

Department of the Environment



Local Government Service Delivery

Economic Appraisal of options for local government service delivery in its entirety

Reflections on consultation responses

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PRICEWATERHOUSECOOPERS 

Introduction

The purpose of this short paper is to:

1. reflect on the key thematic issues that arose both through the consultation responses and the series of briefings that PwC conducted with key stakeholders;
2. explore the possible reasons behind these thematic issues; and
3. consider the impact on the recommendations from the Economic Appraisal (Release v1.0) in the context of both the thematic issues that have been raised and our assessment of the underlying reasons for these issues.

Our approach has been to treat all comments received as legitimate and valued contributions to the debate on the strategic direction for local government in Northern Ireland. We have grouped the issues and comments into thematic areas and set out our reflections below.

Thematic Issues

The following thematic issues emerged from the consultation process:

i. What is the most appropriate approach to collaboration?

There was universal agreement across all responses that there should be collaboration both in the design and delivery of the new councils. The key issue that arose was the nature of the collaboration – no respondents proposed a vision of any future Business Services Organisation as a large, centralised organisation. There was, however, support for a flexible and responsive approach to collaboration with a range of collaborative solutions being explored, in each area that a joint approach is proposed for. These solutions included a network of council based approaches, lead council(s), centre(s) of excellence, Shared Service(s), Arms Length Organisation(s), Public Sector Solution(s) and Commercial Provider(s).

A number of respondents queried whether the participation of new councils in the exploration of collaborative approaches should be voluntary or mandatory. All respondents recognised the need for individual councils to have the option to 'opt out' of collaborative solutions if there was insufficient justification (e.g. in terms of value for money).

PwC Viewpoint

We agree that collaboration, in each individual area, should be taken forward using a design approach and that the most appropriate solution should be identified through a 'business case' and 'equality impact assessment' of the available options.

One of the main reasons that we suggested a mandatory Joint Committee to consider the potential areas for collaboration (with officer support from a small, focused Business Services Organisation) was the need for a catalyst to galvanise collaboration in the short timescales that face the implementation of RPA in Local Government. A Business Services Organisation (including any governing Joint Committee) is not an end in itself but merely a means of enabling and progressing collaboration between councils.

We do agree that a voluntary approach would be preferable if there was a convincing case that the sector could and would act proactively and innovatively to deliver collaboration. There is an absence of extensive evidence that the sector can demonstrate that voluntary collaboration will work. It is also our perception that some stakeholders view a "voluntary" approach as potentially a softer option with greater opportunity for their particular council not to be involved in some or all collaborative initiatives.

ii. How will a single Waste Disposal Authority add value?

A number of respondents expressed concern over the concept of a future Waste Disposal Authority (WDA). These concerns can be summarised into three broad areas:

- Current procurements – there was a concern that the exploration of a WDA solution at this time could impact negatively on the current residual waste procurements;
- Added value – there were queries as to where a single WDA would ultimately add value?
- Local Accountability – there were concerns that a single WDA could negatively impact on local accountability for waste disposal, and possibly as suggested in the Economic Appraisal, waste collection.

PwC Viewpoint

The reform of local government provides an opportunity to investigate if and how a single Waste Disposal Authority could add value to Local Government while maintaining local accountability. It is imperative that the detailed financial and non-financial analysis of the potential options is developed in conjunction with all stakeholders.

iii. Does the sector have the capacity to deliver this change?

Several respondents queried whether the sector would have the capacity to progress such a significant programme of change (particularly under the preferred option). There were concerns that implementing the proposed programme of work within the specified timescales would inevitably have a negative impact on local authority 'business as usual' service delivery.

PwC Viewpoint

Capacity to progress a significant programme of change within the sector is recognised as an issue in the report. While the May 2011 timescales facing local government are extremely challenging, we agree that a holistic programme plan for both transition and transformation (up to May 2015) needs to be put in place. The Design Framework (initial draft) developed by PwC is intended to facilitate these discussions.

iv. How much will the change cost and how much benefit will it deliver?

A number of respondents raised concerns on the proposed level of financial costs and benefits that were set out in the Economic Appraisal. Some respondents felt that the assumptions were too high-level and broad to represent a robust basis for moving forward and the Association of Local Government Finance Officers raised a number of specific concerns (in summary, they were of the view that the costs should be higher and benefits could be lower).

