new Council, to determine how best Members can be supported in developing the corporate plan.

4 First steps

- 4.1 It is proposed that a specific corporate planning workshop for Members is held in September/October in line with the timetable for financial planning for the new Council.

In preparation for this officers will continue to gather evidence, as outlined above, and will engage with Members in order to determine emerging priorities for the new Council.

It is proposed that, as in previous years, where necessary, external expertise is procured in order to develop the base-line data required and for independent facilitation to support Members in developing the plan.

5 Resource Implications

Resource implications have been included within the budgets set for 2014/15.

6 Equality and Good Relations Implications

The Corporate Plan will be developed in line with the Council's commitment to equality and good relations.

7 Recommendations

Members are asked to note the process for developing the corporate plan for the new Council, post -2015;

Members are asked to agree to the retention of expert analysis and facilitation to support this process in line with provision made in budgetary estimates for this purpose.”

The Committee adopted the recommendations.

Internal Change Programme – Organisation Development and Design

The Committee considered the undernoted report:

“1.0 Purpose

1.1 The purpose of this report is to agree the Council's Organisational Development Strategy as a strategic framework for a far-reaching internal change programme and to agree the immediate priority areas for organisation restructuring.

2.0 Relevant Background Information

2.1 Members agreed in April 2014 that a far-reaching internal change programme of organisational development and design (to include a new organisation structure) should now be developed.

2.2 An organisational development (OD) strategy has therefore been developed as a strategic framework for this work. This strategy is the first step in developing a planned and systematic approach to enabling internal change and improvement.

2.3 The OD strategy will be one of the key strategic plans for the new council and its associated programme of work will form a significant part of the Shadow Policy and Resources Committee's work.

3.0 Key Issues

Priorities for Organisation Development

The priorities for organisational development have been identified as a result of analysis of members' ambitions and priorities, the external and internal environment, consultation through various internal workshops and development sessions and analysis of evidence gathered from our employee survey and lIP process. In addition, there are important 'must do' issues, in particular significant consideration was given to local government reform.

The following four key areas for organisation development work have been identified:

- **organisation** - this includes reviewing our governance and organisation structures including service delivery models
- **leadership** – (both political and managerial leadership). This includes agreeing values and behaviours for BCC leaders; developing current and future leaders; managing and attracting talent; continuing work to ensure our workforce is representative of the community we serve; leading and effectively managing transformation and change; continuing to improve communication and engagement; and managing performance.
- **management** - this involves supporting managers to effectively focus their role on relevant service and project delivery; vfm and our customers; managing performance; understanding and managing political/member relations; delivering efficiencies; managing change; and communication with staff. We also need to support changes to manager's role particularly in relation to neighbourhood working, clienting, revised service delivery models and working with partners.
- **skills** – this involves developing leadership skills within our organisation around community leadership/planning; programme and project management; managing people and performance. We will also need to undertake a skills gap in the context of organisation redesign (e.g commissioning, commercial, workforce planning, economic and option appraisal skills) and source

expertise required for city leadership (e.g. energy , digital expertise)

Work has clearly started on some of the priorities set out in the strategy, such as LGR (transition, transformation, governance); service delivery models (Leisure and Waterfront Hall); Member and officer capacity building; efficiency; and employee engagement

This strategic framework for organisation development must however be aligned to other strategies, prioritised, resourced and communicated as a result of agreeing the strategic direction for the new council with members. This work will form an important aspect of the work of the Shadow Strategic Policy and Resources and Transformation Committees over the shadow period. Notwithstanding this some immediate priorities in relation to organisation design have been identified as follows:

