

## **XI Summary, Conclusions and Recommendations**

### **Summary**

11.1 This Economic Appraisal considered five strategic options for the delivery of those services within the scope of RPA reform of Local Government in Northern Ireland. The five options were as follows:

<b>Option</b>	<b>Characteristics</b>
1. Status Quo	Do Nothing option with continued delivery of services through existing structures, organisations, processes and technologies.
2. Reorganisation without Transformation	Do Minimum option with focus on implementation of new structures by vesting day with transition completed by May 2012. This option would see: <ul style="list-style-type: none"> <li>➤ 11 Councils (with reduced number of elected members) delivering enhanced range of services;</li> <li>➤ Central government departments and bodies with policy and guidance responsibilities delivered through reduced retained organisations;</li> <li>➤ New Local Government Association;</li> <li>➤ Performance Management Framework with enhanced role for Audit Office; and</li> <li>➤ New Code of Ethics monitored by Northern Ireland Ombudsman (Commissioner for Complaints).</li> </ul>
3. Transformation within Service Delivery Functions	As Option 2 plus: <ul style="list-style-type: none"> <li>➤ Service Excellence across all service areas within each council.</li> </ul> This option has a timescale of May 2015.
4. Transformation within Councils	As Option 3 plus: <ul style="list-style-type: none"> <li>➤ Optimum Operating Model within each Council;</li> <li>➤ Strategic Approach to Core Business Processes;</li> <li>➤ Single Management Approach to Service Support; and</li> <li>➤ Standard Customer Management Approach.</li> </ul> This option has a timescale of May 2015.
5. Transformation with Regional Collaboration	As Option 4 plus: <ul style="list-style-type: none"> <li>➤ A regional Business Services Organisation delivering a range of collaborative services to the new 11 councils;</li> <li>➤ A single Waste Disposal Authority providing a holistic view of waste disposal management across NI.</li> </ul> This option has a timescale of May 2015.

11.2 Each of these options represents an ultimate destination or 'vision state' for local government which sits along a continuum of change i.e. these options should not be viewed as standalone but rather incremental points along a transformation process.

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11.3 A financial (quantitative) analysis of these options provided the following assessment of the five options:

Rank	Option	Rationale
1	5. Transformation with Regional Collaboration	In addition to the transition costs and benefits common to all 'Do Something' options, this option gains from <b>on-going transformation savings of 7.5%</b> per annum on net operating cost with initial <b>transformation implementation costs of 8.5%</b> . ICT costs are also significantly reduced on Option 4 as a regional approach is adopted.
2	4. Transformation within Councils	In addition to the transition costs and benefits common to all 'Do Something' options, this option provides <b>on-going transformation savings of 5.0%</b> per annum on net operating cost with initial <b>transformation implementation costs of 7.0%</b> . This option incurs significant ICT costs as each council is assumed to progress technology support for transformation independently.
3	3. Transformation within Service Delivery Functions	In addition to the transition costs and benefits common to all Do Something options, this option gains from <b>on-going transformation savings of 2.5%</b> per annum on net operating cost with initial <b>transformation implementation costs of 3.0%</b> . This option just manages to generate sufficient financial benefits to counteract the significant transition costs.
4	1. Status Quo (Do Nothing)	'As is' cost of service delivery with no added costs for transition and / or transformation. Any options ranked lower than this option represent an additional net cost to 'Do Nothing'.
5	2. Reorganisation without Transformation (Do Minimum)	Option incurs significant transitional and technology costs (both one-off and on-going) and only gains from limited transitional benefits around rationalisation of management structures. There are also costs associated with the disaggregated delivery of those services currently delivered by central government to the new local councils.

11.4 An NPC analysis of the options over the 25 year period of the Economic Appraisal yielded the following findings:

Rank	Option	Net Present Cost (NPC)	Difference from Do Nothing
1	5. Transformation with Regional Collaboration	£12,587,365,881	£438,682,338
2	4. Transformation within Councils	£12,867,532,726	£158,515,493
3	3. Transformation within Service Delivery Functions	£13,014,193,996	£11,854,223
4	1. Status Quo (Do Nothing)	£13,026,048,219	£0
5	2. Reorganisation without Transformation (Do Minimum)	£13,231,505,006	<b>(£205,456,787)</b>

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- 11.5 Option 5 ‘Transformation with Regional Collaboration’ provides a clear financial imperative for RPA based change within local government in Northern Ireland – it is estimated that this option will provide approximately £438m NPC saving over the period of the Economic Appraisal.
- 11.6 This business case is not simply about the financial savings that will be delivered within the scope of this programme of work but also the range of potential benefits across the wider public sector that the reform of local government now makes attainable. In addition to the direct financial benefits that are captured in this business case, the new role of local government in coordinating local delivery of all public services has the potential, if full participation from all stakeholders is given, to realise significant monetary efficiency benefits. This new focus on proactive localism for the delivery of front line services has been used to drive out savings of up to 15%, across the boarded public sector, in several local areas nationally.
- 11.7 A non-financial (qualitative) analysis of the these options provided the following assessment of the five options against the defined objectives and constraints for this work:

