

Report of the Local Government Efficiency Review Group - Executive Summary

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Executive Summary

Local Government Efficiency Review

In Budget 2010, the Government announced that an efficiency review of local government was to be carried out with a report completed by mid-2010. In December, 2009, the Minister for the Environment, Heritage and Local Government Mr. John Gormley, T.D. announced the membership of the Local Government Efficiency Review Group as follows:

- Pat McLoughlin, Chief Executive, Irish Payment Services Organisation and former Deputy Chief Executive of the HSE (Chairperson)
- Donal McNally, Second Secretary General, Department of Finance;
- John O'Hagan, Professor of Economics, Trinity College;
- John Quinlivan, former County Manager;
- Ian Talbot, Chief Executive, Chambers Ireland;
- Geraldine Tallon, Secretary General, Department of the Environment, Heritage and Local Government.

The Group's Terms of Reference were to review the cost base, expenditure of and numbers employed in local authorities with a view to reporting on:

- Specific recommendations to reduce costs;
- The effectiveness of particular programmes;
- Optimal efficiency in the way programmes are delivered; and
- Any other proposals to enhance value for money in the delivery of services at local level.

There are a number of recurrent themes and guiding principles reflected in the Group's report which the Group believes should inform and characterise the approach we, as a nation, take to local government:

- A key function of local government is to provide public services and local government should be judged by how well it performs this function;
- The system of local government must be structured so that services can be delivered efficiently – for example, what is best done at county level should be carried out at county level;
- Local government should have a lead role in the provision of local services, especially in community services;
- It is vital that all resources are well managed at all times; and
- Revenue sources must be broadly based, stable and service related.

The Group adopted the above as guiding principles in carrying out its work, not just in terms of how they can yield cost savings, but also in terms of how they can contribute to improvements in service quality. The Group recognised that work was ongoing on the White Paper on Local Government in parallel

with the work of the Efficiency Review Group, but considers its recommendations will broadly complement the focus of the White Paper, including in the context of local government structures. Indeed, the Group considers that a restructuring of the local government system provides an opportunity to introduce new and more efficient ways of providing local services. The Group's recommendations are also consistent with the need to improve competitiveness and to minimise the financial impact on ratepayers, the renewed Programme for Government, the recommendations of the Commission on Taxation, and Government policy on public service reform, including the provisions of the '*Transforming Public Services*' initiative and the *Croke Park Agreement*.

The Group was conscious of the fact that the activities of local authorities are heavily influenced by regulatory compliance requirements and the costs associated with them. This is particularly the case in environmental and health and safety areas, and more generally in other fields of activity, resulting in significant non-discretionary expenditure that local authorities effectively have to undertake.

The Group is making a series of recommendations covering staffing, financial management, procurement processes, shared services, local development, and improving efficiencies and value for money in local government service areas. The financial impact of these reforms is some €511 million in overall terms. This is in addition to over €300 million saved through efficiencies within the local government system over the past two years. The savings inherent in this report should help reduce the burden that would otherwise fall on local government sources of funding.

Efficiency Reforms in Local Government

During the course of the Review, the Group engaged in a public consultation phase and met with a significant number of local public representatives, local authority officials, and organisations that interact with the local government system. The Group also received written submissions from a number of groups and individuals.

The Group was impressed by the skills and dedication of the public representatives and local authority managers and officials that it met, and their obvious devotion to both the national and the local interests of all our citizens. Local government is far from starting from a blank page in regard to efficiency reforms. Reduced budgets and the impact of the current economic downturn have meant that local authorities have already carried out their own internal exercises to identify ways to reduce costs and provide services cost effectively.

Ireland has a generally well-run and efficient local government system that, for the most part, serves local communities well. Turnout for local elections in Ireland is relatively high compared to many other European countries, which is an indication of the public's interest in local affairs. In many instances, the Group found examples of local government leading the way in public service

innovation, and efficiency reforms in place that could usefully be applied to other parts of the public sector. This includes the use of shared services between local authorities, savings achieved through modernising procurement processes, the use of service indicators to monitor performance, and other reductions in the local authority cost base. The Group estimates that efficiencies achieved by local authorities in procurement and staffing alone have over the past two years yielded savings of over €300 million.

As these savings have already been achieved, they are not included in the quantification of the Group's recommendations for future potential savings. Nevertheless, it is important to underline the progress that has already been made by local authorities in the recent past.

The Group makes a number of recommendations where it believes further efficiencies can be introduced into the local government system, building on work to date. These are recommended not only with a view to cost savings, but also to streamline and improve the quality of services provided to the public.

Current Financial Situation

Total local government current and capital expenditure in 2010 is estimated to be in the region of €8.5 billion. Net budgeted current expenditure, which is the focus of this report, represents some €4.7 billion of this amount. This represents a significant reduction on 2009 budgeted current expenditure which amounted to over €5 billion. The recommendations made in the report will yield an estimated €511 million, representing 11% of 2010 current expenditure. Of this amount €346 million constitutes savings and efficiencies, representing over 7% of 2010 current expenditure. The financial impact of these recommendations, when coupled with savings already achieved by the local government sector over the past 2 years, will yield a saving equivalent to some 16% of 2008 current expenditure.