Priorities for organisation design

1. ***Agree senior management team arrangements*** pending a significant internal change programme which will include organisation restructuring in order to effectively support the new Chief Executive to deliver members' priorities and deliver the unprecedented change programme facing the Council. (See separate report)
2. ***Undertake a review of Democratic Services*** in order to identify and secure the immediate and longer term resources required to effectively manage the shadow period. Given the increase in the number of elected members, committee meetings and the Council's new powers and functions a review is required to ensure that members' needs are effectively met at a committee, individual elected member, party group leader and party group levels. It is also important to ensure that effective management, staffing and other relevant policies, processes and procedures are in place to ensure this section is not only operating in an effective and efficient manner but that it is a transparent exemplar of good practice
3. ***Agree Planning and Regeneration organisation positioning and resource requirements.*** Both planning and urban regeneration require the Council to plan for and demonstrate short, medium and long-term capabilities. The Council must develop strategic,

tactical and operational capability. Members clearly need to be assured about the quality of the skills it is inheriting and how this resource can be used to best effect. The Council needs to be ready to exercise its new functions as well as thinking about how planning and regeneration should be organised in Belfast for the future while enabling appropriate integrated delivery at area level.

4. Deal with the impact of all transferring powers and functions – service convergence and all transferring functions clearly have the potential to impact on existing services, organisation structures and staff. This will need to be effectively managed in accordance with Belfast City Council agreed HR policies and procedures.
5. *Develop client side of Leisure Trust.* A decision has been made by the Council that Leisure services would move to a trust model and this means ensuring we are structured appropriately to undertake the client role effectively.
6. *Develop a co-located core team* reporting to the new Chief Executive and CMT to develop, integrate and support the approaches to corporate planning, city planning, community planning, performance and organisational development/improvement..
7. *Agree Parks and Leisure departmental arrangements* given the transfer of Leisure Services to trust status. This will include the effective management of the voluntary redundancy exercise and ensuring service delivery following the release of staff until transfer of operations in January 2015 and the consideration of how the remaining functions in Parks and Leisure (i.e. those not transferring to a trust) are placed within the new organisation structure. (see also separate report on Senior Management team)
8. *Agree service delivery model for Waterfront Hall.* The Waterfront Hall is undergoing significant expansion to make it fit for purpose as an international conferencing venue. The Council will need to agree its vision for the new facility and consider the strategic, legal, financial and HR issues. This will entail developing new skills, structure and working arrangements to ensure effective delivery.

9. ***Deal with HR matters arising from staff transfer from Lisburn and Castlereagh and central government.*** Transferring staff will come across on different terms and conditions, pay structures, job descriptions, policies, working practices and contractual arrangements. The Council will need to identify the issues and make appropriate plans to address this, taking into account the legal implications e.g.TUPE , single status, equal pay .
10. ***Identify and secure resource, as appropriate for the shadow period resulting in the difference in service between BCC and Lisburn/Castlereagh.*** Analysis has shown that there is a difference between the standard, nature and scope of services provided within BCC and those areas transferring from Castlereagh and Lisburn (e.g. noise pollution and community outreach work in Parks, Cleansing and Recycling) . Consideration will therefore have to be given to the appropriate way in which this deficit can be addressed.
11. ***Confirm resource requirements and staffing arrangements for the Audit Governance and Risk section*** given the need to meet the statutory requirements and for adequate assurance on local government reform programme.
12. ***Confirm arrangements for the Legal function of the Council*** to ensure we have the capacity to effectively deal with the transfer of assets, the transfer of planning and regeneration powers (and associated risks and liabilities) and to undertake such work as is required to support the new governance and administrative arrangements established by the Local Government Act (NI) 2014.

Next Steps

These organisation design priorities need to be managed and delivered within the context of members' overall strategic direction and the associated organisation wide review and restructuring for which a number of stages and tools will be employed. These will include:

- Agreeing with members, the strategic direction of the new council within which the full review will be undertaken and options and choices developed.

- Agreeing values and behaviours in relation to the kind of council we want to be based on Members' agreed overall strategic direction - e.g. one that is member led; adaptable and flexible to change; focuses on customer need, values and empowers its employees; is innovative; works in partnership internally and externally.
- Agreeing the principles and process for the review (e.g. inclusive, fair and equitable, and that it will examine spans of control and decision making across the organisation as well as functions and themes)
- Agreeing the Trade Union consultation and negotiation arrangements for the programme of work
- Agreeing an open and transparent approach to staff communication and engagement
- Benchmarking best practice and establishing evidence base/baseline
- Aligning this strategy and internal change programme to other priorities such as the Council's Investment Programme (job opportunities and work placements) and Efficiency Programme (reduction in staff costs)
- Ensuring delivery through a planned, prioritised and resourced approach to implementation

It is proposed to develop for Members' approval action plans around these specific organisation design and restructuring priorities along with an approach to the overall internal change programme.