Rank	Option	Rationale
1	5. Transformation with Regional Collaboration	A transformation across each of the councils supported by the introduction of regional collaboration in agreed areas as described under Option 5 is likely to provide the optimum balance between local service delivery and regional efficiencies.
2	4. Transformation within Councils	A transformation across each of the new councils (effectively designing each new council on a ‘blank canvas’ in order to meet their local priorities) as set out in Option 4 ‘Transformation within Councils’ is likely to deliver optimum service provision in the new local government areas.
3	3. Transformation within Service Delivery Functions	A transformation within service areas which does not realise any cross functional efficiencies within councils, as set out in Option 3 ‘Transformation within Service Delivery Functions’ is unlikely to realise sufficient qualitative benefits to outweigh the associated value for money deficiencies.
4	2. Reorganisation without Transformation (Do Minimum)	A simple transition approach, as articulated under Option 2 ‘Reorganisation without Transformation’ will incur significant costs without realising any significant benefits. It is likely that this option would have little or no positive impact on citizens.
5	1. Status Quo (Do Nothing)	While it is a viable option, Option 1 ‘Do Nothing’ will not deliver the vision of ‘strong local government’ with the associated financial efficiencies as envisaged in the RPA Reform programme and set out by the Minister of the Environment when the 11 council model was announced.

- 11.8 The analysis of non-monetary considerations identified Option 5 ‘Transformation with Regional Collaboration’ as providing the optimum way forward in both enabling the new councils to be designed around the delivery of local services in partnership with other service delivery organisations and support services to be delivered as efficiently as possible through a process of regional collaboration.

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- 11.9 In summary, the Economic Appraisal identified that Option 5 'Transformation with Regional Collaboration' by 2015 represents the optimum solution for local government both in terms of:
- ✓ The financial benefits that this option will provide against the significant financial costs associated with both the implementation and on-going service delivery of services against an 11-council model; and
  - ✓ The non-financial benefits that this option will both directly deliver and, in the longer-term, enable through the introduction of strong local government focused on adding value to the citizen through the efficient and effective delivery of services and by the comprehensive and coordinated building of strong communities and better places within our society.
- 11.10 Option 5 represents true structural change for the delivery of local public services in Northern Ireland providing a step-change in how we are governed with a joint move towards the design and delivery of local 'value adding' services and the implementation of regional collaborative solutions to drive out inefficiencies and ensure that resources are directed to front line service provision.

## **Conclusions & Recommendations**

- 11.11 In this section we set out the key conclusions that the analysis contained in this Economic Appraisal has identified and, against each of these conclusions, we set out the recommendations for moving forward. The conclusions and associated recommendations are described in logical groupings rather than necessarily in the sequence they appear against the structured format of the Economic Appraisal. Each of these recommendations is described in further detail in the remainder of this section.
- 11.12 Some of the recommendations relate to work that is already underway and are included in this report for completeness. The individual recommendations should not be considered in isolation but, rather, should be considered as a holistic proposition for moving forward. All of the individual recommendations have been considered within the financial and non-financial assessments conducted within this Economic Appraisal.
- 11.13 The overarching conclusion is that Option 5 'Transformation with Regional Collaboration' represents the optimum solution for the delivery of local government services. This option represents the best solution for local government in terms of both the financial (with an NPC saving of over £438m) and the non-financial assessment. We have concluded through the assessment within this Economic Appraisal that this option provides the best structures to help create:

*“... a strong, dynamic local government creating communities that are vibrant, healthy, prosperous, safe, sustainable and have the needs of all citizens at their core...”*

Arlene Foster MLA, former Environment Minister, 31.03.08.

- 11.14 The **overarching recommendation** to the Strategic Leadership Board (SLB) is to accept Option 5 'Transformation with Regional Collaboration' as the preferred solution for local government in Northern Ireland. The primary characteristics of this option are:
- 11 new councils in Northern Ireland with each new council delivering the full range of local government services i.e. there are no service areas (e.g. planning, economic development, etc.) that are delivered on a regional or sub-regional basis;
  - Current group working arrangements for Environment Health and Building Control cease and that each council develop 'self contained' capacity to deliver these services;
  - A regional Business Services Organisation enabling collaborative solutions across local government;
  - A single Waste Disposal Authority which will aim to drive out efficiencies of future procurement and contract management activities;
  - The creation of a new Local Government Association revitalising the representation of local government;
  - The enhancement of the NIAO's role to reflect its new role of monitoring the new comprehensive performance management framework for local government; and
  - The enhancement of the NI Ombudsman's role (Commissioner for Complaints) to reflect it's new role of monitoring a Code of Ethics for elected councillors.
- 11.15 In the remainder of this section we will set out the detail of the specific recommendations that support the overarching approach that the SLB is recommended to adopt. It should be noted that many of the projects and initiatives that are included in this preferred option are already underway elsewhere and typically we do not make any 'delivery' focused recommendation in these areas.

- 11.16 It is important to note that our recommendations focus on the design and implementation *process* rather than the specifics of any design solution. We do not make any recommendations about the detailed design of any of the new or changed organisations within the scope of this Economic Appraisal.
- 11.17 The key characteristic of the recommended option is the establishment of 11 new councils which both collectively and individually represent ‘strong’ local government. We concluded that each of the 11 new councils should be self-contained in terms of service delivery functions.

