

## Executive Summary

The preferred operating model for service delivery sets out a compelling vision for the future of local government in Northern Ireland. This is a vision which includes the delivery of significant improvements to the outcomes experienced by everyone in Northern Ireland. Set out below are a number of aspirational statements and quotations to reflect this vision.

**Citizens will receive excellent services** – Services will be designed around the needs and preferences of citizens drawing on recognised ‘best practice’ locally, regionally and nationally. There will be equity and equality of access to services for all citizens. Councils will collaborate both locally with other service delivery partners and regionally with other councils and public sector bodies to ensure that services are effective and efficient.

*“My Council provides effective and efficient services. Services are delivered to a high standard of quality and I can access many of these services how and when I wish.”*

**Communities will be stronger** – Councils will lead the delivery of public services to local communities ensuring that they benefit from a joined-up and structured approach across local and central government. Councils will work with communities to ensure that public service interventions are designed, against an overarching community plan, to deliver vibrant, sustainable, safe, healthy and prosperous communities.

*“Joined-up delivery of services across the public, private and voluntary sectors have made a real difference to my local community. My community is safer, healthier and more prosperous due to the intervention of my local council and the lead they provided on the design and implementation of a comprehensive plan tailored to address local needs and preferences”.*

**Businesses will be more competitive** – Businesses will be supported by local councils to be more competitive through the provision of support, guidance and resources including specialist business advisors, access to necessary infrastructure and the offer of appropriate incentives to invest including loans.

*“We have received extensive support, guidance and resources from our local council which has added real value to our company and enabled us to contribute both directly and indirectly to the wealth of our local community.”*

**Staff will have challenging and rewarding jobs and will be provided with the necessary support and resources** – Staff will have jobs and careers which are both interesting and rewarding. Staff will be supported through ‘world class’ processes, technologies and facilities. Many staff will be able to work flexibly in ways which suit them. Staff will work in an environment where there is a constant drive for improvement. There will be a focus on developing and maintaining a culture of innovation and continuous improvement.

*“I enjoy working in local government. I have an interesting job which makes a real difference to people and communities across Northern Ireland. I can work flexibly in a manner that suits both me and my employer. I am fairly rewarded for my job and would like to remain in this sector for the rest of my career. Local Government is an employer of choice.”*

**Councillors will provide true civic leadership** – Councillors will have the leadership capacity to take good decisions, enabled by an effective governance structure. Councillors will have a range of support and development mechanisms including the provision of training, technology and other resources. Councillors will be subject to an independently monitored Code of Ethics.

*“Councillors are proficient in their roles within the new local councils. Citizens have open access to local democracy as there is full transparency in how decisions are taken. Councillors are trusted with the delivery of a wide range of services.”*

**Ratepayers will get value for money** – There will be transparency in the levels of district rates and performance for each of the 11 new councils. Each council will be subject to the rigour of a transparent, independently monitored performance management system.

*“There is a clear line of sight between the rates I pay, the services I receive and the contributions that the council makes to my local community. I can assess the performance of my council both against defined target service delivery standards and the performance of other councils. I believe that my council provides good value for money.”*

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The operating model to deliver this 'preferred option' vision has the following characteristics:

### ➤ **Local Councils**

There will be 11 new councils in Northern Ireland each delivering the full range of local government services including:

- a. The 'legacy' services provided by the existing 26 councils (e.g. Leisure);
- b. The functions that are transferring under RPA from central government to local government (e.g. Planning); and
- c. The new services that local government will provide (e.g. Community Planning).

Current group working arrangements for Environment Health and Building Control will cease and each council will have the 'self contained' capacity to deliver these services.