4 Resource Implications

- 4.1 The senior responsible officer for the Council's OD Strategy and associated internal change programme is the Assistant Chief Executive (HR & OD) and the work will fall mainly to those functions in the Chief Executive's Department i.e. HR & OD, Strategic Policy and Planning, Corporate Communications and Democratic Services but external expertise will have to be procured to ensure best practice and provide independent assurance. Costs are contained in the Local Government Reform budget. It is also proposed to align internal resources from the Council's Finance and Resources department Efficiency Unit as required to assist with this programme of work.

5 Equality Implications

There are no equality implication associated with this proposal.

6 Recommendations

Members are asked to:

- 1. Agree the Organisational Development Strategy as a strategic framework for a far reaching internal change programme from which resourced action plans will be developed**
- 2. Agree the immediate priority areas of action for organisation review and design**
- 3. Note that reports will be brought to future committee meetings on the proposed overall internal change programme with members being regularly updated on the progress of the agreed organisation review and design priorities contained in this report.**
- 4. Agree to the procurement, (in line with Council agreed procurement practices) of external expertise to ensure best practice and to provide independent assurance.”**

The Committee adopted the recommendations.

Organisational Development and Design – Senior Management Team

(With the exception of the Chief Executive Designate and the Senior Democratic Services Officer, all officers left the meeting while this item was under consideration)

The Chief Executive Designate submitted for the Committee’s consideration the undernoted report:

“1.0 Purpose

- 1.1 The purpose of this report is to agree arrangements for the new Council’s senior management team pending a significant internal change programme which will include organisation restructuring.**

2.0 Relevant Background Information

The handover between the existing Chief Executive and the new Chief Executive will be complete at the end of June 2014.

Belfast City Council is facing significant corporate priorities and unprecedented change including:

- Transition and transformation related to local government reform - transfer of assets and staff from**

Castlereagh and Lisburn, transfer of new functions and powers and new governance arrangements

- **Internal change programme (organisation design and development)**
- **Investment Programme**
- **Leisure transformation**
- **Review of Waterfront Hall delivery model**
- **Efficiency programme**

Over the shadow period the management team will not only manage the business as usual/functions of the council and deliver key priorities but also manage the change process.

It is imperative therefore that a senior management team is in place to support the Chief Executive in the delivery of this unprecedented agenda.

Currently the other new councils are considering their senior management teams and structures and creating and filling new posts.

Belfast City Council is however different to other councils - it is not merging with two or three councils but rather extending its boundary. Unlike the other councils Belfast City Council is not in the position of having more than one post in a cluster of two or three councils with only one post being required in the new council.

The Council's staff are not at risk as a direct result of local government reform and will simply transfer from the existing Council to the new Council on vesting day.

The Council needs however to review its organisational structure to ensure it is aligned to governance arrangements and is fit to deliver members' ambitions and priorities.

Given the significant agenda of work and the scale of change during the shadow period and the Council's particular circumstances (i.e that for the purposes of filling posts in the new council Belfast can be seen as a continuing local authority) the following is proposed:

- **The existing senior management team will operate in the same way as the agreed arrangements for the new Chief Executive in that directors will undertake duties relating to both the existing and new council.**

- **Realign the Council's directors' pay scale to ensure the appropriate relativity to the new pay scale for the new Chief Executive post.**
- **Designate one of the existing directors to undertake a full deputising role for the Chief Executive for the shadow period/until the new organisation structure is agreed. Previously the full deputy role for the Chief Executive was assigned to the lead finance role and it is proposed to do so again (no other chief officer has expressed an interest and the post holder was appointed as reserve candidate to the Chief Executive role). This role would not change the functional responsibilities of the Director of Finance and Resources. Rather the Director would undertake additional corporate responsibilities such as Senior Responsible Officer for Local Government Reform.**
- **Designate the existing post of Head of HR as Director of Organisation Development (OD) (to reflect LGSC advice on the HR and Finance leads in the new councils and LGA advice for Belfast City Council - see Appendix One). Members should note that the current postholder is also managing the functions currently within the Chief Executives department and as agreed at the time of recruitment for the post this arrangement will continue until 31 March 2015 or when the new permanent organisation structure is agreed.**
- **All director posts (i.e Finance and Resources; Organisation Development ; Property and Projects, Parks and Leisure; Development; and Health and Environmental Services) may be subject to change following the review of the organisation structure and all the existing temporary arrangements within the senior management team may change, cease or be made permanent as a result of the review**