**Recommendation 1 – 11 new Councils**

- a) We recommend that each new council (represented initially by the relevant statutory Transition Committee) commence a programme of work to design and implement new Target Operating Model(s) in support of the new organisation.

Each new council can design its own organisation, covering all dimensions of the TOM approach, to meet its specific priorities and needs, subject to the constraints set out in paragraph b) below. Subject to these constraints, each new council will be able to decide:

- What type of council it wants to be, what vision and values it will have, how it will address local needs and meet local priorities;
- What services it will provide, at what price and through what channels;
- What governance arrangements it will have, how will the council be run;
- What organisation structures it will have, how functions will be grouped, how many directorates it will have and what service delivery partners it will have;
- How many staff it will employ, what capacity and capability it will have;
- What premises it will use, what property portfolio it will have (and where its Headquarters will be);
- What processes it will deploy; and
- What technologies it will utilise.

The design approach we are recommending has the primacy of the new councils (and the statutory Transition Committees) at its very heart and this recommendation is centred on the principle of new councils being designed around the delivery of local services to meet local needs and priorities.

- b) We recommend that the design of each Target Operating Model must fully consider:

i. Statutory Obligations

Each new council must be designed and implemented in line with its statutory obligations (in provision of specific services) and new statutory responsibilities (around community planning).

ii. Programme Objectives

Each new council must be aligned with the stated overarching objectives of this programme of work focused on customer service and value for money.

iii. Fit with Overall Solution

Each programme of work to design and implement the new council must be aligned with the roles, responsibilities and service offerings of the other organisations within the scope of this RPA transformation e.g. the new Business Services Organisation which will deliver and enable a range of collaborative solutions.

iv. Design Framework

Each new council must be designed and implemented in line with the design framework which applies across all aspects of the overall programme of work. For example, each council must develop a series of TOMs covering all dimensions, each council must adhere to the agreed Design Principles and each council must provide programme updates as required.

v. Cost reduction targets

The cost reduction targets that each new council has been set, against the baseline of the cost of simply transitioning from the existing organisations. Each new council must reduce the overall cost of service delivery by 7.5% by May 2015.

The TOMs for each new council must be ambitious yet deliverable – they must represent an ‘achievable stretch’ position for each council at that particular point in time.

vi. Funding

Central programme funding will focus on implementation activities and is not designed to provide on-going support for service delivery within the new councils. Therefore each council must fully consider the funding implications (including the potential sources of funding) in talking any decisions on the design of the new organisation. For example, new councils can have as many staff, buildings and directorates as they so desire but there is likely to be a requirement for the council to source additional funding to support ‘larger’ organisations.

c) We recommend that each new council should appoint a dedicated full-time programme team reporting initially into the Transition Committee comprising:

- Programme Manager with responsibility for the management and coordination of the new council;
- Change Manager with responsibility for the design of the new council (including the council’s contributions to collaborative solutions) and the associated required change management activities; and
- People Manager with responsibility with the people related change and associated issues arising out of the implementation of the new council.

Other resources from the source local and central government organisations should be allocated to this project as required.

d) We recommend that each new council should create a Target Operating Model setting out how just how they envisage they will be structured for each the following points in time:

May 2011	Vesting Day;
May 2012	End of Transition Period;
May 2013	Transformation Milestone; and
May 2015	End of Transformation (as covered by this Economic Appraisal).

It is envisaged that the furthest out TOMs should be developed first with the closer TOMs being derived from these strategic points but containing increasing levels of detail around the specifics of design.

It should also be emphasised that, as this reform programme progresses, councils should consider the development of a Target Operating Model “beyond

transformation” i.e. when councils get to 2015 they should have a defined TOM for their next phase of change.

The sub-programme to create each new council should now also capture the Current Operating Model (COM) across all relevant source organisations. The COM will represent the starting point for all of the implementation projects. The work to develop the COM can commence immediately (i.e. it does not require the statutory Transition Committee to be in place).

- e) We recommend that each new council develop an implementation plan for the achievement of each TOM starting with the earliest (vesting day). This detailed implementation plan should be aligned with both the structure and timescales of the overall Regional Programme Plan. The implementation plans with each council should:
- Identify the actions required to successfully implement the TOM;
  - Identify resources that will be deployed from each of the internal source organisations and the resource inputs that it envisages from central PDSU (see below); and
  - Identify risks, issues, dependencies and constraints.

See Appendix C for Design Framework including a high-level Regional Programme Implementation Plan

- f) We recommend that each new council design and implement a comprehensive communications project to ensure that all stakeholders (particularly staff, service delivery partners and citizens) are both made aware of the preferred way forward and are kept informed as work progresses. Communications must not be allowed to become a unilateral process and we would suggest that each new council establish formal operational links into the regional PMO (see below) to ensure appropriate levels of co-ordination.

11.18 We have concluded that local government faces a major challenge in addressing the significant ‘skills needs’ that are likely to arise as many of the more experienced councillors join the severance scheme. This challenge is likely to be exacerbated as many political parties enforce a limit on the number of individuals acting both as councillors and MLAs. However, the creation of 11 new councils, with increased relevance to local communities, provides an ideal opportunity to attract new people into local politics. This potential influx of new people should act as one of the key enablers of the required step change in local government.