These figures do not include the Group's recommendations where the savings could not be quantified within the timeframe available. In some cases the Group is confident that these additional recommendations can yield significant medium-term savings. A full list of the Group's recommendations is included below.

Financial Impact of Recommendations

	€m (full year)
Staffing and General Efficiencies	113
Procurement	70
Efficiencies / Cost Recovery in Specific Programme Areas	233
(of which)	
Housing	30
Roads	10
Water Services	35
Planning	38
Waste	5
Motor Tax	115
Other Cost Recovery and Revenue Issues	95
TOTAL	€511 million

While most of the recommendations concern efficiency savings, a number of recommendations also extend to cost recovery and revenue raising, with an emphasis on a more equitable distribution of the revenue burden. Of the €511 million total, €346 million is made up of efficiency savings, and €165 million is accounted for through improved cost recovery, and revenue raising. These are full year savings that may take a year or more to implement in full.

The context for the Group's work was the need to redress the imbalance in the State's public finances. The State is currently borrowing one-third of what it spends. This is unsustainable. A series of measures has been undertaken at national level in the past two years towards restoring the public finances, including expenditure reductions across a range of public service areas, particularly through Budget 2009, the supplementary Budget in 2009 and Budget 2010. Other measures have been undertaken to reduce expenditure in specific areas, including initiatives undertaken on the foot of the *Report of the Special Group on Public Service Numbers and Expenditure Programmes*. The Local Government Efficiency Review should be seen as part of this process. Despite these initiatives, Government current spending remains much higher than available revenues.

Projected Gross Government Finances 2010

	€billion	% of GDP	% of GNP
Current Spending*	61.9	38.5	47.9
Current Receipts ^o	48.2	30.0	37.3
Current Deficit	-13.7	-8.5	-10.6
Capital Spending	7.3	4.5	5.7
Capital Receipts & Resources	2.2	1.4	1.7
Capital Deficit	-5.1	-3.1	-4.0
Exchequer Deficit	-18.8	-11.7	-14.6
General Government Deficit	-18.7	-11.6	-14.5

* Of which Debt Servicing costs are an estimated €5.2 billion

^o The vast majority of current receipts are Exchequer tax receipts and Departmental receipts such as PRSI, health levies etc.

Source: Budget 2010 (Note: rounding may affect totals)

Conscious of the difficulties in the public finances, the Group has set out a series of challenging but achievable recommendations in a number of fields. These will have far reaching effects in terms of the more efficient use of resources, local government spending and financial practices, as well as implications for key services provided by local authorities. That said, the Group is confident that the recommendations are framed in a manner which will deliver efficiencies while keeping a focus on good service delivery.

Organisational Efficiency Issues

Local government boundaries and political structures were outside the Terms of Reference of the Group and are being examined in the context of the White Paper on Local Government. Nevertheless, there are other efficiency issues that arise from the present structures of local government. For example, the population base of local authorities, while not being the sole factor, is an important determinant of efficiency within local government. Such organisational arrangements have implications for the cost base of delivering local government services.

Accordingly, the Group is making a series of recommendations on the administrative structures of local government. For example, efficiency gains can be made from greater integration of administrative structures across county/city areas (both through a regional approach to shared services, and through the 'pairing' of neighbouring county/city authorities as joint administrative areas – see below), and greater integration of administrative structures between town and county.

Town and County

In terms of town and county co-operation, a number of factors suggest the need to re-assess the planning, roads and housing responsibilities of town councils. The Group noted that while most town councils retain statutory responsibility for planning functions, in practice the bulk of town councils rely heavily on the county councils to carry out planning work on their behalf. In

this regard, the statutory responsibility of town councils for planning matters carries with it an administrative overhead and a duplication of effort that should be streamlined.

In terms of roads, the Group considers that all county councils should be allocated an urban grant for local urban roads for spending in all town areas (regardless of whether the urban area has town council status or not). The shift in policy towards sourcing a greater proportion of social housing supply through leasing from the private sector also provides an opportunity to achieve efficiencies through the consolidation of the housing function at county level, with allowance for the delegation of certain responsibilities to the town level.

Consequently, the Group is recommending that the planning, roads and housing functions of town councils should be transferred to their respective county council. The Group is also recommending that the rating function should be removed from town councils, and that town charges be applied in the same manner as is the case in the non-rating town councils. These recommendations will ultimately be dependent on policy on the sub-county level arising from the White Paper on Local Government. It will be important in this context that policy and organisational change be implemented before the next scheduled local elections in 2014.

Dissolution of Other Local Bodies

A series of other bodies, including joint drainage boards and joint burial boards should be dissolved, with their functions transferred to local authorities or a 'lead' local authority, resulting in savings in administrative overheads.

