



<b>Report to:</b>	Strategic Policy and Resources (Transition) Committee
<b>Subject:</b>	RPA: Local Government Response on Efficiency & Collaboration
<b>Date:</b>	Friday 5 March 2010
<b>Reporting Officer:</b>	Peter McNaney
<b>Contact Officer:</b>	Kevin Heaney, RPA Project Coordinator (ext. 6202)

<b>1.0</b>	<b><u>Relevant Background Information</u></b>
1.1	Members will recall that as part of the PriceWaterhouseCoopers Economic Appraisal which identified potential options as to how the RPA reform programme could be funded, was the proposal to establish a centralised Business Support Organisation (BSO) to deliver a number of core functions on a shared services basis. PwC reported that the RPA reform programme (including the establishment of the proposed BSO) would require £118m funding with a return of £438million over 25years.
1.2	In responding to the PwC proposals, the local government sector challenged the financial assumptions and projections contained within the PwC report and stated its consensual opposition to the proposed establishment of a BSO.
1.3	At the Strategic Leadership Board meeting in December 2009 and recently at the NILGA Annual Conference, the Environment Minister, Edwin Poots set the challenge for local government to provide an alternative solution to establishing a BSO and delivering in the order of £438million efficiency savings.
<b>2.0</b>	<b><u>Key Issues</u></b>
2.1	Work has been ongoing over recent weeks (with BCC engaged) on preparing an initial response to the Minister’s challenge. The premise of the emerging local government response (refer to Annex 1 for copy of initial position paper) is that local government is set an efficiency target which is linked to the draw down of an up-front seed funding to enable the RPA reform. This will provide Transition Committees and councils the autonomy to deliver their own efficiency programme to meet the agreed targets for a specified period. Local government recognises that delivering value for money to the ratepayer is one of its key objectives.
2.2	Members will note that underlying the £438m savings projected by PwC are two types of ongoing annual savings i.e. transition and transformation savings. <ul style="list-style-type: none"> <li>a) <b>Transition Savings:</b> PwC reports that transition savings of £10.7m can be secured mainly from the reductions in the senior management teams and councillors in the new councils and. These are fully accepted by local government and a target will need to be set by the DoE for each council to achieve their element of the overall £10.7m target, based on the extent of the merger of councils.</li> <li>b) <b>Transformation Savings:</b> The ongoing transformation savings identified under the preferred PwC Option 5 amount to £52.9m (approx.) profiled on the basis of 20% being achieved in 2012/2013, a further 40% in 2013/1014, and the remaining 40% in 2014/2015.</li> </ul>

2.3	In the initial response submitted for the consideration of the Environment Minister at a meeting of SLB on 25 <sup>th</sup> February 2010, local government stated its commitment to meeting the £52.9m efficiency figure. It is proposed that each council/cluster of councils (i.e. Statutory Transition Committee) agree a target with the DoE and enter into an efficiency agreement.																				
2.4	<p>While detailed financial modelling is required to establish the breakdown of the efficiency targets across the councils, based on an average split across the 11 new councils, indicative targets are set out in the table below.</p> <table border="1" data-bbox="178 470 1428 683"> <thead> <tr> <th>Year</th> <th>Annual Efficiency Target per council</th> <th>Cumulative Target per council</th> <th>Cumulative Target per sector</th> </tr> <tr> <td></td> <td>£m</td> <td>£m</td> <td>£m</td> </tr> </thead> <tbody> <tr> <td>2012/13</td> <td>0.96</td> <td>0.96</td> <td>10.58</td> </tr> <tr> <td>2013/14</td> <td>1.92</td> <td>2.88</td> <td>31.74</td> </tr> <tr> <td>2014/15</td> <td>1.92</td> <td>4.80</td> <td>52.90</td> </tr> </tbody> </table> <p>A more detailed and sophisticated analysis needs to be undertaken to identify the exact efficiency target for each council.</p>	Year	Annual Efficiency Target per council	Cumulative Target per council	Cumulative Target per sector		£m	£m	£m	2012/13	0.96	0.96	10.58	2013/14	1.92	2.88	31.74	2014/15	1.92	4.80	52.90
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2.5	A range of key principles which it is proposed should underpin the target based approach recommended by Local Government are set out in Appendix 1 attached.																				
2.6	<p>At the SLB meeting on 25<sup>th</sup> February 2010, the Environment Minister welcomed the approach being put forward by Local Government and agreed that further work needed to be undertaken between local government and DoE officials to:</p> <ul style="list-style-type: none"> <li>i) develop further work on the figures;</li> <li>ii) engage with Transition Committees to seek agreement on the strategic direction of the local government proposals (i.e. target based approach).</li> </ul> <p>A joint NILGA/SOLACE workshop has been arranged for 12<sup>th</sup> March (refer to Appendix 2) for political representatives of Transition Committees and Chief Executives to discuss the emerging local government counter proposal to the BSO (as set out within this report) and the potential implications for councils. <b>It would be the intention that a detailed report will be submitted for the consideration of the Committee at its next meeting.</b></p>																				

### 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 the contents of this report;
- b) consider and agree, in principle, to the proposed target based approach to securing efficiencies within local government subject to a further detailed report being submitted to the Committee setting out the possible implications for the Council; and
- c) agree that the Chairman and Deputy Chairman (or nominees) attend the NILGA/SOLACE workshop on 12<sup>th</sup> March 2010.

### 5.0 Appendices

- **Appendix 1:** Local Government initial position Paper
- **Appendix 2:** Invite letter from Cllr Mathews, President of NILGA