**Recommendation 2 – A new generation of local government politicians**

- a) We recommend that the SLB commission NILGA to lead a project to design and implement a campaign to attract new people to consider future opportunities in local government politics. This project should be a collaborative initiative involving all of the major local political parties although the overarching campaign messages should be independent of any specific party or parties.

In addition to the regional generic messages, we would suggest that this project should consider increased support for each of the major political parties in the run-up to the May 2011 election campaign.

We would suggest that NILGA seek actively inputs from all of those sections of society in Northern Ireland which have to date been under-represented in local government politics including business leaders.

- 11.19 Collaboration at a regional level is essential if local government is to drive out new sources of value. Innovative and radical collaboration at a regional level will allow capacity to be directed to delivering local services and solving local issues. Regional collaboration across customer management activities, common processes and support services will allow local councils to focus on service delivery, community building and place shaping.

**Recommendation 3 – Business Services Organisation (BSO)**

- a) We recommend that the SLB commission a project to design and implement a new Business Services Organisation for local government by May 2011. This project should consider all aspects of the BSO and should develop a Target Operating Model for the BSO from May 2015 back through to May 2011 (as per the councils).

This TOM should, as that of the new councils, cover all of the state dimensions for the new organisation and obey the overarching Design Principles. The TOM should consider all delivery options (e.g. Council based delivery, Lead Council(s), Centres of Excellence, Network of champions, shared service centre, etc.) in relation to each service area. The TOM should also, as far as possible, ensure regional coverage from a geographic perspective.

This TOM should act as a basis for the initial implementation plan for the BSO.

- b) We recommend that the new BSO for Local Government should be a statutory organisation with councils and other relevant local government organisations obliged to participate fully with collaborative initiatives.
- c) We recommend that a joint committee of councillors representing each of the 11 new councils act as the governance board for the new BSO. We would suggest that a statutory transition committee be established for the BSO so that the required programme of change can move forward as soon as possible.
- d) We recommend that a 'value for money' test is applied to all collaborative design proposals. This 'value for money' test should have two considerations – value for money for both each individual council and the overall sector.
- e) We recommend that the new BSO for local government aim to commence in May 2011 and should be fully implemented (in the context of the scope of this Economic Appraisal) by May 2015.
- f) We recommend that the new Chief Executive and subsequently the Directors (senior management team) for the new BSO in local government are recruited as soon as possible. We suggest that the Chief Executive of the new BSO should be recruited at the same time as the Chief Executives for the new councils.
- g) We recommend that if collaboration is to become second nature in the development of best practice in general and not just a second thought, then a supportive approach should be adopted as part of the design process. This supportive approach could include the use of appropriate funding incentives. This approach will underpin and embed appropriate regional responses to the new BSO. Targeted programme funding could be used to induce and support the new transformational behaviours. Funding would be provided in response to the presence of these behaviours.
- h) We would suggest that, while the ultimate decision taking body is the joint committee for the new organisation, the initial areas for consideration for regional collaboration should include:
- Procurement;
  - ICT Services;
  - Training (taking on the responsibilities of LGRTG);

- Major Capital Projects;
- Emergency Management and Civil Contingencies;
- Parking Enforcement; and
- Planning Specialists.

Note:

- i. In support of this initial set of potential collaborative services, we would suggest that the SLB should now consider commissioning the development of regional strategic and operational policies for procurement and ICT Services.
  - ii. Appropriate compensation (perhaps in the form of service credits) should be provided to any council, e.g. Belfast, which will potentially lose an income stream due to the transfer of services, e.g. ICT, to the new BSO.
- i) We would further suggest that, while again the ultimate decision taking body is the joint committee for the new organisation, additional areas for consideration for regional collaboration should include:
- Transactional Human Resource Activities;
  - Transactional Finance Activities;
  - Transactional Administration Activities; and
  - Customer Contact and Management Activities.
- j) We recommend that the various programmes of work to design and implement the collaborative solutions enabled by the BSO should, as far as possible, ensure that they provide support for any future potential joint working across the wider public sector.

11.20 We have concluded that a single Waste Disposal Authority (WDA) for NI could offer significant potential for future efficiencies, provide greater purchasing power and allow for improved waste management planning. We conclude that the development of a WDA can be progressed without negatively impacting on the current residual waste procurement underway within each WMG. We are of the opinion that there is the potential to create an innovative operating model for a new WDA which continues to support sub-regional priorities in specific areas (e.g. disposal of residual waste) while realising regional financial efficiencies and non-monetary benefits. There is a need to generate reliable evidence across the relevant financial and non-financial factors to allow a definitive decision in this area. Nevertheless, there is sufficient support for the concept to justify a more detailed examination of how such a regional WDA would operate.

#### **Recommendation 4 – Waste Disposal Authority**

- a) We recommend that the SLB consider (i.e. a baseline hypothesis) that:
- A single regional WDA would be beneficial to the future waste disposal management in Northern Ireland;
  - The introduction of a single regional WDA will continue to allow sub-regional priorities and preferences in specific areas to be reflected; and
  - The introduction of a single WDA will not negatively impact on the current residual waste procurement activities.
- b) We recommend that, based on the consideration described above, SLB commission the development of a Target Operating Model for a single WDA in Northern Ireland. This TOM should act as the vehicle to both:

- Define the detailed role and responsibilities of a future regional WDA – this role may evolve as the sub-regional procurements transition into contract management activities; and
- Conduct a business case quantitative and qualitative analysis to consider the whether a single WDA is required or not (i.e. validate the working assumption), and if it is required how it should be configured.