Each of the 11 new councils will be established in May 2011 and will be characterised by:

- a) Service Excellence within each operational and service delivery area within each new council. Each customer facing service area of the new council must be designed to provide service excellence, in line with recognised 'best practice' and 'value for money' approaches, in a fully integrated manner across the new council area.
- b) Optimum operating model in place by 2015. The preferred option envisages that each of the 11 new councils will have reorganised and transformed to deploy the optimum operating model to meet its own plans and priorities. There are a number of potential efficiencies that such an approach will unlock including a focus on delivery priorities, creation of 'families of functions' –and the deployment of multi-disciplinary staff.
- c) A Strategic Approach to Core Business Support Processes within each council. The preferred option envisages a shared approach, within the council, to a number of cross-cutting business support processes that are used to provide, for example Direction (e.g. Management & supervision policies, Workforce scheduling) and Standards (e.g. Information Management, Asset Management). The objective is to have a common 'optimised' approach to these core processes across all areas of the new council.
- d) A Single Management approach to Service Support elements within each council. The preferred option envisages that each council will be supported by an efficient 'back office' corporate support services function.

### ➤ **Business Services Organisation (BSO)**

A new regional Business Services Organisation (BSO) will be created. The mission of the BSO will be to enable "collaborative solutions across local government which support the optimum use of internal resources to allow a focus on the delivery of front-line services".

The BSO will initially focus on procurement, support services (such as ICT) and transactional services (within areas such as Payroll, Finance and Human Resources). The BSO will also provide a 'home' for those functions transferring from central government which do not simply disaggregate across 11 councils e.g. Planning specialists, Large Capital Projects and Parking enforcement.

It is suggested that the BSO should be established as a mandatory Joint Committee of all 11 new councils with a Chief Executive and Director team recruited in line with the senior management team for the new councils. The establishment of a Joint Committee is a proven mechanism for ensuring that activities can be taken forward jointly and efficiently while remaining accountable to the councils.

### ➤ **Waste Disposal Authority (WDA)**

A new single Waste Disposal Authority (WDA) for Northern Ireland will be created. The basic hypothesis is that a new WDA can add value to future procurement and contract management across Northern Ireland. In the longer-term, there is the potential for efficiencies to be driven out by considering waste management and procurements on a regional basis. The specific efficiencies need to be identified and measured as part of the design work around this new organisation i.e. if the design work does not show benefits and

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how they will be realised then the process of creating a new WDA should cease. We are confident that the sector is sophisticated enough to ensure that a new single WDA can be designed and implemented without negatively impacting on either the current residual waste procurements or any future sub-regional preference in respect of a specific solution.

### ➤ Local Government Association (LGA)

A new Local Government Association (LGA) will be created. The suggested role of the new LGA will include Representation of Local Government, Policy Development, International and EU engagement, Sector level Communications, Research, Sector Development and Projects / Campaigns. The LGA will also facilitate a Local Government Consultative Forum which brings together representatives from LGA (i.e. elected members), SOLACE (i.e. Chief Executives and senior officers), sector focused academic / thought-leadership and the Business Community e.g. CBI, Small Business Federation.

On the assumption that robust arrangements can be put in place, it is suggested that the LGA continue to be a voluntary association funded primarily by contributions from member councils.

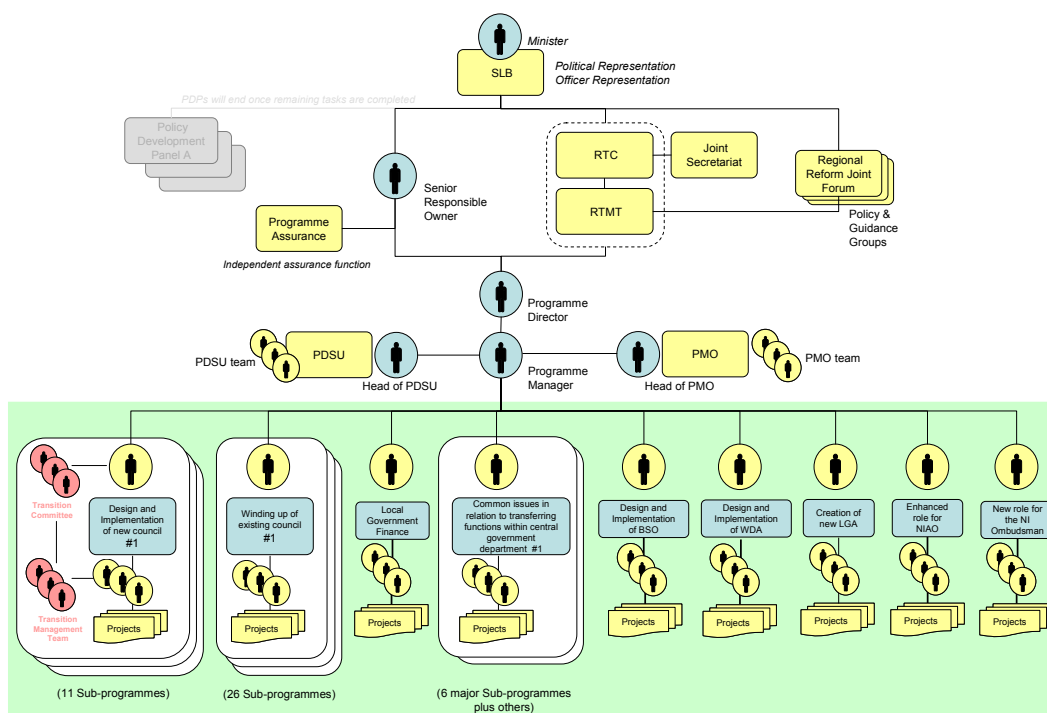
### ➤ Northern Ireland Audit Office (NIAO)

