



Report to:	Strategic Policy and Resources (Transition) Committee
Subject:	PriceWaterhouseCoopers Phase II report (Economic Appraisal)
Date:	20 th November 2009
Reporting Officer:	Mr Peter McNaney, Chief Executive
Contact Officer:	Kevin Heaney, RPA Project Coordinator (ext. 6202)

1.0	<u>Relevant Background Information</u>
1.1	Members will be aware that the Department of Environment commissioned PricewaterhouseCoopers (PwC) to assess possible options for future local government service delivery within Northern Ireland (as a Phase I) and to undertake a “full Economic Appraisal of Local Government Service Delivery in its Entirety” (as a Phase II).
1.2	PwC has just recently released its Phase II for initial consideration of relevant stakeholders (including councils), with comments requested in advance of the next Strategic Leadership Board meeting scheduled for 9 th December 2009, at which the PwC report will be considered.
1.3	A copy of the Executive Summary of the draft PwC Phase II report is attached at Annex 1. A copy of the full detailed report has been placed in the Members’ Library for reference and can be accessed at the following link: http://www.doeni.gov.uk/index/local_government/local_government_service_delivery-2.htm
1.4	Over the past number of weeks PwC has been undertaking a series of Party Group briefings, at a regional level, on the emerging proposals contained within their report and providing an opportunity for elected Members to comment.
2.0	<u>Key Issues</u>
2.1	<p>Whilst the PwC report considers 5 options in relation to a combination of both the level of transformation undertaken by councils as part of the RPA transition process as well as potential future service delivery models, <u>Option 5 ‘Transformation with Regional Collaboration’</u> emerges as the preferred option within the report. The key characteristics of Option 5 include:</p> <ul style="list-style-type: none"> ▪ the establishment of a Targeting Operating Model (i.e. structure) for the new councils ▪ the establishment of a Business Support Organisation (i.e. Shared Service) which will deliver a range of functions including, for example, ICT, Procurement (by 2011); Legal Services , Finance, Property Services (by 2015) ▪ the BSO will be established as a Joint Committee (comprising of elected Members from across the 11 Councils) and be operated by an executive officer team ▪ the BSO will house a number of the central government functions proposed to transfer to local government which, as the report suggest, cannot be disaggregated e.g. DSD Large Capital Projects; Parking enforcement; Planning specialists ▪ the creation of a single Waste Disposal Authority (WDA) ▪ the creation of a new Local Government Association (LGA) ▪ will cost £118m to implement ▪ will realise a reduction in Net Present Cost of £438m over a 25year period
2.2	In reviewing the draft PwC Phase II report, the following key areas of concern are highlighted for Members consideration:

	<ul style="list-style-type: none"> ▪ the unspecified and unsupported nature of the cost and saving estimates and assumptions presented within the report upon which the recommendations are based ▪ limited consideration given to the level of capacity required to bring affect to the transformation proposals alongside the complex transition /convergence process which councils will need to undertake ▪ detailed consideration needs to be given to the potential impact upon the Council of the proposed establishment of the Business Support Organisation (BSO) and, in particular, the future of ISB ▪ clarity required as to the governance arrangements and legal status of the BSO – will it be statutory ▪ the absence of a robust business case for the establishment of the BSO ▪ limited consideration given to alternative models of securing collaboration between councils (e.g. lead council, centres of excellence) within the recommendations of the PwC report ▪ no certainty around securing the necessary funding to deliver the proposals set out within the PwC and the associated implications for councils (e.g. impact on the rate) <p>Further detail on each of these issues is set in the proposed draft Council response attached at Annex 2, which will be amended to take account of Members’ discussions.</p>
2.3	Given the shear complexity of the PwC report and in order to enable a more informed discussion to take place among elected Members, it is proposed that a presentation on the PwC Phase II report will be given to the Committee on 20 th November setting out the key proposals contained within the report and the associated concerns and organisational consequences for the Council.
	<u>Emerging views of the Local Government Sector</u>
2.4	The Society of Local Authority Chief Executives (from a professional and managerial perspective) has prepared an initial draft response to the PwC Phase II report (copy attached at Annex 3) which Council officers have inputted into and supported in its development. The draft Council response attached at Annex 2 concurs with and reinforces the key issues and concerns se out within the SOLACE response.
2.5	Given the degree of concern within the local government sector with regard to the assumptions and baseline financial information which underpins the PwC report, the Association of Local Government Finance Officers (ALGFO) has set out a detailed appraisal of the transition and transformation costs and savings set out in the PwC report. The ALGFO appraisal is attached at Annex 4.
2.6	Clearly there remains a significant amount of detailed financial information outstanding which prevents any due diligent assessment to be undertaken of the real transition costs and savings, transformation costs and savings and funding arrangements attached to each of the options explored within the PwC report, or to enable any decision to be taken on the preferred way forward.
2.7	The Northern Ireland Local Government Association (NILGA) is currently in the process of developing a response to the PwC report and has arranged a discussions session for 27 th November, 12.00am-1.30pm in ECOS Centre in Ballymena. Correspondence has been received from NILGA inviting representatives of the Councils Transition Committee (i.e. Strategic Policy and Resources Committee) to attend this event. It is therefore recommended that consideration be given to approving the attendance of the Chairman, Deputy Chairman and Party Group Leaders (or their nominees) on the Council’s Transition Committee to the event on 27 th November.
	<u>Proposed Establishment of Business Services Organisation</u>
2.8	The proposals contained within the PwC report with regard to the establishment of the Business Services Organisation represents a potential significant change to the way in which the Council currently manages a range of services e.g. ICT, procurement, legal services etc. Whilst PwC report purports that the BSO would only house back-office (non-strategic) transactional related services and that the transfer of services to the BSO would be on a voluntary basis, the Council needs to consider what are the potential risks and opportunities which such a model may provide and take a corporate position on how it intends to move forward.
2.9	The proposed model also represents a high risk course of action, transferring key support services to a new, untried organisation with no fallback position. Experience of other local government reorganisations shows that support services, especially HR, Finance and ICT, play a key role in securing a smooth transition to new organisations. It may pose significant problems for the transition

	process if the focus of these services is on establishing a new Business Services Organisation rather than on the core task of establishing the new councils. We believe that it is unrealistic and undesirable to consider implementing a Business Support Organisation by May 2011.
2.10	In the draft response attached at Annex 2, it is proposed that the Council notes that it is unconvinced of the business case as currently set out within the PwC report with regard to the establishment of the proposed BSO and that there is a significant amount of detail outstanding in regard to the projected costs and savings (efficiencies) to be realised. It is proposed further that the Council advocate the need for other collaborative service delivery models to be explored including, for example, a lead council approach for particular functions.
2.11	The reality is that the Council already has a critical mass in terms of key services such as ICT procurement/legal etc, and that in itself raises the possibility that a business case could be made for Belfast to be the BSO agent for the delivery of such services. It is important to note that the SOLACE draft response to the PwC report also advocates the need to explore more innovative models of collaboration between councils including, for example, lead councils, centres of excellence etc.

3.0 Resource Implications

There are no financial or Human Resource implications contained within this report.

4.0 Recommendations

Members are asked to:

- a) note that a presentation will be given to the Committee at its meeting on 20th November setting out the detail of the PwC Phase II report and articulating the key issues set out within the Council's draft response (attached at Annex 2) for Members consideration
- b) approve that the draft response, taking into account the discussions at the Committee meeting on 20th November, be submitted to the DoE and Strategic Leadership Board in advance of 9th December.
- c) approve the attendance of the Chairman, Deputy Chairman and Party Group Leaders (or their nominees) on the Council's Transition Committee to the NILGA event on 27th November.

5.0 Appendices

- **Appendix 1:** Executive Summary of PwC Phase II report
- **Appendix 2:** Draft Belfast City Council response to the PwC Phase II report
- **Appendix 3:** Draft SOLACE response to the PwC Phase II report
- **Appendix 4:** ALGFO initial issues paper on the PwC Phase II report

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