The TOM project should inform a final decision by the SLB as to whether a single regional WDA is the preferred way forward building on our initial observations.

The TOM project should also consider the optimum timing for the implementation of a single WDA, if that is the preferred option. However we would suggest that, subject to the caveat that the on-going procurements must not be negatively impacted, a regional WDA could be operational by May 2011.

- c) We would suggest that, in addition to the issue of the suitability of a single WDA, consideration should be given within this assignment to identifying the optimum solution for waste collection across NI, i.e. one of the options for the TOM for the new WDA should cover a new authority with responsibility for both waste collection and waste disposal.

11.21 We have concluded that there is a significant change required within each of the central government departments, agencies and bodies from which functions are being transferred to local government. There is a need both to ensure that their roles are defined, and clearly understood by all parties, and to ensure that they have the necessary resources in place to fulfil this role moving forward.

11.22 There are also a number of central government departments, agencies and bodies which, although not directly affected by this reform programme (i.e. they are not transferring functions to local government), will have to fully consider the consequential impacts of the establishment of the new 11 council model. An example of such an organisation is Land and Property Services which has responsibility for collection of District Rates for each council. In addition, other sectors and organisations may wish to consider how they may best be restructured to ensure optimum synergies with the new local government structures. Examples here would include Health, Education and Criminal Justice (e.g. PSNI District Command Units and District Policing Partnerships).

#### **Recommendation 5 – Central Government Departments**

- a) We recommend that each of the relevant central government departments should develop a Target Operating Model for those elements of its retained organisation which will directly contribute to the delivery of local government services (e.g. through the definition of a regional policy framework and / or legislation).

The priorities for the TOM within each central government department will be to:

- Define its role moving forward, including its interactions with local government (and any memoranda of understanding and service level agreements that need to be developed); and
- Design and implement the retained structures that it will require internally to fulfil this changed role.

Each relevant central government department should, as required, develop a Target Operating Model from May 2015 back through to May 2011 (as per the councils). This TOM should, as that of the new councils, cover all of the stated dimensions for the new organisation and obey the overarching Design Principles.

This TOM should act as a basis for the initial implementation plan for the retained organisation within the central government department.

- b) We recommend that, in relation solely to those common elements of reform associated with the transferring functions, the relevant central government departments should input to the overall programme management structures proposed for the reform of local government (see Recommendation 10 below). This recommendation is made solely in the context of the need to coordinate and assure all of the required activities across all of the impacted organisations.
- c) We recommend that there is a specific focus on the realisation of financial benefits from the transformation of the impacted central government departments. Particular attention should be paid to the realisation of those costs, typically in respect of an internal service charge, which are considered notional by the impacted Departments. For example, DoE Planning Service receive a notional charge for services from, inter alia, Department Solicitors Office, AccountNI, HRConnect and ITassist – the benefits realisation programme in central government must identify and reduce the actual financial allocation to these organisations.
- d) We recommend that work is undertaken to identify and engage with all public sector departments, agencies and bodies that are potentially impacted directly or indirectly by the reform of local government (even though they are not actually transferring any functions to the new councils). We recommend that consideration is also given to those voluntary sector organisations which will be similarly affected.

11.23 We agree with the view that many leaders within the sector have expressed to us in that “a strong local government sector requires a strong local government association”. We have concluded that a new Local Government Association is required for the local government sector in Northern Ireland.

**Recommendation 6 – Local Government Association (LGA)**

- a) We recommend that the SLB commission a project to design and implement a new LGA for local government by May 2011. This project will develop a Target Operating Model for a new LGA. The priorities for this TOM for a new LGA will be to:
  - Define its role moving forward, including its interactions with local government (and any service level agreements that need to be developed); and
  - Design and implement the structures that it will require to fulfil this role.
- b) We recommend that, as part of its future role, that the LGA should facilitate a Local Government Consultative Forum which brings together representatives from:
  - LGA / elected members;
  - SOLACE / Chief Executives;
  - Sector focused academic / thought-leadership; and
  - Business Community e.g. CBI, Small Business Federation.

This project should develop a Target Operating Model from May 2015 back through to May 2011 (as per the councils). This TOM should, as that of the new councils, cover all of the stated dimensions for the new organisation and obey the overarching Design Principles.

This TOM should act as a basis for the initial implementation plan for the new LGA in Northern Ireland.

- c) On the agreement of a TOM for the new LGA, the project team should develop a Corporate Plan for the initial 3-year period of the new organisation against which council funding should be sought. On agreement of a suitable Corporate Plan, all councils should agree to this 3 year funding commitment the new LGA.
- d) We recommend that, in line with the transition of other local government organisations, the new Chief Executive and subsequently the Directors (senior management team) for the new LGA are recruited as soon as possible. We suggest that the Chief Executive of the new LGA should be recruited at the same time as the Chief Executives for the new councils.