Financial Supports for Elected Members

While the Group did not have a mandate to consider the number of local councils, or the number of local elected members, it is recommending that the financial supports to local elected representatives, which have recently been reduced, are kept under review to ensure they remain reasonable and proportionate.

Local Government Staffing

General Overview

Staffing levels within local government have declined by 13% between mid-2008 and the end of 2009. Nevertheless, an examination of staffing numbers and the ratios between different grades suggests that there is scope to reduce further the number of staff at senior and middle management levels within the local government sector. The Group is recommending that the current number of staff at director of service level be further reduced by at least 20%. The Group is also recommending a 15% reduction in the number of staff at senior executive officer, administrative officer, senior staff officer, and staff officer levels, as well as a 15% reduction in the numbers at senior engineer, senior executive engineer, executive engineer, and assistant engineer (and equivalent grades).

These recommendations are made on the basis of current staffing ratios and average spans of control, and the Group is confident that a reduction in staff at these levels should be possible within existing service standards.

Joint Administrative Areas

The Group recommends that as soon as may be the following county and city council areas be paired as 'joint administrative areas' to facilitate greater economies of scale in the provision of local services:

- Carlow and Kilkenny;
- Cavan and Monaghan;
- Galway City and County;
- Laois and Offaly;
- Leitrim and Sligo;
- Longford and Westmeath;
- Mayo and Roscommon;
- North Tipperary and South Tipperary;
- Waterford City and County.

These pairings were determined using a number of criteria, including population base, geographical factors, and the fact that a single manager served many of these paired areas in the past. The local government arrangements in Limerick City and County are currently under review by the Limerick Local Government Committee. Nevertheless, the Group is persuaded that there is also a case, at a minimum, for joint administration in respect of Limerick city and county.

Management of Joint Administrative Areas

The proposed joint administrative areas should have a single county/ city manager with responsibility for the management of the 2 county/ city councils in the area. The manager should be tasked with the consolidation of management, administrative and technical support functions across both county/ city council areas, including moving to a joint management team and corporate services functions to serve the area, as well as achieving synergies and integration in relation to service areas.

These joint administrative areas would allow for a 30% reduction in the overall numbers employed at county/ city manager level, and a 10% reduction in staffing working in corporate services functions in these joint areas. A number of other local authorities were identified by the Group where a 5% reduction in staff in corporate services is warranted. In addition, the Group recommends that new staffing norms be established for individual local authorities to underpin implementation of these recommendations.

Dublin and Cork City Councils

A separate independent exercise is needed to review overall staffing levels, and numbers at management level, in both Dublin and Cork City Councils. Both local authorities have high levels of staffing per capita, as well as large numbers of staff at senior management level, and there is a need to pursue scale economies. In the case of Dublin City, this review should take place

over a six-month period in the context of the necessary structures to support the work of the proposed directly-elected Mayor for Dublin.

Staff Levels in Service Areas

Analysis of staffing levels also revealed considerable differences between numbers employed (for example per head of population) in the same service area across local authorities. The Group recommends that the number of staff employed in roads services should be reduced in several local authorities. While forward planning and planning enforcement remain important activities for local authorities, the level of work associated with development management and the processing of planning permissions has declined significantly in recent years. Further efficiencies will be possible on the basis of moving towards a shared service approach to building inspection across different service areas (see below). On this basis the Group is recommending an overall reduction of 10% in the number of staff working in the planning function. The 10% figure takes account of the need for an additional emphasis on planning enforcement as part of the planning service.

Value for Money and Audit

Internal Audit

Local authority internal audit units have a responsibility in relation to value for money. However it is clear that the proportion of resources allocated to this work is low. The Group recommends that this be increased, and that the internal audit function should be resourced by staff with suitable professional qualifications.

Strategic Approach to Financial Management and Audit

In terms of the external audit function carried out by the Local Government Audit Service, this work should have a greater focus and impact, in part through greater publicity and public probing of the outcomes of external audit. Therefore, the Group recommends that the Director of Audit produce an annual report that takes a more strategic overview of financial management and audit issues across the local government sector, taking account of sectoral issues that emerge from the audit of individual local authorities. This report should be referred to the Oireachtas committee on the Environment, Heritage and Local Government for examination and discussion.

Local authority performance against national value for money studies, capital spot checks, efficiency reviews, or value for money follow-up reports should be addressed as part of the audit process.

Service Indicators

While the data on service indicators that are published each year provide a good overview of service levels provided by each county and city council, the Group recommends the substitution of a number of these with more focussed financial performance indicators. These financial performance indicators should also be verified as part of the annual audit and reported in the annual audit report and annual financial statement.

Credit Control

Local authorities should also consider the suitability of their credit control procedures for each of their main sources of income. Cash flow statements should be prepared at regular intervals and considered by the management team, with appropriate action taken. Necessary remedial action should continue to be pursued intensively in respect of the significant revenue account deficits in a number of local authorities.

