
SOLACE NORTHERN IRELAND BRANCH

Response to PriceWaterHouseCoopers draft report

Local Government Service Delivery - Economic Appraisal of options for local government service delivery in its entirety

SOLACE Overview

1. SOLACE Northern Ireland Branch welcomes the opportunity to comment on the PriceWaterhouseCoopers draft report “Local Government Service Delivery - Economic Appraisal of options for local government service delivery in its entirety” commissioned by the Department of the Environment. The transition to 11 new councils with new services transferred from central government and the transformation of these councils by 2015 will involve the most far reaching change faced by local government in Northern Ireland in more than forty years. It is important that this change is founded upon the support of key stakeholders in local government – local citizens, elected representatives, staff and managers.
2. SOLACE Northern Ireland Branch wholeheartedly supports the aspirations for local government set out in the PriceWaterhouseCoopers report for the new councils to
 - **Provide strong local government** with service performance and costs of delivery in line with national best practice;
 - **Add value for citizens** with increased citizen confidence and increased participation in local democracy;
 - **Attract, developing and retaining high quality and dedicated staff** with increased satisfaction levels and reduced staff turnover;
 - **Provide service excellence** with increased citizen satisfaction with services and value for money; and
 - **Provide value for money** with minimum rate increases and decreased costs.
3. The analysis set out in the PriceWaterhouseCoopers draft report recommends new councils which are citizen focused, organised to deliver services in line with best practice and seeking to deliver value for money through their internal processes and collaboration with each other. This is a compelling vision and one which SOLACE Northern Ireland Branch fully endorses.
4. We support the PriceWaterhouseCoopers evaluation that a model for local government based on transformation and collaboration will deliver the kind of local government that we wish to see in Northern Ireland. However, the conclusions about costs and savings which underpin the evaluation of option 5 in the PriceWaterHouseCoopers report are largely based on percentage costs and savings derived from English councils’ experience and are not supported by detail in the report. It would be wrong to enter into a major re-

organisation and remodelling of public services without a robust appraisal of potential costs and savings. Funding arrangements and savings targets will be arrived at on the basis of these figures and all concerned need to be satisfied that the high level assumptions about costs and savings drawn from English council experience can be translated into specific actions and savings in Northern Ireland's new councils. This is not the case at present.

5. We are supportive of the Target Operating Model produced by PriceWaterhouseCoopers as a useful tool to help in organising our new councils through the transition period and subsequent development. However, we feel that the model gives only limited recognition to the political and community dimension in shaping services and the organisation of Councils. SOLACE Northern Ireland Branch has agreed a common framework for collaboration in planning the transition to new councils which incorporates these dimensions. That framework is appended to this submission.
6. SOLACE Northern Ireland Branch has previously stressed the importance of ensuring the continuity of service delivery in the transition to the new councils and during the process of transformation. This is not a project where services can start once the new councils are well established or once transformation takes place. Services are being delivered now and must continue to be delivered well throughout the transition and transformation period. We do not believe that the PriceWaterhouseCoopers report reflects adequately the extent and complexity of the change that will be necessary in the transition to new councils and the maintenance of services during that period. The potential disruption to service delivery in the initial transition period when there will be a loss of significant numbers of experienced councillors and managers and when nearly 10,000 staff will be transferred to newly created employers needs to be planned for and managed carefully.
7. We support the new roles proposed for the Northern Ireland Audit Office and the Northern Ireland Ombudsman. We also support the proposals for a new Local Government Association as a member organisation of the 11 new councils. Planning should take place for the new Local Government Association prior to May 2011. However, its role, agreement on its priorities and its funding are matters for the Association's members – the new councils.
8. We recognise the challenge faced in waste management over the coming years and support the preparation of a business case examining the options for a Waste Disposal Agency for Northern Ireland.
9. SOLACE Northern Ireland Branch supports the need for collaboration at regional level to achieve efficiencies and recognises back office support functions are potential areas of collaboration. However, we do not support the proposed model for a Business Services Organisation as presented in the report. We believe that there are more innovative and effective solutions than the creation of a new quango with statutory powers which local government is obliged to fund, the services of which local government is obliged to receive and to which 1000 or more staff will transfer. SOLACE Northern Ireland Branch believes that a more appropriate model would be an enabling organisation created by the councils

themselves which would procure the most appropriate model of collaboration for particular services, be that lead council, centres of excellence, shared service centres or commercial providers.¹

10. SOLACE would also seek evidence of the success or otherwise of already established shared services models within Northern Ireland and would note a recent statement made by Sir Peter Gershon, leading expert on the Efficiency Review for the UK Government ...²
11. SOLACE Northern Ireland Branch is also strongly opposed to the idea, suggested by PriceWaterHouseCoopers, that strategic advice will be provided by the Business Services Organisation to councils. It is important that strategic financial, HR and ICT advice is provided to a council by directly employed staff or by organisations contracted direct by the council.
12. SOLACE also rejects the concept that for ease of transfer the transferring services should be located within a BSO or other central group. This does not take cognisance of the aspiration to provide service excellence close to the citizen.