The role of the Northern Ireland Audit Office (NIAO) will be enhanced to include a performance audit role in addition to its current financial audit responsibilities. The NIAO will develop, in conjunction with the sector, and maintain a comprehensive performance management framework against which all councils will be assessed and reported on.

### ➤ Northern Ireland Commissioner for Complaints

The Northern Ireland Ombudsman (Commissioner for Complaints) will take on a new role in Local Government providing independent assurance of elected members against an agreed Code of Ethics.

The new councils will be up and running by May 2011 with the rollout of their fully transformed operating models completed by May 2015. Given the scale of the task ahead and the timescales that we face there is now an imperative to manage the various projects and initiatives needed to conduct the detailed design of these organisations in a structured and integrated manner. Our recommendations include enhanced programme structures building on the last review of the Local Government Reform Programme Organisational Structures to include the application of the proposed Design Framework and the provision of experienced Design Resource. The following programme management structure is recommended:



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***What is required to bring about a model of a fully transformed Local Government sector in Northern Ireland and what savings might be anticipated?***

Steady state service delivery under this operating model will cost much less per annum than the current cost of service delivery under the existing operating model, across both central and local government. The preferred option of fully transformed councils with regional collaboration:

- Requires an **initial net investment of approximately £118m** (in Net Present Cost terms) over the five-year implementation period;
- Provides **annual savings of approximately £42m** (against current service delivery costs); and
- Realises an **overall reduction in Net Present Cost (NPC) of £438m** over the 25 year period of the Economic Appraisal.

***What options were considered?***

An NPC analysis of all of the identified options of the Economic Appraisal, based on the range of assumptions we have made, yielded the following findings:

<b>Rank</b>	<b>Option</b>	<b>Difference from Do Nothing</b>
<b>1</b>	5. Transformation with Regional Collaboration	£438,682,338
<b>2</b>	4. Transformation within Councils	£158,515,493
<b>3</b>	3. Transformation within Service Delivery Functions	£11,854,223
<b>4</b>	1. Status Quo (Do Nothing)	£0
<b>5</b>	2. Reorganisation without Transformation (Do Minimum);	<b>-£205,456,787</b>

In addition to the transition costs and benefits common to all Do Something options, the preferred option gains from on-going savings of 7.5% per annum on net operating cost with initial transformation implementation costs of 8.5%. These savings are primarily due to the optimum brigading of existing, new and transferred functions within transformed councils. The ICT costs for Option 5 are also significantly reduced on Option 4 as a regional approach is adopted.