Shared Services

Shared or joint service provision offers the potential to realise cost savings, re-engineer and streamline processes, and improve services to the public. They can help local authorities not just by saving money, but also by economising and freeing up resources for other tasks in core local government responsibilities. Although the benefits of shared services can be considerable, international experience illustrates the importance of evaluating each proposal for shared services on its merits – in particular, to assess the level of savings that can materialise and which will compensate for the transitional and start-up costs of moving to a shared service arrangement, and to ensure that the new arrangements will improve or at least maintain service standards.

Work is progressing in this area on a number of fronts, including a shared human resources and payroll system to be used by most local authorities, and a shared approach to ICT and e-government. These efforts should be intensified.

Regional Approach to Shared Services

A number of areas have been suggested where local authorities should apply a regional or 'lead authority' approach to service provision. Joint fire services are in place between county and city councils in a number of areas, and this could be extended to other urban areas. A small number of local authorities could act as lead authority for certain specialised fire responsibilities on behalf of other counties.

Local authorities are being encouraged to take a regional approach to homelessness, particularly where there is a centre of population which tends to be the main focus for homelessness issues. A shared service approach to specialist homelessness services should be adopted, including continuing and enhancing partnership arrangements with the Health Service Executive (HSE) to pool resources and improve access to local services for the homeless, having regard to the respective roles of housing and social services.

Local authorities are also involved in the inspection of property for a variety of purposes and across several service areas, including for fire and safety inspections, building control, planning enforcement, derelict sites and private rental properties. There is potential, with streamlining and upskilling, to allow one individual to carry out a single inspection that serves most if not all requirements. These responsibilities should be rationalised into a single building inspectorate service, operating on behalf of several local authorities.

Other candidate areas for joint services addressed in the report include internal audit and motor tax. The Group recommends that the potential for greater collaboration between county and city councils at regional level in these areas should be evaluated in order to assess whether a shared service approach would yield cost savings and service improvements.

Regional Approach to Technical Support Services

The Regional Design Office (RDO) model has been used for a number of years to support the work of local authorities in the construction and management of national roads projects. The Group recommends that this proven approach towards shared technical support services, involving specialised skills in procurement, land acquisition, project management through planning and construction, and asset management, should be extended to other areas where local authorities are involved in the construction and management of strategic infrastructure, such as water services, waste management and public lighting.

Recruitment of Staff

The Group also recommends that recruitment for all local government clerical, administrative and professional staff should be conducted through the Public Appointments Service.

Reporting Requirements

The Group is also recommending that where local authorities have to report regularly or make returns to a Government Department or agency, the systems used by different bodies should be compatible. Where a large number of local authorities use the same system, the body to which they report should ensure that their system can be adapted to receive the data required.

Procurement

Local authorities have made considerable progress in recent years in streamlining, automating and introducing greater efficiencies into procurement processes, resulting in ongoing savings to the sector. The LAQuotes system is used by the bulk of local authorities as an online quotation and procurement application for both local authorities and suppliers.

Analysis of items procured by local authorities illustrates that procurement is based on competitive tendering processes. There is a largely ad hoc approach being taken to regional procurement, where local authorities come together to procure services or items to increase purchasing power – examples in this area include energy and chemicals used for water treatment. The Group recommends that these arrangements be formalised, through the Local Government Management Agency and regional procurement specialists from the new National Procurement Service working with local authorities to identify opportunities for maximising procurement co-operation across local authorities and the broader public sector.

Each local authority should designate a contact point and resource to support the procurement process, with appropriate training in procurement practice provided for all key participants.

The Group also recommends that the LAQuotes system, as well as the other procurement systems in place in individual local authorities be reviewed within 12-18 months to establish which system can deliver the greatest cost savings through aggregation. All local authorities should then move to the most efficient system.

Efficiencies in Specific Programme Areas

The Group examined practices in specific local government service areas, with a view to identifying potential efficiencies.

Housing

Letting of Houses

Further work is needed to reduce the time taken to re-let vacant social housing properties to improve supply and reduce costs, and encourage a more efficient use of housing stock. Administrative procedures should be designed to ensure tenants are afforded the opportunity to occupy dwellings as early as possible.

Housing Assessments

Housing assessments carried out by one local authority should be valid in others to avoid duplicate assessments being carried out. A shared service approach towards means assessment across the public sector would also generate efficiencies in this area, as well as benefiting the citizen by reducing the number of times an individual has to supply the same information to different public bodies.

Deduction of Rent from Social Welfare Payments

The Group considers that the current situation where the State makes payments through one body to social welfare recipients, only for another public body to have to seek to recover a proportion of these payments in social housing rents, sometimes through the Courts, is inefficient and contrary to the optimal use of resources. Direct deductions of rents at source would streamline processes for local authority tenants, reduce the time they have to spend dealing with rent collectors and avert the danger of falling into arrears. It would also reduce the overheads associated with rent collection. If necessary, legislation should be amended to facilitate this streamlined approach to revenue collection and the Department of the Environment, Heritage and Local Government should work with the Department of Social Protection to address any operational issues that may arise in this respect. Local authorities should also ensure that rent deductions from social welfare payments are made a condition for new tenancies on long-term benefits.