Next steps in relation to the Council's senior management team

The new planning and regeneration functions will require consideration in terms of ensuring we have the appropriate resources and skills as well as where these functions will be placed in the organisation structure. The exercise to procure independent expertise to provide advice on these issues will be completed by September and a report will be brought to

Shadow Policy and Resources Committee on proposals at that time

An interim Director of Health and Environmental Services will start on a three day per week basis on 28 July 2014.

Also, the decision to move the Leisure Services function to a trust model will impact on the Parks and Leisure department and consequently the Director of Parks and Leisure post. A report on this matter will be brought to members in the next four months.

The proposed approach to the Council's senior management team has been independently validated by the Local Government Association (see appendix one)

3.0 Resource implications

The Council's director scale would be realigned by three performance based annual increments..

The Director of Finance and Resources would, for a full deputising role for the Chief Executive in the first instance be awarded two increments on top of the Council's directors scale with the potential for a further two thereafter (this being in line with the Chief Executives performance related incremental pay scale.

The cost is contained within the Local Government Reform budget.

5 Equality Implications

5.1 There are no equality implications with the proposals

6 Recommendations

Members are asked to:

- Agree that the existing senior management team will operate in the same way as the agreed arrangements for the new Chief Executive in that directors will undertake duties relating to both the existing and new council.
- Confirm the realignment of the Council's directors' pay scale to ensure the appropriate relativity with the new pay scale for the Chief Executive.

- Assign a full deputising for the Chief Executive to the Director of Finance and Resources on an interim basis for the shadow period/until the new organisation structure is agreed and awarding the post holder two increments above the directors scale for this role with the potential for a further two thereafter (this being in line with the Chief Executives performance related incremental pay scale).
- Designate the existing post of Head of HR as Director of Organisation Development to reflect Local Government Staff Commission advice on HR and Finance leads in the new councils, with the substantive post holder continuing with the additional previously agreed role of managing the functions currently within the Chief Executives department) on an interim basis during the shadow period/until the organisation new organisation structure is agreed.
- Note that all director posts (i.e Finance and Resources; OD; Property and Projects, Parks and Leisure; Development; and Health and Environmental Services) are subject to change following the review of the organisation structure. Further, all existing temporary arrangements within the senior management team may alter, cease or be made permanent as a result of the review
- Note that Members will receive proposals over the next few months in relation to the Director of Parks and Leisure post and the organisation structural implications of the transferring Planning and Regeneration functions.”

The Committee adopted the recommendations and agreed that party briefings be provided to any party who so wished prior to the meeting of the Shadow Council.

Rate Setting 2015-16

The Director of Finance and Resources submitted for the Committee's consideration the undernoted report:

“1 Relevant Background Information

- 1.1 Two of the key tasks for the Shadow SP&R Committee will be setting the district rate and agreeing the revenue and capital budgets for 2015/16.

- 1.2 This will be a complicated process with many issues needing to be addressed. The purpose of this report is to propose a process to support Members financial decision-making and to outline the key factors which they will be required to be considered.

