

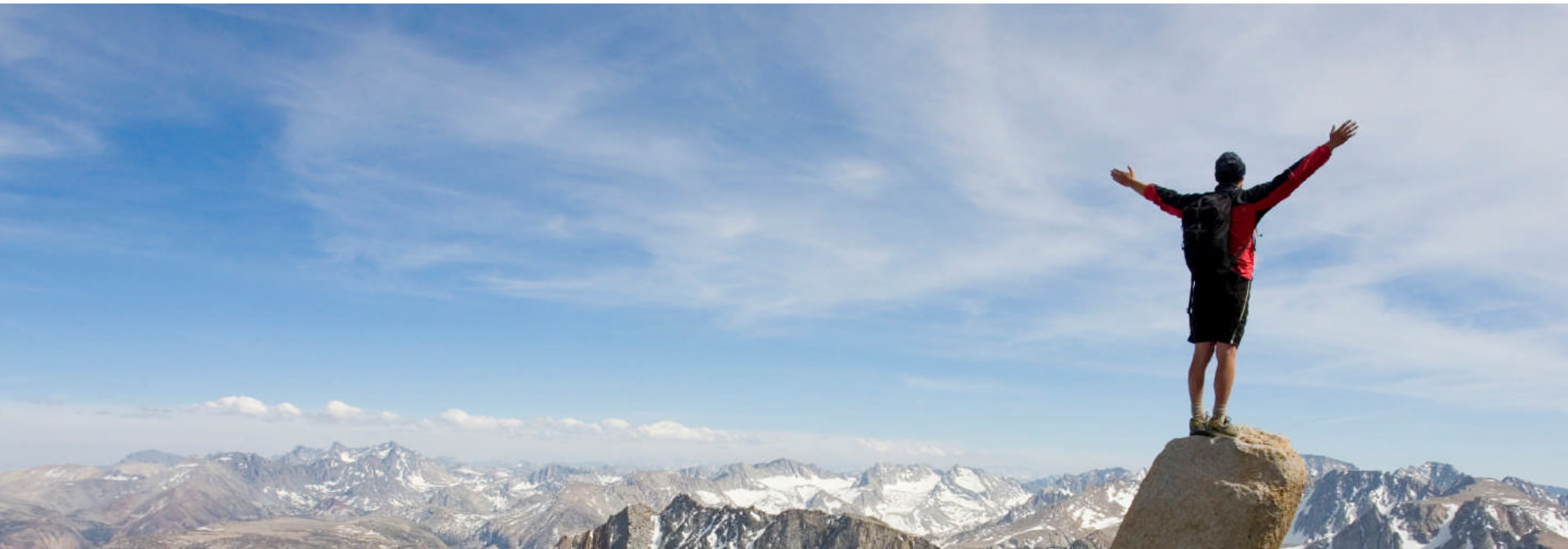
DOE Local Government Service Delivery

Recommendations of effective and efficient operating models for local government service delivery

Briefing Pack

19th October 2009

PRICEWATERHOUSECOOPERS 



Economic Appraisal

A structured and robust approach to assessing the options that emerged from Phase 1



Approach

For Phase 2, SLB asked PwC to consider five options around the operating model for the delivery of 'RPA' impacted services in their entirety. Each option assumes that the 'go live' date for the new structures will be in May 2011.

For each option we have considered the costs and benefits of:

- Delivering these services using the new operating model; and
- Implementing the new operating model.

Our approach to Phase 2 can be characterised as being:

- ✓ Collaborative – we have worked closely with transferring functions to ensure that the full costs have been identified;
- ✓ Prudent – we have taken a conservative position on anticipated costs and benefits (in terms of both levels and profiles); and
- ✓ Evidence based – we have looked to our experience in local government reform in England, Scotland and Wales (normalised to reflect the limited range of functions that councils in NI undertake).

Phase 2 Options

Option 2	Option 3	Option 4	Option 5
by May 2012	by May 2015	by May 2015	by May 2015
<p><i>As Do Nothing plus:</i></p> <ul style="list-style-type: none"> ➤ 11 Councils (with reduced number of elected members) delivering enhanced range of services; ➤ Central Government departments and bodies with policy and guidance responsibilities delivered through reduced retained organisations; ➤ New Local Government Association; ➤ Performance Management Framework with enhanced role for Audit Office; and ➤ New Code of Ethics monitored by Northern Ireland Ombudsman. 	<p><i>As Option 2 plus:</i></p> <ul style="list-style-type: none"> ➤ Service Excellence across all service areas within each council. 	<p><i>As Option 3 plus:</i></p> <ul style="list-style-type: none"> ➤ Strategic Approach to Core Business Processes; ➤ Single Management Approach to Service Support; and ➤ Standard Customer Management Approach. 	<p><i>As Option 4 plus:</i></p> <ul style="list-style-type: none"> ➤ A regional Business Services Organisation delivering a range of collaborative services to the new 11 councils; and ➤ A single Waste Disposal Authority providing a holistic view of waste disposal management across NI.