Concerns were also expressed about the comprehensiveness of the cost estimates for those functions to be transferred from central government to local government e.g. were all current and future "notional" costs (e.g. for premises and shared services) accounted for? Concerns were also expressed that central government might drive out many of the financial efficiencies from these functions prior to their transfer to local government.

PwC Viewpoint

The Economic Appraisal sets out a strategic direction of travel for Local Government in Northern Ireland. The current set of high-level costs and benefits within the Economic Appraisal will continue to be refined as detailed design work is undertaken. So while the assumptions around costs and benefits are high-level and derived from our extensive experiences elsewhere the key question is whether they are reasonable at this stage? We believe that, at this stage of the process, it is reasonable to seek a 7.5% efficiency saving over 5 years from Local Government based on an investment of over £100m in additional funding to support and enable change?

In advance of the detailed design for each new council, we have assessed the reasonableness on this assumption based on a range of other reference points:

- The level of efficiencies that local government has achieved in GB (normalised for NI);
- The level of efficiencies that the new unitary councils in GB were able to deliver;
- The level of efficiencies that transformation can typically deliver; and
- The level of efficiencies that central government is being asked to deliver in NI.

With the caveat that the detailed design phase will drive out the more precise levels of efficiencies that can be achieved, we believe that 7.5% is a reasonable assumption at this stage.

We have had constructive discussions with ALGFO and have conducted a further sensitivity analysis to reflect their concerns - Option 5 remains the preferred option even if all potential variants are included to provide a 'worse case' scenario. A sensitivity analysis does not set out a range of equally likely outcomes but rather articulates the potential worse and best case scenarios, which by definition are not as likely to occur as the base case. In terms of reasonableness, a projected saving of £438m represents a reasonable base case and provides a firm foundation for the strategic business case. Nevertheless, we agree with ALGFO that their queries must be fully addressed during the detailed design phase.

v. How will the change be paid for?

Most respondents expressed concerns in respect of the sources of funding. These concerns can be summarised into two broad areas:

- Funding must be agreed, in principle, before transformation commences; and
- Funding should not all be met by local government.

PwC Viewpoint

This is essentially a political decision but we agree that a general approach to funding (e.g. against agreed funding principles) should be put in place as early as possible. We have set out a number of potential funding approaches that could form the basis for future further discussions with Ministers and the Executive.

Why might these thematic issues arise?

There are a number of reasons that can give rise to these thematic issues. It is worth exploring these in order to ensure that these issues are recognised and reflected fully in taking forward the reform of local government. In our view, these thematic issues might have arisen for some or all of the following reasons:

i. The vision for the Business Services Organisation

PwC articulated the BSO approach as an enabling and facilitating organisation which could, if and as appropriate, deliver services. It was not intended to represent a large, central service delivery organisation. It was certainly not intended to set out a new Quango within the local government sector. The nomenclature of "Business Services Organisation" must represent "what local government wants it to be". The BSO is a means whereby collaboration can be facilitated.

ii. Confidence that accountability can be properly maintained if services are delivered in new and different ways.

Some members and senior officers rightly seek assurances that local accountability for service delivery can be maintained when those services may, in fact, be delivered by another organisation. Accountability for service delivery by local politicians is at the very centre of strong local government and cannot be diluted. This tension between

accountability and delivery is not unusual and is also highlighted as an issue in Sir John Arbuthnott's recent report on shared services in Scotland.

iii. Confidence in shared service solutions

There is a need to address the real concerns across the sector that shared service solutions can actually deliver quality services at reduced costs. Examples of failure from elsewhere must become the basis of learning and planning to the detailed design phase in Local Government. In order to progress collaborative approaches there needs to be confidence building measures designed to demonstrate that shared service solutions can really deliver services that are as responsive, through councillors to members of the public, as the current arrangements. For example, based on the experience of local authorities in Scotland.

iv. Willingness to collaborate

Some members and senior officers are genuinely concerned about the loss of their "sovereignty" and suggest a voluntary approach to collaboration as they see it as a less formal approach which will allow their own council to continue to develop its own solutions.