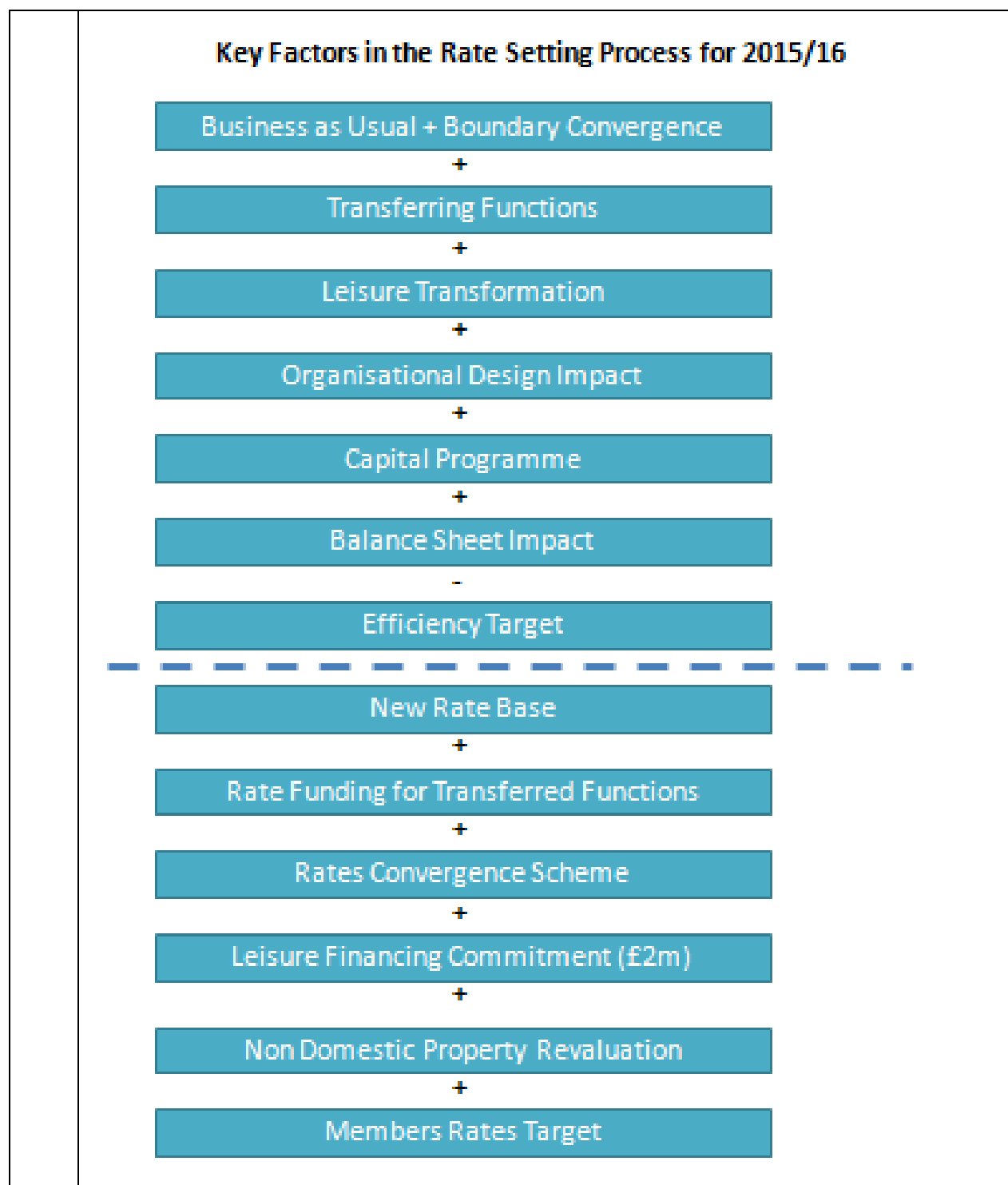
2 Key Issues

- 2.1 Table 1 below summarises the key issues relating to the rate setting process for 2015/16. The top half of the table deals with the revenue and capital estimates and the bottom half addresses the factors which will determine how much income will be raised through the rates base.
- 2.2 *Business as Usual:* The recurring net cost of Council operations including front line, back office and infrastructure costs which is influenced by factors such as inflation, staff costs, staff numbers and new Member priorities.
- 2.3 *Boundary Convergence:* The cost of the delivering front line services to residents in the new Council boundary area. This will be driven by the costs of staff transferring, the costs of running and maintaining transferring assets and standards at which services are to be delivered.

Given the complexities outlined above, departments started in April 2014 to develop and cost models of service delivery to the new boundary areas.