Each option in Phase 2 assumes that the 11 new councils will be established in May 2011 – it is the date for completion of the overall change programme, post-vesting day, where timeline differences lie.

Transition

Full Transformation







Option 1 – Status Quo (Do Nothing)

Key Characteristics

Summary

- **Local Government Services** - 26 Councils with group working for EH, BC and Waste
- **Local Government Representation** – NILGA
- **Local Government Staffing** – LGSC (& LGRTG)
- **Financial Audit** – NIAO
- **Central Government Services** – 23 functions across 7 Departments involved

Ability to meet Objectives

1. Effective Service Delivery 
2. Building Communities and Shaping Places 
3. Adding Value to Citizens 
4. Providing Value to Ratepayers & Taxpayers 
5. Being a “Sector of Choice” 
6. Delivering within Timescales (n/a) 

Costs and Benefits

Implementation

Transition Costs	-
ICT Costs	-
Transformation Costs	-
	£0m

Operating Costs

Local Government	£623.2m
Central Government	£138.5m
Regional Organisations	£1.2m
Transition Costs	-
Additional ICT Costs	-
Transition Benefits	-
Transformation Benefits	-
	£762.9m

Total ‘steady state’ costs of providing services within scope of RPA reform of local government is £762.9m per annum.

Differences are due to rounding.







Option 2 – Reorganisation without Transformation

Key Characteristics

Summary

- **Legacy Local Government Services, Transferring functions & New Services** - 11 new Councils with group working for Waste
- **Local Government Representation** – new LGA as voluntary association of the new councils
- **Local Government Staffing** – LGSC (& LGRTG)
- **Performance Audit** – NIAO
- **Code of Ethics** – NI Ombudsman
- **Central Government Services** – DoE Planning

Ability to meet Objectives

1. Effective Service Delivery 
2. Building Communities and Shaping Places 
3. Adding Value to Citizens 
4. Providing Value to Ratepayers & Taxpayers 
5. Being a “Sector of Choice” 
6. Delivering within Timescales (2011,2012) 

Costs and Benefits

Implementation

Transition Costs	£39.0m
ICT Costs	£14.3m
Transformation Costs	-
	£53.2m

Operating Costs

Local Government	£763.4m
Central Government	£5.1m
Regional Organisations	£3.5m
Transition Costs	£8.8m
Additional ICT Costs	£2.6m
Transition Benefits	-£10.7m
Transformation Benefits	-
	£772.6m

£53.3m investment in meeting implementation costs but on-going operating costs are projected to be greater under this option than ‘Do Nothing’.

Differences are due to rounding.

Option 3 – Transformation within Service Delivery Functions







Key Characteristics

Summary

Option 2 plus:

- **Service Excellence within each operational and service delivery areas** - 11 Councils with each service area transformed to provide a 'Lean' single service approach against the new council area. However, there will not be a joined-up approach to customer facing or back office services within each of the new councils.

Ability to meet Objectives

1. Effective Service Delivery 
2. Building Communities and Shaping Places 
3. Adding Value to Citizens 
4. Providing Value to Ratepayers & Taxpayers 
5. Being a "Sector of Choice" 
6. Delivering within Timescales (2011, 2015) 

Costs and Benefits

Implementation

Transition Costs	£36.1m
ICT Costs	£21.3m
Transformation Costs	£21.1m
	£78.4m

Operating Costs

Local Government	£763.4m
Central Government	£5.1m
Regional Organisations	£3.5m
Transition Costs	£8.8m
ICT Costs	£2.4m
Transition Benefits	-£10.7m
Transformation Benefits	-£17.6m
	£754.8m

£78.4m implementation investment with on-going operating costs less (£8m per annum) the existing 'Do Nothing' costs.

Differences are due to rounding.

Option 4 – Transformation within Councils







Key Characteristics

Summary

Option 3 plus:

- **Fully Modernised Effective and Efficient Councils** - 11 self-contained Councils fully transformed:
 - Optimum operating Model;
 - Strategic approach to core business support processes;
 - Single management approach to support services; and
 - Standardised Customer Management approach.