11.24 We have concluded that there is a need to introduce a performance management framework for the local government sector in line with recognised good practice both across the rest of the UK and internationally including the Republic of Ireland (which local authorities report against National Service Indicators). We have concluded that there is a need for an independent element to the creation and monitoring of a performance management framework for the restructured local government sector in Northern Ireland and have assumed that this role is best filled by the Northern Ireland Audit Office (NIAO). There is a need to involve the NIAO at the very start of this process building on their previous inputs to the Performance Management sub-group.

11.25 The 'performance audit' service to be provided by NIAO will require a very different approach to their current 'financial audit' methodology with more proactive and supportive interventions working closely with local councils. We have concluded that the change required within the NIAO represents a significant challenge in terms of capacity, capability and culture but remain confident that the NIAO acknowledge and understand the extent of this 'ask'.

**Recommendation 7 – Enhanced role for NIAO**

- a) We recommend that SLB commission the development of a comprehensive Performance Management Framework for local government in Northern Ireland. We suggest that the work to develop this framework, perhaps under the auspices of PDP B, should fully involve the NIAO.
- b) We recommend that the SLB commission a project to design and implement a Target Operating Model for an enhanced NIAO (Local Government division) to deliver an efficient and effective performance 'audit' service.
- c) We recommend that the new Performance Management Framework is not implemented until the end of the transition period (i.e. May 2012) but that the NIAO work with all stakeholders prior to this to refine a framework, build up capacity and capability and to ensure the smooth introduction of the new arrangements.

11.26 We have concluded that there is a role for the NI Ombudsman (Commissioner for Complaints) to fulfil in creating a Code of Ethics and monitoring the ethical behaviour of elected members against this Code moving forward.

**Recommendation 8 – New role for NI Ombudsman (Commissioner for Complaints)**

- a) We recommend that SLB commission the development of a comprehensive Code of Ethics for elected members within local government in Northern Ireland (to be implemented by May 2011). We suggest that the work to develop this framework should fully involve the NI Ombudsman.
- b) We recommend that the SLB commission a project to design and implement a Target Operating Model for an enhanced NI Ombudsman (Local Government function) to deliver an efficient and effective monitoring service for the new Code of Ethics within local government.

- 11.27 We have concluded that there is a pressing need within the local government sector and those relevant central government departments for all staff to be given clear guidance on whether their post is 'at risk', how their job will be impacted (if at all) and where they will be based. Staff need clarity over their future on vesting day, will their role be impacted, will their salary / benefits be impacted, will their reporting lines be impacted, will their location be impacted – any lack of clarity will understandably lead to a lack of focus around the fundamental objectives of the structural change.
- 11.28 Building on the good work carried out to date by, amongst others the LGSC, we have concluded that there needs to be a holistic Human Resources framework for the transfer of staff into the new councils lead by the LGRJF.

**Recommendation 9 – Human Resource Framework**

- a) We recommend that a comprehensive Human Resource Framework should be introduced as soon as possible. This Framework should cover the pre-transition and post-transition periods and the contents should include, inter alia:
- i. The Implementation of RPA in Local Government
    - Overview of New Structures;
    - Overview of RPA Implementation; and
    - General Principles.
  - ii. Implementation Roles and Responsibilities
    - RPA Implementation Structures;
    - Affected Organisations; and
    - Impacted Staff.
  - iii. Pre-Date of RPA Implementation
    - Vacancy Control; and
    - Recruitment into existing organisations.
  - iv. Date of RPA Implementation
    - Transfer of Staff; and
    - Protection of Pay and Terms & Conditions.
  - v. Post-Date of RPA Implementation
    - Identifying Posts 'at risk';
    - Filling new Posts within the new organisations;
    - Relocation;
    - Suitable Alternative Employment;
    - Early Retirement;
    - Voluntary Redundancy; and
    - Any Compulsory Redundancy.
- b) We recommend that this framework should be supported by a mapping of staff to the new local government organisations (including the councils, LGA and the Business Services Organisation). The SLB should commission, through the LGRJF, a mapping exercise for all staff to the new local government organisations as soon as possible.

11.29 We have concluded that there is a need for a formal governance framework (with an agreed decision taking process, an agreed approach, a single unified plan and coordinated deployment of resources). The absence of this will be a significant barrier to the progress of this RPA reform programme within local government in Northern Ireland. We have concluded that all of the activities that result from the recommendations contained within this Economic Appraisal need to be managed as a single coordinated programme of work. A new level of structure and robust programme management needs to be introduced into this reform process with a renewed focus on products, outcomes and timescales.

**Recommendation 10 – Programme of Work**

- a) We recommend that a formal programme of work is initiated to bring forward the design and implementation of the preferred option for the delivery of local government services (Transformation with Regional Collaboration). The scope of this programme of work should cover all activities needed to implement this preferred option. We envisage that this programme of work will be comprised of:
  - A number of programme-level structures providing guidance, support and assurance; and
  - A portfolio of individual sub-programmes and projects.
  
- b) We recommend that at a programme level the following formal structures / roles are further embedded:
  - Programme Director;
  - Programme Manager;
  - Programme Management Office; and
  - Programme Delivery Support Unit.