- 2.4 *Transferring Functions:* The cost of providing continuity of service to customers and citizens for those of services and functions which will transfer to the council from central government. Council officers are currently working with government officials to determine staffing levels, accommodation needs, ICT requirements, and so on.

Table 1



- 2.5 *Leisure Transformation:*** The creation of revised Parks and Leisure budgets following the decision to create a Leisure Trust.
- 2.6 *Organisational Design Impact:*** The creation of the new council will have an impact on departmental and corporate budgets through revised organisation structures, back office arrangements and accommodation requirements.
- 2.7 *Capital Programme:*** The capital financing and revenue implications of the 2015/16 – 2017/18 Capital Programme which will include capital projects incorporating the new boundary area and capital expenditure strands of transferred functions.
- 2.8 *Balance Sheet Impact:*** The revenue implications of movements in the council's balance sheet resulting from the transfer of assets and liabilities associated with service convergence and transferred functions.
- 2.9 *Efficiency Target:*** The level of cash savings agreed by the council to be removed from the baseline estimates.
- 2.10 *New Rate Base:*** The expanded rates base for the new council area which will include the gross rate income less losses (including allowances, vacancies, irrecoverables and cost of collection). The output will be an Estimated Penny Product for the new council Area. Council officers are currently working with LPS and the Institute of Revenue, Rating and Valuation to estimate the likely levels of rates income associated with the new rates base.
- 2.11 *Rates Funding for Transferred Functions:*** The combined settlement agreed with Government Departments which will be converted to a virtual NAV and collected through the district rate. Council officers are conducting a due diligence exercise for each of the transferring functions. A report on this work in relation to the transfer of regeneration powers will be presented to Members at this committee meeting.
- 2.12 *Rates Convergence Scheme:*** The terms of the final DFP Scheme which will provide £30m of rates relief for ratepayers transferring to Belfast. Consultation on the scheme has commenced and is subject to a separate report on the committee's agenda.
- 2.13 *Leisure Financing Commitment:*** The commitment by Members to ring fence £2m of rates income from the new rate base to

contribute to the capital financing of the Leisure Estate Investment.

2.14 *Non Domestic Property Revaluation:* The impact of the rebalancing of non domestic property rate base following the revaluation of all non domestic properties.

2.15 *Elected Members Rates Target:* The target district rates agreed by members as part of the rate setting process and which will drive the affordability of cash limits. For 2015/16 the level of district rate set will only be able to be compared against the level of rate paid by a Belfast ratepayer in 2014/15.

Proposed Rate Setting Process for 2015/16

2.16 Table Two below summarises the rates and revenue and capital budget setting process. The process will commence in detail with Members in August and continue through to February 2015. In addition to the formal committee meetings, briefings will also be provided to Party Groups and a financial induction programme is being arranged for Members.

2.17 Members should note that although the Transition and Transformation Committees will be dealing with boundary convergence and strategic transferring function issues, any decisions made by these committees which have financial implications for the council will need to be referred to the Shadow SP&R Committee for consideration.

**Shadow Strategic Policy and Resources Committee,
Monday, 23rd June, 2014**

Table Two: Proposed Rate Setting Process for 2015/16

June 14	Budget Panel and Shadow SP&R	Year end Report Agree Rate Setting Process and Timetable for 2015/16
Aug 14	Budget Panel and Shadow SP&R	Update on:- <ul style="list-style-type: none"> • Convergence Estimates • Transfer of Functions Due Diligence • Converged Rate Base • Non Domestic Revaluation • Rates Convergence • External Financial Pressures • Efficiency Target
Sept 14 / Oct 14	Budget Panel and Shadow S P&R	Update on:- <ul style="list-style-type: none"> • Leisure Transformation Impact • Capital Programme • Transferring Assets Impact • Transfer of Functions Potential Funding Settlements and Issues • Rates Convergence Scheme • Non Domestic Revaluation Impact
Nov 14	Budget Panel and Shadow SP&R	Update on Rates position and options for District Rate
Dec 14	Budget Panel and Shadow SP&R	Discuss and finalise options for Rates position taking into account the Medium Term Financial Plan, Capital Financing Strategy and Treasury Management Strategy
Jan 15	Shadow SP&R Shadow Committees	Recommendations to Council on District rate and Medium Term Financial Plan
Feb 15	Council	Agree District rate

3 Recommendations

Members are asked to:-

- 1. Note the report on the rate setting process for 2015/16.**
- 2. Agree the timetable for reporting timetable outlined in table 2 of this report.”**

The Committee adopted the recommendations.