Ability to meet Objectives

1. Effective Service Delivery 
2. Building Communities and Shaping Places 
3. Adding Value to Citizens 
4. Providing Value to Ratepayers & Taxpayers 
5. Being a “Sector of Choice” 
6. Delivering within Timescales (2011, 2015) 

Costs and Benefits

Implementation

Transition Costs	£36.1m
ICT Costs	£42.7m
Transformation Costs	£49.2m
	£127.9m

Operating Costs

Local Government	£763.4m
Central Government	£5.1m
Regional Organisations	£3.5m
Transition Costs	£8.8m
ICT Costs	£6.1m
Transition Benefits	-£10.7m
Transformation Benefits	-£35.1m
	£741.0m

Significant implementation investment (£127.7) resulting in a reduction in operating expenditure of approx. £22m per annum.

Differences are due to rounding.

Option 5 – Transformation with Regional Collaboration







Key Characteristics

Summary

Option 4 plus:

- Fully Modernised Effective and Efficient Councils
- Collaborative working across the region enabled by a new Business Services Organisation (e.g. procurement)
- A new single Waste Disposal Authority maximising benefits of cross-regional approach

Ability to meet Objectives

1. Effective Service Delivery 
2. Building Communities and Shaping Places 
3. Adding Value to Citizens 
4. Providing Value to Ratepayers & Taxpayers 
5. Being a “Sector of Choice” 
6. Delivering within Timescales (2011, 2015) 

Costs and Benefits

Implementation

Transition Costs	£36.1m
ICT Costs	£30.8m
Transformation Costs	£59.7m
	£126.6m

Operating Costs

Local Government	£763.4m
Central Government	£5.1m
Regional Organisations	£3.5m
Transition Costs	£8.8m
ICT Costs	£4.0m
Transition Benefits	-£10.7m
Transformation Benefits	-£53.0m
	£721.0m

Significant implementation investment (£126.6m) with a reduction of over £41m per annum in on-going operating costs.

Differences are due to rounding.

Summary of Costs and Benefits

<i>Annual Operating Costs (Steady State)</i>	Option 1 £'m	Option 2 £'m	Option 3 £'m	Option 4 £'m	Option 5 £'m
Local Government Costs	£623.2	£763.4	£763.4	£763.4	£763.4
Central Government Costs	£138.5	£5.1	£5.1	£5.1	£5.1
Regional organisations	£1.2	£3.5	£3.5	£3.5	£3.5
Transition Costs	-	£8.8	£8.8	£8.8	£8.8
Additional ICT Costs	-	£2.6	£2.4	£6.1	£4.0
Transition Benefits	-	(£10.7)	(£10.7)	(£10.7)	(£10.7)
Transformation Benefits	-	-	(£17.6)	(£35.1)	(£53.0)
Total Annual Costs	£762.9	£772.6	£754.8	£741.0	£721.0
<i>Implementation Costs (One-off)</i>	Option 1 £'m	Option 2 £'m	Option 3 £'m	Option 4 £'m	Option 5 £'m
Transition Costs	-	£39.0	£36.1	£36.1	£36.1
Additional ICT Costs	-	£14.3	£21.3	£42.7	£30.8
Transformation Costs	-	-	£21.1	£49.2	£59.7
Total One-off Costs	£0	£53.2	£78.4	£127.9	£126.6

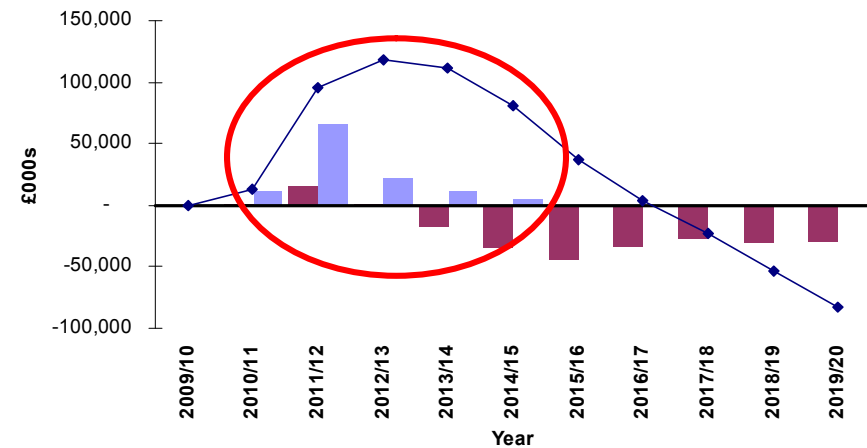
Net Present Cost (NPC) Summary

	NPC	Rank	Difference with Do Nothing
Option 1	£13,026m	4	
Option 2	£13,232m	5	-£205m
Option 3	£13,014m	3	£12m
Option 4	£12,868m	2	£159m
Option 5	£12,587m	1	£438m