*A high-level description for these roles is provided in Section X above.*
  
- c) We would recommend that input from an external strategic partner organisation is procured to provide subject matter expertise, as required, into the PDSU across a wide range of areas including transformation, processes, people and technology.
  
- d) We recommend that the required structures (an RPA unit) are established within each of the sub-programmes and projects. We envisage that within each of the projects to establish each of the new councils that the following structures and roles will be maintained / established:
  - Transition Committee
  - Transition Management Team
  - Project (sub-programme) Manager
  - Change Manager
  - People Manager

*A high-level description for these roles is provided in Section X above.*
  
- e) We recommend that each sub-programme, project and initiative (plan, progress, structures, risks, issues, etc.) within the scope of this programme is subject to regular self-assessment “status” checks. A status check should be conducted as soon as possible on those on-going activities (e.g. creation of new councils).
  
- f) We recommend that the high-level implementation plan set out in this Economic Appraisal is adopted as a template for moving forward. We recommend that the Target Operating Model approach is adopted across all new and enhanced organisations with each organisation developing a TOM (in increasing levels of detail) for the following milestone points – May 2015, May 2013, May 2012 and

May 2011. See overview of the Design Framework (including high-level implementation plan) at Appendix C.

- g) We recommend that Benefits Realisation is embedded as a core component of all programme management activities across the reform programme and that a common benefits realisation approach is adopted in all areas.
- 11.30 The additional funding required to fully implement the recommended option (Transformation with Regional Collaboration) is £118m over the first 4 years of the proposed programme with an NPC saving of £438m over the assessment period of this Economic Appraisal.
- 11.31 Funding for this project must come from both central and local government. Local government must look to help itself through a range of measures including effective management of its assets and cash reserves. Central Government must consider how it can “help local government to help itself” through open and innovative approaches to issues such as the restructuring of legacy debt and the creation of a municipal bank.
- 11.32 Our initial finding with regard to the legacy debt within local government is that, even with penalty payments, it would be beneficial to refinance this debt to take advantage of current market rates. Obviously any measures to reduce and / or spread penalty payments would have a positive impact on this position.
- 11.33 There also needs to be consideration given to district rate convergence within new councils, not just to deal with the convergence from the currently unequal annual district rates of the amalgamating old councils (as is already under consideration), but also for the inequality of their respective legacy debt that will be shared moving forward.

#### **Recommendation 11 – Funding**

- a) We recommend that the SLB commission a programme of work to produce an overall financial strategy for the local government sector covering, inter alia:

➤ **Funding Allocations**

This work package should define and confirm the criteria to be applied to each cost area, in terms of where the necessary funding should be provided from. This criteria should reflect both the respective roles of central and local government and the need to make local government self-sustaining by the end of the implementation period e.g. from May 2015.

Our recommendation is that the transfer of funding from central government to local government as a result of this RPA Reform programme is initially implemented through a Grant Aid scheme moving, at the end of the implementation period, to an appropriate transfer from the regional rate to the district rate.

➤ **Convergence of rates**

There is a need to develop a convergence plan for each new council area which must take into consideration a number of macro cross-cutting issues including the:

- Transfer of regional rate to the district rate (in respect of a proportion of the functions transferring from central government);
- Future impact on district rates of envisaged waste disposal projects – which although outside scope of this Economic Appraisal is likely to represent a significant increase in rate levels; and
- Other potential increases in household bills.

The convergence of district rates must not be done in isolation and, indeed, perhaps provides an opportunity for a coordinated approach across a number of areas of potential impact on households in Northern Ireland.

➤ Refinancing of legacy debt:

The creation of 11 new councils provides local government, as a sector, with a unique opportunity to negotiate a “one-off” deal with HMT (who made the original loans through DFP) to allow refinancing of the legacy debt across the sector that was taken out against rates that are significantly higher than those that are currently available.

➤ Creation of a municipal bank

The creation of a municipal bank for the local government sector in Northern Ireland providing a vehicle both to support the optimum use of cash assets within the 11 new councils and to facilitate loans to local communities and businesses as part of the overarching place-shaping and regeneration agendas.

b) We recommend that each new council (initially represented by the statutory Transition Committee) produce a ‘transformation balance sheet’ which sets out:

➤ Cost of Service Delivery

The TOM(s) for each new council will form the basis for providing an estimate of service delivery costs for each council.

➤ Cost of Implementation

The implementation plan to be drawn up by each new council in order to achieve their TOM will form the basis for providing an estimate of implementation costs for each council.

➤ Local Fund Raising Initiatives

Each new council must show how it is going to raise funds through the application of alternative mechanisms including effective use of its physical assets, including property.

➤ Projected District Rate Income

Each new council should work with the overarching Local Government Finance project to derive an accurate estimate of its projected district rate income.

➤ Additional Funding Requirement

Each new council must highlight a potential funding gap that will exist over the implementation period.

c) We recommend that, ahead of the creation of new councils in May 2011, existing councils should not take on additional debt (or reduce cash reserves) that will become a shared liability by progressing non-essential infrastructure investments that might be at risk of failing the enlarged council’s prioritisation of spending, or unduly lifting the district rate (and spending) so future “convergence” rate rises are less marked. We would suggest that, prior to the introduction of the new councils:

➤ Capital investments over specified limits by one or more existing councils within each of the new council areas are referred to the relevant statutory Transition Committee; and

➤ Programme funding (or any form of central government funding) is reflected on to ensure alignment with the achievement of the overall objectives for this

reform programme and to identify any potential conflicts with the overall operating model for the delivery of the services within scope of RPA.