Housing Functions of Town Councils

The reorientation of housing policy away from traditional construction and acquisition of housing to greater sourcing of supply from long-term leasing implies a need for different skills sets within housing sections of local authorities – for example with a greater focus on active estate and property management and tenant liaison. This implies the need for some redeployment of staff. As noted above, the Group is also recommending that the housing-related functions of town councils be transferred to their respective county council, but that individual county councils could decide to delegate certain aspects of the housing function to town level where this makes sense from the point of view of efficiency.

Roads

Tolling Schemes

The Group recommends the introduction of new tolling schemes on national roads (both new and existing), based on an equitable distribution of tolling points across the national roads network. Such a move would be consistent with Government policy on promoting a more efficient and environmentally-friendly use of the national road network, and incentivising road users to move to other transport options, including public transport. A dedicated proportion of the revenue raised should be used for investment in local and regional roads.

Regional Design Offices

The Group is also recommending that the role of the Regional Design Offices (RDOs) be extended to include the management of non-public-private partnership major projects, strategic regional roads functions, asset and network management, and rehabilitation work. The Group further suggests that the RDOs play a support role to local authorities in the construction and management of other strategic infrastructure, such as water infrastructure, waste management facilities and public lighting. As part of this overall adjustment in the responsibilities of RDOs, the Group proposes that the number of RDOs be consolidated in line with any new regional structures in which may emerge from the White Paper on Local Government.

Community Contribution

A greater community contribution (financial or in-kind) should be made towards the costs accruing to the State in the upkeep of lesser-used local roads, particularly where these roads serve very small numbers of dwellings. As noted above, the Group is also recommending that the roads-related functions of town councils be transferred to their respective county council.

Water Services

River Basin Catchment Approach

The EU Water Framework Directive requires that a river basin catchment approach be taken to the management of water quality. This approach should strengthen efficiencies and co-operation between local authorities, improve

service delivery, and allow for advantages of economies of scale and pooling of expertise.

Consolidating Water Functions

A regional approach to monitoring, authorisation, inspection, and sampling functions should be adopted. This includes building the current approach of aligning inspections under the Nitrates Directives with the work of the Department of Agriculture, Fisheries and Food. To implement Government policy on water charges, one solution may be to establish a dedicated agency for metering and regulation of prices.

Reducing Leakages and Enhancing Water Efficiencies

Substantial continuing efforts are needed by local authorities to reduce amounts of unaccounted for water including water leakage rates, which will realise significant savings in the long term. Other operational efficiencies are possible through installing chlorine monitors and alarms to allow remote monitoring of public water supplies, and through energy efficiency initiatives.

Planning

While work associated with development management and the processing of planning applications has reduced significantly in recent years, local authorities retain significant obligations in the areas of forward planning and planning enforcement.

Planning Fees

Current planning fees represent a fraction of the actual cost of processing planning applications, and are very much lower in Ireland than neighbouring countries. The Group recommends moving to full cost recovery on a phased basis over a 5-year period, starting with 50% cost recovery in the first year, and 75% after 3 years.

Greater Efficiencies and Service Improvements

The move to 75% cost recovery after 3 years could be made conditional on the introduction of greater efficiencies and service improvements in the planning application process by local authorities – such as the introduction of ePlanning, undertaking business process re-engineering exercises to reduce the number of steps involved in development management, making over the counter validation of applications in planning authority offices, providing for pre-application consultations for significant development proposals on demand, and holding regular information sessions or planning advice clinics.

ePlanning

Savings can also be pursued in this area through extending ePlanning or online planning application systems to a wider number of local authorities. As well as being more convenient for applicants, the system produces savings on scanning of paper documents and reduces the time needed to validate applications. As noted above, the Group is also recommending that the planning-related functions of town councils be transferred to their respective county council.

Waste

Consolidation of Waste Enforcement

Efficiencies can be achieved in this area through the further consolidation of waste enforcement activities on a regional or national basis. For example, the system of control for internal movement of hazardous waste within Ireland should be consolidated into the national office for transfrontier waste shipment within Dublin City Council.

Consolidation of Waste Permitting Function

To reduce costs the responsibility for issuing waste collection permits should be removed from local authorities. This could potentially yield an overall saving to the Exchequer if consolidated into a single body, and if necessary implemented through the network of Regional Waste Management Offices.

Motor Tax

Online Motor Tax System

Considerable efficiencies have been introduced in motor tax in recent years, particularly through the introduction of the online option for paying and renewing motor tax. Despite the system's convenience a majority of motor tax transactions are still carried out over the counter or by post. The Group recommends that use of the online motor tax system should be incentivised by introducing a handling charge for those availing of the over the counter and postal options, in order to reflect the additional costs of manual processing of motor tax transactions. The purpose of such a charge would not be to raise revenue, but rather encourage and expand the use of the online system. The online system should be extended to allow for payment and renewal of motor tax for commercial and other vehicles.