Managing Convergence of District Rates

The Committee was reminded that, as a result of local government reform, the current number of councils had been streamlined from 26 to 11. In many instances, merging council areas had differential district rate levels which could result in many ratepayers experiencing an increase in rates as a result of the reorganisation. The Northern Ireland Executive had agreed to allocate £30million to fund transitional arrangements to manage rates convergence between those council areas which might have different rate levels and were coming together as a result of the reform.

The Director of Finance and Resources reported that the Department of Finance and Personnel and the Land and Property Services agency had developed initial draft proposals for a rates relief scheme for those ratepayers who were likely to face a sudden increase in their district rate. The Department had recently issued those proposals for consultation with responses sought by 19th August, 2014. As part of the rates relief scheme, the Department were proposing that a specified discount be applied to the 2015/16 District Rate for both domestic and non-domestic properties. The consultation document outlined a number of options in regard to the percentages of discount to be applied; and the duration of the scheme, for example, ranging from 1 till 4 years. Council officers were currently reviewing the options which had been put forward and analysing the potential impact upon those ratepayers transferring to Belfast. It was the intention that a detailed report on the Council's response to the consultation would be submitted to the Committee in August for Members' consideration.

The Committee noted the information which had been provided.

Financial Reporting – Quarter 4 2013/14

The Committee noted the contents of a report in relation to the financial reporting for quarter 4 which had been submitted to and agreed by the Strategic Policy and Resources Committee on 19th June.

Local Government Reform - Transfer of Functions Due Diligence

The Chief Executive Designate reminded the Committee that an important element and benefit of local government reform would be the transfer of a number of new place-shaping functions and powers from central government departments to local government in April, 2015. The new Councils would be given operational responsibility for spatial planning, regeneration and community development, off-street car parks, additional regulatory housing functions, including Houses of Multiple Occupations (HMOs) and housing unfitness, as well as an enhanced role in supporting local economic development and tourism.

The transfer of such functions, coupled with the new statutory community planning powers, would further enhance the ability of councils and local elected members to respond to the needs of local communities and shape, in partnership with others, the future development of their city. In agreeing the package of functions to transfer from central to local government, the Northern Ireland Executive had agreed also the following

guiding principles which would underpin the transfer of functions/powers to councils:

- (1) would be sufficiently funded at point of transfer;
- (2) would be rates neutral at point of transfer; and
- (3) would be fit-for-purpose at point of transfer.

In order to establish a clear understanding of what it was transferring, Deloitte had been commissioned by the regional Transfer of Functions Working Group to undertake a detailed due diligence assessment of the baseline resources, for example, the budget, staffing, assets and liabilities attached to those functions and powers transferring to local government. The objective of the due diligence work was to provide the local government sector with details and assurances regarding transferring budgets and to highlight issues which needed further work. It was pointed out that some of the actual figures, including specified notional costs, were under review with the Department for Finance and Personnel and other government departments and should not be taken as final definitive figures.

The Chief Executive Designate explained that the Due Diligence assessment provided a regional overview of the resources to transfer and did not set out the proposed resource allocations across the 11 new councils, including Belfast. The allocation of resources by individual central government departments would be a decision for each Minister. To date, the Department for Social Development had been the only department which had issued specific proposals in regards to the allocation of resources which had been considered earlier in the meeting by the Committee.

The Department of the Environment had confirmed that each of the other transferring departments would present in early summer 2014 proposals regarding budget allocations, with final allocations late in autumn 2014 in line with the Council's rate setting process.

The Chief Executive Designate submitted for the information of the Members a draft critical decision route map which had been prepared by the Department of the Environment and which outlined how a number of outstanding transfer issues, highlighted in the Due Diligence Report, would be progressed. She explained that Council officers were already in intensive engagement with the respective transferring functions departments to carry out its own due diligence around the potential resources to transfer to the Council. An update report on the Transfer of Functions was on the agenda for the meeting of the Transition Committee which would be held later in the week and more detailed updates would be submitted to the Committee in August.