Comments on Report Conclusions and Recommendations

Overarching conclusion and overarching recommendation

13. SOLACE Northern Ireland Branch supports the overarching conclusion of the report that Option 5 “Transformation with Regional Collaboration” represents the best solution for local government in terms of financial and non financial assessments presented in the report. However, we have already noted our concerns about the unspecified (apart from

¹ The PWC report states (p192 para11.16) that it does not make any recommendations about the detailed design of any of the new or changed organisations within the scope of this Economic Appraisal. We do not believe that the recommendations can be read in this way apart from the main body of the report and have therefore commented on the organisational details presented in the report in considering the recommendations.

² Sir Peter Gershon states “ agencies should benchmark what they are currently doing, and improve themselves, before deciding whether it makes sense to enter into a shared service agreement.

But while they do so they may find out that externally sourcing some of their processes could be a good fit, irrespective of whether there are other agencies to share those services with. In other cases, they may discover that collaborating with each other (which ranges from buying together, to sharing processes and assets, to centralising them) is the way to go.

The economic downturn will call for greater sharing and consolidation, but it is important to dispel the myth that shared services are the solution to most problems and recognise that – sometimes – they make problems even more complicated”.

ICT) and unsupported nature of the costs and savings estimates presented in the report. Both transformation costs and savings are simply presented as percentage figures of gross revenue expenditure and these percentages have been arrived at on the basis of unspecified English Council experience. A robust assessment of costs and savings is required before finalising organisational and funding decisions. We have also already recorded our lack of support for the specific model of Business Service Organisation presented in the report and will comment further at recommendation 3.

Recommendation 1 – 11 New Councils

14. SOLACE Northern Ireland Branch supports the detail of recommendation 1 setting out planning arrangements for the establishment of new councils with the caveats that an appropriate model for collaboration on back office and support services remains to be agreed; the basis for, and impact of, a potential savings target of 7.5% per annum by 2015 has yet to be substantiated or agreed; and agreement between central and local government on costs and funding for transition and transformation programmes are essential prior to undertaking these programmes. The Association of Local Government Finance Officers, Northern Ireland has set out a detailed appraisal of the transition and transformation costs and savings set out in the report. That document is appended to our response. SOLACE Northern Ireland Branch concurs with the issues raised by the Association of Local Government Finance Officers, Northern Ireland.

Recommendation 2 – A new generation of local government politician

15. SOLACE Northern Ireland Branch supports this recommendation.

Recommendation 3 – Business Services Organisation

16. SOLACE Northern Ireland Branch cannot support this recommendation as it is framed. We would wish to see the business case for collaboration in the delivery of services explore a wider range of options than the model of the Business Services Organisation set out in the report. The report describes a model of a statutory business services organisation from which councils would be obliged to receive services and which would be funded initially by top slicing council budgets, possibly with a charging mechanism at a later date. An estimated 1000 council staff dealing with back office functions would be transferred to this organisation together with a small number of central government staff providing a range of functions without sufficient staff to disaggregate to 11 councils. It appears that former local authority staff will remain devolved in the new local authorities, but be employed by the Business Services Organisation. It is anticipated that there will be a 20% reduction in the number of staff engaged in back office services.
17. Collaboration in the delivery of back office services, particularly transaction processing, procurement and other areas where aggregation provides efficiencies, makes sense. However, the organisational model and compulsion to use the services of a statutory Business Services Organisation should be considered carefully. It will be difficult in such a model to ensure best value and innovation. The proposed model also represents a high risk

course of action, transferring key support services to a new, untried organisation with no fallback position. Experience of other local government reorganisations shows that support services, especially HR, Finance and ICT, play a key role in securing a smooth transition to new organisations. It may pose significant problems for the transition process if the focus of these services is on establishing a new Business Services Organisation rather than on the core task of establishing the new councils. We believe that it is unrealistic and undesirable to consider implementing a Business Support Organisation by May 2011.