***How will this reform be funded?***

Funding for both the implementation programme and on-going delivery of services under the new 11-council model will be required from a number of sources:

**1. Increased non-District Rate Revenue**

There are a number of non-district rate funding sources that local government must fully explore, including:

- Central Government – Two areas of central government funding should be considered:
  - Allocation in respect of transferred functions. How will this be done (initially by grant aid, eventually through regional rate)? Will there be any gap in funding due to the increased costs of delivering a regional service on a disaggregated basis across 11 councils?
  - Funding of the reform programme. What, if any, parts of the ‘implementation costs’ associated with the reform programme will be funded by central government?
- Service Charges i.e. charging for non-core or discretionary services. Councils (and the new local government BSO and WDA organisations) should consider whether there are some services which could be charged for, what services and what charge?
- Alternative funding mechanisms. There are a range of proven funding mechanisms from elsewhere that local councils in Northern Ireland should consider including Community Infrastructure Levy, Accelerated Development Zones, Business Rates Supplement and Workplace Parking Levy.

**2. Increase District Rate Revenue**

The District Rate for each of the new councils must be set in the context of the costs for service delivery under the new operating model and any funding allocation from central government in the form of, for example, grant aid or the transfer from regional rates to district rates. Initially, there will be winners and losers in the process of convergence and support will be needed for some ratepayers (i.e. those whose current rates are less than the rate for the new council) over the initial period of this reform. The issue of rates convergence must also be considered in the context of the legacy debt that the new councils will inherit. Ratepayers in a number of existing council areas will potentially get a 'double-hit' with both a rates rise and an increase in the local government debt per head of population e.g. Fermanagh and Omagh. It is also suggested that the sequencing of introduction of new District Rates must be considered in line with other household bill increases over the next period.

**3. Avoid Costs**

The refinancing of legacy debt (i.e. the debt of existing councils) would be of significant benefit to many of the new councils. The total council debt of £414m at March 2008 with local government holding cash and cash equivalents of £162m. The average interest rate on this legacy debt was approx 5.6% and councils paid a total of £23m in interest in 2007/08. Against a current 10-year gilt rate 3.6% councils paid c. £8m of "excess interest". There is a unique opportunity on creation of the new councils for HMT to allow debt repayment under more beneficial terms (e.g. reducing penalty payments and / or spreading penalty payments). Even if more beneficial terms are not forthcoming, councils should consider refinancing anyway as holding cash is inefficient and there is a potential interest rate differential saving of approx. £3m per annum across the sector.

**4. Better use of Assets**

The new councils can make better use of their assets more effectively. The property portfolio within the new councils must be proactively and progressively managed with options including selling surplus assets to free resources and / or transferring ownership of assets to private sector.

Councils can also use their cash assets more effectively by, for example, paying off debt. One recommendation arising from the Economic Appraisal is that the opportunity to create a municipal bank for the new 11 councils in Northern Ireland is fully explored. Such a municipal bank would allow cash assets to be utilised for the collective good both for supporting council investments and facilitating borrowing by local businesses and communities.

In summary, Local Government in Northern Ireland has a once in a lifetime opportunity to embrace real and substantial change. There are a number of drivers behind this change:

1. People expect more from both local and central government, and are likely to continue to expect more in the future. There are a range of reasons for this raising of expectation, including globalisation and the predominance of services in the modern economy.
2. It is clear that we are entering a period of contraction in public finances. As the resource envelope tightens there will be increasing competition for the available resources. Given public resistance to cuts in key areas such as health and education, local government will face a major challenge in maintaining its resource base.
3. Together these two factors mean that a do nothing option is simply not feasible. Accordingly, services will need to be developed so that they are:
  - More responsive, meeting people's needs more rapidly and in a way that is customised to individuals; and
  - More efficient, representing clear value for money.