“Transition” guidelines and committees will need to be established to ensure that the current councils take appropriate financial and strategic decisions in support of the establishment of the converged new councils on a prudent basis.

We recommend that these criteria are applied to on-going projects and initiatives as well as those that are planned.

- 11.34 Following discussion with the DoE, we have made the working assumption at this time that none of the proposals contained in this Economic Appraisal require further Equality Impact Assessment additional to that which supported the Minister’s decision to create 11 new councils in Northern Ireland which take on a range of new and transferred functions. However, we would suggest that the next stage, i.e. detailed design, will consider and recommend specific configuration options (e.g. as each new council designs its own Target Operating Model) which will require consideration of the need for Equality Impact Assessments to be conducted.

**Recommendation 12 – Equality Impact Assessments**

- a) We recommend that the SLB ensure, through the programme structures, that an Equality Impact Assessment is conducted to support any relevant specific design decisions taken within any of the sub-programmes, projects and initiatives within this reform programme.

- 11.35 Our analysis would suggest that the current culture within local government is at times characterised by behaviours which would not be supportive of many of those areas that the success of this suite of recommendations will be dependent on e.g. collaboration and innovation. The current culture of local government in Northern Ireland must change. We have concluded that a significant culture change is required across local government if any of the structural recommendations that we have made in this Economic Appraisal are to be successfully implemented and embedded within the sector. We have concluded that the required cultural changes must be driven from both political leaders and senior management in the organisations impacted by RPA and we look for a step change in leadership, vision, innovation and a willingness to collaborate throughout the sector.

**Recommendation 13 – A new Culture, a new set of Behaviours**

- a) We recommend that SLB commission a project to both:
- Define the characteristics of the required culture within local government for each of the key stakeholder groups - elected members, senior officers and staff;
  - Develop this culture across local government in its entirety; and
  - Ensure that the central government acknowledge and respond to the new enhanced role for local government (particularly in coordinating local public sector service delivery through its new community planning role).

We would suggest that the common characteristics of the enhanced culture across all of the stakeholder groups should include:

- ✓ Collaborative – working in partnership with others to deliver effective and efficient services at a local, sub-regional and regional level;
- ✓ Customer Focused – delivering services that address the needs and preferences of the various customer groups within their area;

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- ✓ High Performance – operating against a formal performance management framework at an individual, team, department and organisational level; and
- ✓ Innovative – continually seeking to improve through new and imaginative approaches to service delivery.

Innovation results from the commercialising of creative expression of individuals and teams, therefore it is critical for management to realize the value associated with the practices that foster and promote creativity in the work place. The Investor in Innovation framework identifies Best practices for creating and embracing an innovative work-culture.

We suggest that the PDSU (working closely with other including NILGA and LGSC) be responsible for the shaping and initial delivery of the programme to provide this required culture shift within local government.

- b) We recommend that, as far as possible, these cultural characteristics become a key requirement in the person specification of all job descriptions for designate posts of the new and redesigned organisations to be established in May 2011.

## **Moving Forward**

- 11.36 In order to take forward the recommendations set out above, the next steps for the local government sector, led in this reform programme by the SLB, in Northern Ireland are around setting direction, gaining momentum and providing structure and should be as follows:
1. Accept the recommendations made in this Economic Appraisal;
  2. Create the new / enhanced formal programme structures including the:
    - Further development of a programme-level Programme Management Office led by DoE; and
    - Establishment of a central Programme Delivery Support Unit to provide expertise, knowledge and tools to support Local Government Transformation.
  3. Source external assistance to guide, support and assure the delivery of this programme through the proposed Programme Delivery Support Unit; and
  4. Formalise the on-going discussions with DFP and HMT on key funding issues such as availability of central government funding and those new funding mechanisms that local government needs initial assistance with such as the refinancing of legacy debt and the introduction of a municipal bank;
  5. Liaise with other Departments in the Northern Ireland Executive to ensure a co-ordinated approach to the introduction of rates convergence mechanisms, any required increase in the District Rate and any other potential increases in household bills; and
  6. Commission the portfolio of sub-programmes, projects and initiatives identified in this Economic Appraisal and the associated Implementation Plan.
- 11.37 The sector, led by the Minister, should make formal representations to HMT around the range of innovative funding mechanisms (particularly the refinancing of legacy debt and the establishment of a municipal bank) identified in this Economic Appraisal.
- 11.38 Transition Committees and their associated Transition Management Teams within each of the new council areas should:
1. Appoint suitable persons to fulfil the identified roles of Project Manager, Change Manager and People Manager; and
  2. Develop a detailed 'personalised' plan in alignment with the overarching regional implementation plan; and
  3. Start doing the things they can do now – looking at the pre-Assess range of activities set out in the Design Framework.
- 11.39 Leaders (at political and officer level) across the sector should act as champions for the preferred option as it delivers strong local government, with significantly positive outcomes for citizens, communities and businesses, while allowing for the possibility of a minimum long-term impact to the ratepayer.