Option 5 'Transformation with Regional Collaboration' provides a reduction on the NPC costs of delivering the services within the scope of this programme, over the period of this Economic Appraisal, by approx. £439m in today's prices can be delivered i.e. by investing £118m (NPC) in Option 5, the sector can realise an overall saving of £438m (NPC).

Funding of programme and new councils

The total additional net NPC funding requirement for the Local Government reform programme is **£117.99m** (from year 0 to year 3, from year 4 onwards there is a negative net funding requirement). This funding is required to deal with the additional implementation and operating costs, relative to the Do Nothing option. The breakdown of this funding requirement is shown below



	Year 0 2009/10	Year 1 2010/11	Year 2 2011/12	Year 3 2012/13	Year 4 2013/14	Year 5 2014/15
<i>Operations</i>	-	£1,086,981	£15,777,622	£757,461	-£17,731,526	-£35,341,384
<i>Implementation</i>	£143,973	£12,292,025	£65,703,103	£22,231,893	£11,076,770	£5,025,758
<i>Total</i>	£143,973	£13,379,006	£81,480,725	£22,989,354	-£6,654,756	-£30,315,626

Funding of programme and new councils

1. Non-District Rate Revenue

- Allocation from central government in respect of transferred functions
- Funding from central government for elements of reform programme
- Charging for non-core, discretionary and / or BSO services
- Use alternative funding mechanisms

2. District Rate Revenue

- District Rate for new councils (incl. new rate and convergence)

3. Cost Avoidance

- Refinancing of Legacy Debt

4. Better use of Assets

- Use physical assets more effectively
- Use Cash assets more effectively

Recommendations

The overarching recommendation is that Option 5 ‘Transformation with Regional Collaboration’ is adopted as the way forward for the RPA Reform of Local Government. The specific recommendations made within the Economic Appraisal were as follows:

1. **11 new Councils** – creating new “optimum” local council organisations;
2. **A new generation of local government politicians** – attracting more people to become involved in local government as councillors;
3. **Business Services Organisation (BSO)** - creating a new organisation, governed by a joint committee of the 11 new councils, which will facilitate, enable and (as appropriate) deliver collaborative solutions across local government;
4. **Waste Disposal Authority** – creating a new single WDA to take advantage of future opportunities and efficiencies at a regional level while continuing to recognise sub-regional differences;
5. **Central Government Departments** – creating the retained organisations (if and as required) within those central government departments which have transferred functions to local government;
6. **Local Government Association (LGA)** - creating a new LGA to act of behalf of local government across a range of areas;
7. **Creation of enhanced role for NIAO** – creating a new role, capability and capacity for the NIAO as it takes responsibility for monitoring the new performance management framework for local government;
8. **Creation of new role for NI Ombudsman** - creating a new role, capability and capacity for the Ombudsman and it takes responsibility for monitoring the new Code of Ethics;

Recommendations

9. **Human Resource Framework** – developing a comprehensive framework to deal with the Human Resource issues around the creation of the new councils and the cessation of the old councils;
10. **Programme of Work** – managing the identified portfolio of projects and initiatives as a comprehensive change programme with the necessary structures and resources;
11. **Funding** – developing a comprehensive approach to the funding of the implementation of the preferred option and the on-going costs associated with steady-state operations. Commencing formal negotiations with DFP and HMT on a funding approach in parallel to the investigation of a range of alternative funding mechanisms.
12. **Equality Impact Assessments** – need to be considered as specific design decisions are taken moving forward.
13. **A new Culture, a new set of Behaviours** – creating a new culture with local government which both builds on the ‘best’ elements of current behaviours and introduces new behaviours to support the sector as it moves forward.

Moving into Detailed Design

The Economic Appraisal reflects options around a general direction of travel and does not include any detailed design of any of the new councils or other organisations (against which the Economic Appraisal makes a number of high-level assumptions). We now need to move into a detailed design phase.

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