v. Need for certainty

Local Government in Northern Ireland has not been subjected to such a large-scale strategic change in recent times and understandably in identifying the preferred strategic direction of travel set out in the Economic Appraisal this has not provided the level of detail sought by some of the members and officers.

vi. Transparency

There are genuine concerns in some quarters about the perceived transparency of the process and this has led, in some areas, to a lack of confidence in the ability of individual councils and other stakeholders to influence and help shape the solutions arising from the detailed design phase.

vii. Accountability for delivery

While few disagree with the strategic direction of travel, there is a concern within some areas of local government that they may be held accountable for the delivery of some or all of the projected £438m savings when no detailed design has been yet undertaken in their particular new council area.

viii. Acceptance of an agreed operational vision for Local Government.

The vision for local government is centred on the local delivery of high-quality services (building on the new responsibilities around Community Planning and the power of well-being). This vision necessitates a fundamental realignment of local government to focus on front line delivery working with numerous partner organisations to design and deliver services to address the needs and priorities of local communities and citizens. While many members and senior officers agree with this vision, they would welcome further support to visualise this against the current every day activities that their local council undertakes.

These underlying concerns are "real" and as such need to be addressed moving forward. We believe that the establishment of a formal Change Programme (structure and plan) with the new Statutory Transition Committees are at the heart of designing and implementing local change and will play a critical role in future success. Local Government will need to own this process and thereby overcome any belief that RPA is "being done to them" rather than "by them".

What are the implications for the recommendations in the Economic Appraisal (Release Version 1.0)?

'Transformation with Collaboration' was accepted by the majority of respondents as the preferred strategic direction of travel for local government in Northern Ireland. However, the consultation process has highlighted a number of important matters for further consideration during the detailed design phase.

Recommendation	Further Considerations for Design Phase ¹
1. 11 new Councils	Emphasis on citizen centric design Staff involvement in design
2. A new generation of local government politicians	Severance package for existing councillors Councillor induction & training
3. Business Services Organisation (as a means of collaboration)	Facilitation and enabling role (Service Improvement function) rather than large, central delivery organisation – full exploration of all collaboration models in each area considered for a joint approach Mandatory or voluntary collaboration? Need for a statutory organisation? Governance model for collaboration – local accountability retained for those services delivered collaboratively Business case analysis of all options for each area
4. Waste Disposal Authority	Timing of consideration of options around WDA Scope of business case around WDA / regional collaboration Governance arrangements associated with new WDA
5. Central Government Departments	Comprehensive due diligence of existing departments and functions / detailed snapshot of current and planned costs and revenue
6. Local Government Association	Timing of introduction of new LGA LGA role, if any, in governance of the design, development and delivery of collaborative solutions
7. Creation of enhanced role for NIAO	Timing of introduction of performance management framework Need for different cultural approach to current financial model
8. New role for NI Ombudsman	Proportionate nature of regime (which will deal only with the most extreme cases for the 460 councillors)
9. Human Resource Framework	Need to ensure that work of the Local Government Reform Joint Forum is fully reflected in programme structures, processes and plans
10. Programme of work	Programme Delivery Support Unit welcomed Statutory nature of Transition Committees
11. Funding	Need to agree funding package with central government Governance around expenditure in interim period

12. Equality Impact Assessments	Recognition of its importance
13. A new Culture, a new set of Behaviours	Identification of current examples of 'good practice' within local government

¹ This list reflects those existing and new areas which consultees have highlighted as requiring further consideration during the detailed design phase.

The highlighting of these considerations is a normal part of such a significant strategic change process and should be welcomed as constructive interventions in an overall collaborative approach. There is a need to accept both the normality of this engagement and to recognise the level of nugatory effort that could potentially continue to be input into new iterations of the Economic Appraisal without changing the basic conclusion – Transformation with Collaboration is the optimum way forward for Local Government in Northern Ireland.

The key challenge for the design phase is to build on this positive engagement across the sector and ensure that all of the concerns and suggestions are reflected in the detailed design of solutions. There is a need to maintain the momentum and level of debate and discussion that the Economic Appraisal (Release Version 1.0) has created around the reform agenda.

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