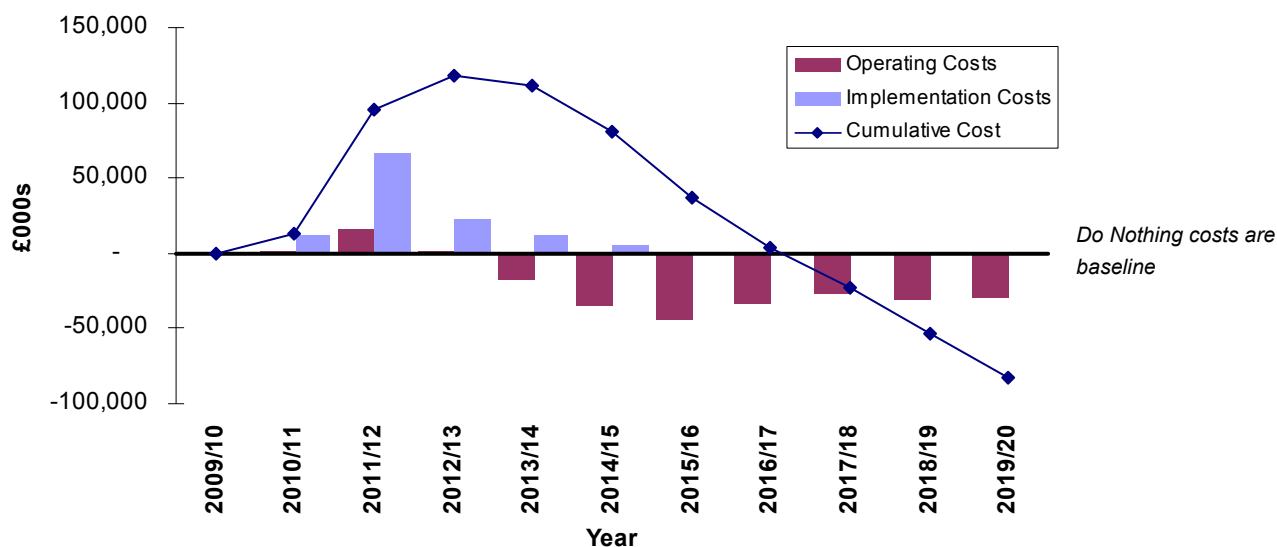
The preferred option recommended by this Economic Appraisal will:

- ✓ realise the vision of strong local government in Northern Ireland with 11 new councils working locally with other service delivery partners to ensure positive outcomes for citizens,

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- communities and businesses; and collaborating regionally with each other, enabled by the new Business Services Organisation and Waste Disposal Authority to drive out efficiencies;
- ✓ deliver a step change in the range of outcomes local government delivers and contributes to for the citizens of Northern Ireland – local government will become much more relevant to the people of Northern Ireland;
  - ✓ ensure that local government in Northern Ireland takes a step towards delivering the services that are most appropriately delivered by councils and governed by local politicians – this is an important project in the normalisation process for the public sector in Northern Ireland;
  - ✓ create new and innovative delivery structures which will allow local government to both learn from ‘best practice’ nationally and to implement solutions which take advantage of the unique environment in Northern Ireland; and
  - ✓ Deliver a **significant financial saving of £438m (NPC)** over the next 25 years which will support minimum District Rate increases across Northern Ireland.

Relative to the Do Nothing option, the preferred option will incur additional costs over the initial period of this programme (£100.3m of implementation costs and £17.6m of additional operating costs, until benefits begin to be realised, over the initial period of reform).



Under the preferred option, the reform programme will begin to realise a reduction in operating costs by 2013/14 with the break-even point in terms of return on the initial investment by 2016/17. As such the preferred option provides an opportunity for local politicians to minimise any impact on future district rates.

In addition to these direct beneficial outcomes, the vision state set out in this Economic Appraisal for local government provides the basis for future broader reform of public services both in relation to the provision of collaborative services across all sectors and in line with emerging best practice around the Total Place agenda. Total Place aims to achieve service improvements and efficiencies from better collaborative working across the public sector. In this future state, a transformed local government sector in Northern Ireland could lead the coordinated local delivery of all public services meeting the needs and preferences of individual communities while at the same time driving out significant financial benefits. In this context, it is an imperative to consider this programme of work not simply as local government reform but rather as the next step in the RPA reform process which has the potential to enable even greater efficiencies across the broader public sector in Northern Ireland. Change is a process and not an event and the journey that the preferred option in this Economic Appraisal embarks on is not restricted to the modernisation of Local Government but is the journey of overall reform of public services in Northern Ireland, based on equality, localism, collaboration and value for money.