18. The public sector has a poor record in planning for and procuring shared services and IT services. The main failings are unrealistically optimistic timescales, poor service specification, underestimated costs, overestimated savings and poor service delivery. However, the potential benefits from shared services and IT in efficiency, reduced cost and improved service delivery are significant. We believe that the current proposal for a Business Service Organisation runs the risk of missing delivery of these potential benefits.
19. Other models for the delivery of collaborative services, including the possibility of an enabling organisation which can procure services for its members in the most appropriate way, including utilising lead councils, centres of excellence, council owned public sector companies and commercial providers should be considered as part of the business case. We believe that local government should take the lead role in this process and that the project management arrangements should reflect that.
20. SOLACE Northern Ireland Branch is clear in its view that strategic advice to a council for functions such as Finance, HR, and ICT should be provided by directly employed staff or by organisations contracted direct by the council.
21. The rationale for grouping other functions (such as Training, Major Capital Projects, Parking Enforcement, Planning Specialists and Emergency Management) within the Business Services Organisation seems to rest on the difficulty of disaggregating small staff numbers to 11 Councils. There is no business reason why these services should be brigaded together with back office services. Indeed these functions should, as much as possible transfer to local councils and should not be grouped together under a group structure. Such services could readily be provided on the basis of a lead council or shared services between a number of councils rather than be provided by a separate organisation.
22. Whatever model of collaboration is agreed, consideration will need to be given to the possible impact of European Procurement Rules. The nature and scale of some of the services involved, mean that where services are procured by a council (or other contracting body) from another organisation (whether a public or private organisation), then the contracts for these services would normally need to be subject to open advertisement. There are, of course, possible exemptions to such provisions. These would need to be considered very carefully.

Finally SOLACE would advocate that it would be the role of new councils, or initially their proxy, the STC, to negotiate the design arrangements of the BSO, if brought forward. A new

Council in all likelihood would suggest that the design principles could include such elements as:

- Strong effective governance model, fully accountable to councils
- The collaborative services provided must be developed in partnership with councils and agreed by them
- The transfer of services should be voluntary and subject to a VFM test
- The decision for what is included in the BSO must be taken by councils and not by the BSO itself
- The accessibility to and responsiveness of services to the citizen needs to be paramount

Recommendation 4 – Waste Disposal Authority

23. SOLACE Northern Ireland Branch supports consideration of a Waste Disposal Authority for Northern Ireland. We would wish, however, to stress that the business case for such an organisation needs to be considered prior to developing a detailed Target Operating Model. We note that consideration is recommended of an option which includes waste collection and disposal in the remit of the Waste Disposal Authority.

Recommendation 5 – Central Government Departments

24. We note the recommendation for Target Operating Models and cost reductions in central government departments.

Recommendation 6 – Local Government Association

25. SOLACE Northern Ireland Branch supports the view that a new Local Government Association should be a voluntary organisation of the member councils. In these circumstances, it should be for the member councils to agree the role and priorities of the Local Government Association and their funding contributions to the organisation. The Target Operating Model proposed by the PriceWaterhouseCoopers report should reflect this.

Recommendation 7 – Enhanced role for Northern Ireland Audit Office

26. SOLACE Northern Ireland Branch would give qualified support to the proposed enhanced role for the Northern Ireland Audit Office and the process for developing that role. We appreciate that if a compulsory performance management regime is not introduced some councils may not embrace this initiative. However the NIAO has a very regulatory role and the simple transfer of a CPA type regime to the NIAO may undermine the introduction of performance management in a period of major transition and transformation.

While performance management is important in the new councils the time and resources expended on it should be commensurate with the need to develop a performance framework (and having regard to the need to continue) to deliver a responsive and quality service within the new councils.

Possible alternatives to an enhanced audit regime might include a regulatory requirement to establish a performance measurement framework which could be facilitated by an external organisation (agreed by local government)

Recommendation 8 – New role for Northern Ireland Ombudsman

27. SOLACE Northern Ireland Branch supports the development of a comprehensive Code of Ethics for elected members in local government and supports the role of the Northern Ireland Ombudsman in monitoring that. We are surprised that there is no role for local government in contributing to the development of the Code of Ethics.

Recommendation 9 – Human Resources Framework

28. SOLACE Northern Ireland Branch supports the conclusion that there is a pressing need for staff in local government and relevant central government departments to be given a clear indication of which will happen to their posts. We support the recommendation for the introduction of a comprehensive human resource framework as soon as possible. We are concerned that while the PriceWaterhouseCoopers report usefully sets out high level frameworks for addressing transition issues, it does not fully capture the amount or complexity of work required in the transition to completely new organisations or the potential loss in performance in that period. With the exception of Belfast City Council, the process of transition is not simply a question of an existing organisation taking on new functions. Creating completely new organisations with new political leadership and new senior management and the extent of potential staffing issues – recruitment, redundancy, consultation, transfer arrangements, gradings, staff relocation, appeals, accommodation issues, implementing and training for new procedures and systems - are likely to see drops in morale and productivity unless they are explicitly addressed. This is not a project where services can be put on hold until the new organisations are fully in place. We see a real need to give specific consideration to service continuity arrangements over the period from January 2011- May 2012, possibly utilising staff who would otherwise retire or be made redundant in May 2011.