The Committee noted the information which had been provided.

Belfast City Council Financial Accounts 2013/14

The Committee noted the contents of a report in relation to the Financial Accounts of the Council, including the Annual Governance Statement, for 2013/14 which had been approved by the Strategic Policy and Resources Committee at its meeting on 19th June.

Belfast City Council Statutory Transition Committee Financial Statements 2013/14

The Director of Finance and Resources submitted for the Committee's consideration a report on the Financial Statements of the Statutory Transition Committee, including the Annual Governance Statement, for 2013/14. He pointed out that the Financial Statements were an important element of the Council's overall corporate governance framework as they provided assurance to Members and rate payers on the stewardship of the Statutory Transition Committee's finances and its financial position.

The Director reported that the financial statements for the year ended 31st March, 2014, a copy of which had been circulated, had been prepared in line with the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 based on International Financial Reporting Standards and the Department of the Environment Accounts Directive, Circular LG 19/14. He confirmed that the Statement of Accounts for the year ended 31st March, 2014 had been prepared in the form directed by the Department and in his opinion the Statement of Accounts gave a true and fair view of the income and expenditure and cash flows for the financial year and the financial position as at the end of the financial year.

He explained that the Financial Statements had included the Statutory Transition Committee's Annual Governance Statement for the year 2013/14, which had been prepared in line with the Accounts Directive provided by the Department of the Environment and Northern Ireland Audit Office Guidance and was consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. The Annual Governance Statement was approved by the Chair of the Strategic Policy and Resources Committee, the Chief Executive Designate and the Director of Finance and Resources and was subject to review by the Northern Ireland Audit Office as part of its annual audit. During the period till 31st March, 2014, the Statutory Transition Committee had incurred costs of £10,754 and had received income from Belfast City Council of £10,754.

The Committee approved the Financial Statements and incorporated Annual Governance Statement for the Statutory Transition Committee for 2013/14.

Agreement on Scheduling of August Committee Meetings

The Committee was reminded that the Council had agreed to a recess period in July, 2014. The next meeting of committees would therefore be held in August where a number of key consultation documents, for example, Standing Orders, would be presented, together with initial preparatory work on the 2015/16 rates setting process. The work to inform the Committee papers would require consultation with party groups, party group leaders and the Budget and Transformation Panel. Those briefings would be scheduled for the beginning of the month, with a view to holding Committee meetings between 15th and 29th August. That included 2 meetings of the Shadow Strategic Policy and Resources Committee, the first of which would take place on 15th August and the second on 29th August. That would ensure that the Council complied with consultation

deadlines which had been imposed by the Department of the Environment.

The Members were reminded that the legislation underpinning the Shadow Council set out new requirements around the number of days in advance that papers must be made available for meetings. As a result of that, the Council meeting could not be held until 7 days after the last Committee meeting and therefore the proposed date for the Shadow Council meeting was Wednesday, 10th September. The Chief Executive Designate pointed out that, in future, it would be preferable that all business of the Shadow Council took place within a period of 1 calendar month, with the Shadow Council meeting on the 2nd working day where possible. Therefore, given that there were no similar legislative constraints affecting the timing of the current Council's meeting and that the committee business would largely begin to 'wind-down', it was proposed that the scheduling of Shadow Council meetings should take precedence and be held in the first 2 weeks of each month, beginning in September. That recommendation would be submitted to the current Council for approval and a revised schedule of meetings for both councils would be developed subsequently.

The Committee approved the proposed timetable of meetings for August, agreed that the next Shadow Council meeting be held on Wednesday, 10th September and noted that agreement would be sought from the existing Council that Committee meetings would be re-arranged where necessary to give precedence to the Shadow Council.

Request for a Deputation

The Committee was advised that a request had been received from the Northern Ireland Independent Retail Trade Association for the Committee to receive a presentation in relation to its Programme for Local Government – Local First.

The Committee agreed to receive a deputation at its meeting to be held in September.

Chairman