Removal of Anomalies in Motor Tax System

The ability of drivers effectively to 'self declare' vehicles as not in use for motor tax purposes is open to abuse and should be curtailed. The Group also recommends that the cost of driving licences be increased, especially as the current charges are low compared to actual costs, compared to charges in neighbouring countries, and in comparison with other licence charges (for example for passports).

Other Operational Efficiencies

Banking

The Group recommends that local authorities use their collective purchasing power in negotiating overdraft and deposit rates with banks to secure the best rates possible. The possibility of pooling arrangements for surpluses and overdrafts of local authorities with a view to matching these based on base interest rates with no premium for the overdraft should be explored to encourage savings on overdraft facilities.

Online Services

Local authorities have made increasing use of online services and ICT to improve efficiencies and service quality to the public, as well as in supporting the provision of services internally. The development of online services should be intensified.

Advertising

Local authorities spend a considerable amount each year taking out advertising to publish statutory notices required by legislation. The Group considers it doubtful that many people pay much attention to such notices – in the light of increased Internet access, a more effective and cost-efficient approach would be for local authorities to publish notices in summary form, with links to webpages containing further necessary details. This would help migrate interested parties to online consultation mechanisms, and allow individuals and groups to submit views by email.

Use of Professional Consultants

The Group is also recommending that local authorities reduce the amounts spent on professional fees and the use of professional consultants. While there may be occasions when the use of external consultants can provide better value for money than in-house upskilling of staff, the Group considers that there has been an over-reliance on external professional consultants. Given the number of appropriately qualified staff employed by local authorities, a preference should be to use those resources that are available in-house, from other local authorities on a shared service basis, or from other sources such as the reformed Regional Design Offices (see above).

Logistics

Local authorities should examine the potential for streamlining the number of depots and facilities across different services in their functional areas. Some local authorities have installed GPS systems in their vehicles to allow for better information upon which to base decisions on site inspections, street cleaning schedules, etc and this should be introduced by all local authorities.

Innovation Fund

An Innovation Fund should be established within the Local Government Fund and with a local contribution to incentivise and reward local authorities for innovative measures that improve efficiencies in their operations and services, as well as projects involving a shared service approach between local authorities, and between local authorities and other public bodies. As a general point, the Group recommends that a proportion of savings made by local authorities be retained by them for use at local level. This will provide, along with the establishment of the Innovation Fund, a greater incentive for local authorities to identify and target savings on their own initiative.

Local Government and the Wider Public Service

Local Development Bodies

While recent reforms have seen some consolidation of local development bodies, these efforts must be continued as the local development landscape remains an unnecessarily crowded space. The current structures are not an optimal means of achieving community development goals. Local government should be given the lead role in this area.

Local development bodies must be required to more closely align the delivery of their programmes and plans with the local authority in their area. The plans of local development bodies should be approved by the relevant county/ city council, and local development bodies must be required to report regularly to local authorities on progress being made in programme implementation. All new local development programmes for the post-2013 period should be placed under the care and management of local authorities.

County/ City Enterprise Boards

Given the increasing role of local authorities in business support and promoting economic development, County and City Enterprise Boards should be integrated with county and city councils as soon as possible.

County/ City Development Boards

Greater joint provision of services between public bodies at local level as identified by the County/ City Development Boards should be incentivised, either through making a small percentage of budgetary allocations to relevant local service providers conditional on being able to demonstrate that they have delivered on joint service initiatives, or through ringfencing a small percentage of budget allocations for joint service initiatives.

Cost Recovery and Revenue Issues

Cost Recovery in Local Authority Charges for Services

As a principle, local authorities should be reimbursed for the economic cost of providing services for Government Departments and other agencies. Local authorities should charge the economic cost of providing the service – this includes waste charges for domestic and non-domestic users, and water charges for non-domestic users. The Commission on Taxation report noted that local authorities are not fully recouping the cost of providing water services to non-domestic water users, despite the fact that non-domestic water charges are amongst the lowest in Europe, and despite Government policy that local authorities should charge the full economic costs of providing water services to the non-domestic sector.

A series of exemptions to commercial rates, including those for State properties, should be discontinued. Local authorities should be fully recouped by the Department of Education and Skills for the costs and overheads associated with the processing and payment of higher education grants. Indeed a good case can be made for streamlining the payment function

currently undertaken by 66 separate bodies. Local authorities should not be required to pay financial contributions towards the cost of Vocational Educational Committees.

Simplified Approach to Charging

The Group recommends a more simplified approach to charging commercial rates, waste charges, non-domestic water charges (and eventually domestic water charges when they are introduced), including the introduction of late payment fees and through making unpaid charges a charge on the property concerned where possible, which would have to be discharged before the property is sold or assigned. This approach (consistent with the new annual charge on non-principal private residences) should greatly assist in reducing the arrears due to local authorities.