Recommendation 10 – Programme of Work

29. SOLACE Northern Ireland Branch supports the recommendation for a programme of work to bring forward the design and implementation of the preferred option for the delivery of local government services and supports the overall programme management arrangements set out in the report. There is a danger in the present arrangements that work for the development of 11 new councils is unnecessarily duplicated. As mentioned at paragraph 5, above, SOLACE Northern Ireland Branch has agreed, for its interests, a common framework for collaboration in planning the transition to the new Councils which is appended to this

response. We believe that there is a role for the Regional Transition Committee in ensuring the use of common frameworks and knowledge transfer between local Transition Committees.

30. The design of programme management arrangements reflects conventional practice for managing a large programme of projects and perhaps does not recognise fully the shift of focus to the role of politicians and management of the new councils who will manage the delivery of 90% of the transformation programme. The statutory, albeit temporary, nature of transition committees needs to be reflected in proposed arrangements.

Recommendation 11 – Funding

31. The report contains an extensive discussion of various funding opportunities for local government transition and transformation. However, the report recommendations do not deal directly with the funding of transition, the funding of transformation or how savings should be dealt with. SOLACE Northern Ireland Branch supports the recommendation for a work package to produce a financial strategy which will detail the costs and funding of transition and transformation, savings targets and how they will be dealt with.
32. SOLACE Northern Ireland Branch wishes to reaffirm the principle that where legislation imposes cost burdens on local authorities, these burdens are provided for in funding by central government. Thus the costs of transition and the costs of community planning would normally be addressed as part of discussions on the grant settlement. The report identifies an option of transformation costs being funded by central government loan funding with repayment coming as a result of transformation savings. This appears to be a useful suggestion, although it does not find its way into the report recommendations. If arrangements such as these are not put in place and local authorities are expected to fund the greatest part of transition and transformation funding, that is likely to result in minimal transformation and to place significant burdens on ratepayers at a time when there will be additional burdens from rate convergence, waste costs and water charges.
33. The report recommends funding for transferring services via grant aid prior to a shift from regional rate to district rate. SOLACE Northern Ireland Branch wishes to stress the need for transparency in costs of service delivery and grant for transferring services. There does not appear to be a standard costs model being used for transferring services.
34. We support the recommendation that plans are produced for the convergence of district rates which takes account of impact of water charges and that transitional arrangements are needed for taxpayers who will see rate increases as a result of convergence.
35. The report recommends that local authorities seek agreement with HM Treasury on the refinancing of legacy debt. This represents good practice in treasury management and is something SOLACE Northern Ireland Branch would wish to support.
36. The report recommends work to examine the creation of a municipal bank utilising balances to facilitate loans to local communities and businesses. There are significant limitations on

the services provided by municipal banks, usually making them unattractive to individual customers. The purpose of the recommendation appears to be to “pool” local authority reserves and provide a loans fund for local communities and businesses. We are unclear what benefits this would have over other funding arrangements for this purpose, but are content for this issue to be explored.

37. The report recommends that there should be limits on use of cash reserves, incurring additional debt and capital investment over certain levels in the period up to creation of new councils in May 2011. These are prudent measures and ones which SOLACE Northern Ireland Branch supports.

Recommendation 12 – Equality impact Assessments

38. SOLACE Northern Ireland Branch supports the recommendation that Equality Impact Assessments are prepared for appropriate work packages in the next stage of the programme.

Recommendation 13 – A new culture, a new set of behaviours

39. SOLACE Northern Ireland Branch supports the recommendation for a project to develop a new culture and new behaviours in local government. Delivery of a transformed local government and the realisation of the potential of community planning will demand new skills and new ways of working. There are already many examples of good practice operating in local government in Northern Ireland and elsewhere upon which this change should build.

Conclusion

40. Solace Northern Ireland Branch supports the recommendation for new councils which are citizen focused, organised to deliver high quality services and provide value for money. We recognise that this demands the transformation of the way local government works and collaboration between councils. We believe that the model of a Business Services Organisation as set out in the report as a basis for collaboration is flawed and will not deliver innovation or the service improvement required. Other models of collaboration should be explored.
41. There remains a significant amount of detail to be explored to provide a robust assessment of transition costs and savings, transformation costs and savings and funding arrangements. We believe that this work must be given priority and should involve local government. Costs, savings and funding arrangements need to be ones with which local government can agree and deliver.
42. There is a need to move urgently to implement the proposed human resources framework and to remove as soon as possible staff uncertainty about the future of their posts. We believe that this is critical in the transition to the new Councils and an essential part of ensuring continuity of service delivery over this period of change. We wish to stress again that continuity of service delivery during the period of transition and transformation is

something that must be given a high priority and is something that needs to be planned. Continuity of service delivery is essential to the success of the new councils. We believe that there is a need for better engagement between the Department of the Environment and Transition Committees if this transition to a new model of local government is to be made successfully.

End.

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