Government Proposals for Domestic Water Charges and Local Property Tax

The renewed Programme for Government contains a commitment to introduce both domestic water charges and a site value tax to finance local services. From an efficiency perspective, both proposals are consistent with the need to ensure a relatively stable and sustainable revenue base, and a rational and responsible use of resources, as well improving the accountability of local government and bringing Irish local government into line with international norms. The Group recommends that the operational arrangements necessary to introduce both of these proposals be progressed as soon as possible. The additional income associated with these proposals has not been included in the Group's financial estimates.

Implementation

The Group believes that a number of the recommendations in the Review can be implemented immediately, while others should be achieved in the medium to long-term. The Group believes strongly that effective monitoring arrangements are essential to assess progress in implementing the recommendations set out in this report.

Full List of Recommendations

The following pages list in full the Group's recommendations, clustered along thematic lines and each with an accompanying indicative timeframe. Short-term timeframes are set for recommendations to be progressed in 2011. Medium-term timeframes indicate recommendations to be progressed in 2012-2013. Long-term timeframes signify recommendations that can be expected to achieve efficiency outcomes in the post-2013 period.

These recommendations cover proposals such as: joint administrative areas for some sets of counties; reductions in senior management and other staffing levels; greater efficiency in procurement; more use of shared services, such as joint inspectorates and regional design offices; better financial management including annual reporting to the Oireachtas; and wider use of service indicators to help improve performance.

Organisational Recommendations

Administration

1. Ten joint administrative areas across 20 county and city council areas should be established to pool corporate functions and other service areas, with each joint administrative area under the responsibility of a single manager (short, medium and long-term);
2. Responsibility for planning, roads and housing functions should be transferred from town councils to county councils (medium term);
3. County councils should be allowed delegate some local aspects of housing service provision to towns where this is economically efficient (medium-term);
4. The power to determine the annual rate on valuation should be removed from town councils, and town charges be applied in the same manner as other existing non-rating town councils (medium-term);
5. Each county council should be allocated an urban grant for local urban roads, with the county council determining the urban road spend across *all* towns in its administrative area (medium-term);
6. County council offices / area offices and town council offices should be co-located (ongoing);
7. Joint drainage boards, joint burial boards, and other bodies should be dissolved, and their functions transferred to local authorities or a 'lead' local authority (short to medium-term).

Staffing

8. The number of county/ city managers should be reduced from 34 to 24, representing a reduction of 30% (short, medium and long-term);
9. The number of directors, based on a standard template related to the size of the local authority, should be reduced by at least 20% from 240 to 190 (short, medium and long-term);
10. The number of senior and middle managers (administrative and professional) should be reduced by 15% (short to medium-term);
11. The staffing complements and number of senior managers in Dublin and Cork cities should be independently reviewed, with a target of reducing numbers by at least 15% (review carried out over a six-month period, with implementation in medium to long-term);
12. The number of corporate service staff should be reduced by 10% in the joint administrative areas, and by 5% in several other local authorities (medium-term);
13. The number of planning staff should be reduced by 10% (medium-term);
14. The number of roads staff should be reduced by 250, with an emphasis on reducing numbers in certain local authorities (medium to long-term).
15. All local government recruitment and promotion for clerical, administrative, and professional staff should be conducted through the Public Appointments Service (short-term).

Miscellaneous

16. The payments and expenses provided to local elected members should be kept under review to ensure that they remain reasonable and proportionate (ongoing).

Sectoral Recommendations

Housing

17. Social housing rents due to local authorities should be deducted directly from social welfare payments to reduce overheads associated with revenue collection in this area and to substantially reduce arrears, as well as to streamline processes for local authority tenants and avoid the accumulation of arrears; This should also be a condition of new tenancies (medium-term);
18. Housing sections within local authorities should be reconfigured to reflect the more varied sources of housing supply, arising from a greater emphasis on sourcing social housing units from the private sector through Rental Accommodation Scheme and long-term leasing (short-term);
19. The time needed to let and re-let social housing properties should be further reduced to improve supply and reduce costs, and encourage a more efficient use of housing stock (short-term);
20. The use of the professional services that are available from in-house staff, from other local authority staff on a shared service basis or from the new Housing and Sustainable Communities Agency should be maximised to support the procurement and management of housing projects (short-term);
21. Housing assessments carried out by one local authority should be valid in others to eliminate duplicate assessments, and the possibility of establishing specialist teams to carry out housing needs assessment on behalf of several local authorities should be evaluated (short to medium-term);
22. Opportunities for partnership with other local authorities in the provision of relevant services for the homeless should be explored to pool resources and improve access, as appropriate, and partnership with the HSE should be continued or enhanced where necessary, having regard to the respective roles of the agencies (short-term);
23. The dissemination of best practice across local authorities should be a central element of the remit of the newly consolidated Housing and Sustainable Communities Agency (short-term).

Roads

24. The role of the Regional Design Offices (RDOs) should be extended to areas such as the management of non-public-private partnership major projects, strategic regional road projects, asset and network management, and rehabilitation work, and the number of RDOs should be reduced (short to medium-term);
25. New tolling schemes on national roads (both new and existing) should be introduced, based on an equitable distribution of tolling points

across the national roads network, with a dedicated proportion of revenue used to invest in local and regional roads (medium to long-term);

26. A greater community contribution should be secured towards the upkeep of local roads serving a small number of households (short to medium-term).

Water

27. A concerted effort should be made to reduce unaccounted for water including water leakage levels (short to medium-term);
28. The Department of the Environment, Heritage and Local Government and local authorities should further investigate ways to reduce input costs in areas such as energy efficiency through carrying out energy audits and improving operational and maintenance practices (short-term);
29. An enhanced regional office approach should be developed at river basin level for:
 - Infrastructure delivery and implementation of the River Basin Management Plans;
 - Managing bulk purchasing (such as energy, chemicals), and externally procured sampling and monitoring and to seek economies of scale in contracts for equipment maintenance;
 - Working with the Water Services Training Group (already regionally based) to optimise training;
 - Following further analysis, (a) delivering monitoring, authorisation and licensing functions currently carried out by local authorities under a range of legislation and (b) providing operational audits to identify potential for savings (short to medium-term);
30. The 'agency' working arrangements between Department of Agriculture, Fisheries and Food and local authorities on inspections under the nitrates regulations should be extended with a view to a more efficient use of the overall inspection resource (short to medium-term);
31. Where appropriate, the necessary equipment should be installed to allow remote operation and monitoring of water/ waste water facilities (short to medium-term);
32. There should be a continued emphasis on water conservation, instead of schemes to increase capacity, leading to savings in operational costs and deferred capital investment (short-term);
33. There should be continued use of Design Build and Operate (DBO) and bundling of operation and maintenance contracts (short-term);
34. The IT-based Performance Management System should be implemented for all water plants so that comparative data is available to establish benchmarking for service delivery and inform savings measures (short-term);
35. The review of laboratory services currently underway should be expanded to include an examination, with a view to identifying efficiencies, of water monitoring by other public agencies. This review should be completed within 6 months (short-term).

Planning

36. Planning fees should be increased with the aim of moving towards full cost recovery over a 5 year period, and maximum fees for large developments should be terminated (long-term);
37. The introduction of e-planning should be accelerated and business process re-engineering exercises should be completed to strip costs from the system (medium to long-term);
38. A range of efficiency measures should be introduced, such as:
 - Over the counter validation of applications;
 - Pre-application consultations on demand for significant development proposals; and
 - Regular information sessions or planning advice clinics (short-term);
39. The wide variation across authorities in the level of development contributions should be examined by the Department of the Environment, Heritage and Local Government to ensure that contributions provide a meaningful contribution to the costs of the infrastructure needed to support development (short-term);

Waste

40. The system of control for internal movement of hazardous waste within Ireland should be consolidated into the national office within Dublin City Council (short to medium-term);
41. The waste collection permitting role should be centralised, and if necessary implemented through the network of Regional Waste Management Offices (short to medium-term);
42. Local authorities should avail of opportunities to secure continued rationalisation of activity in waste management services (medium-term).

Motor Tax

43. The 'off-the-road' facility allowing car owners to self-declare vehicles as not in use should be removed, subject to exceptional and specified circumstances (short-term);
44. The online motor tax system should be expanded to allow owners of commercial and other vehicles to pay online (short-term).

Local Government and the Wider Public Service

45. County/ City Enterprise Boards should be integrated within their respective county/ city local authority (medium-term);
46. Pending a decision over the future system of Higher Education Grants, the administrative overheads associated with this area falling to local authorities should be fully recouped by the Department of Education and Skills (short-term);
47. Local authorities should continue their role in promoting and leveraging community actions and local innovation to improve local areas, for example in the maintenance of local estates (short-term);
48. The consolidation of local development bodies should be intensified (medium-term).

Financial Recommendations

Audit/Value for Money

49. Financial performance indicators should be verified as part of the annual audit and reported on as part of the audit report, the annual financial statement, and the publication of service indicators (short-term);
50. The internal audit function in local authorities should be resourced by staff with suitable professional qualifications and sufficient ICT skills to allow the extraction and analysis of data from the financial systems (medium-term);
51. The scope for sharing internal audit services between local authorities should be pursued as a matter of priority (short-term);
52. The annual internal audit plan should be discussed with the local government auditor and presented to the local authority audit committee before finalisation (short-term);
53. Authorities should have local arrangements in place for the internal checking of receipts, including motor tax. This work should be separate from internal audit (short-term);
54. Local authority elected members should receive quarterly reports at a minimum on the financial performance of the council against the approved budget (short-term);
55. The Director of Audit should produce an annual report, building on the existing activity report, taking a more strategic overview of financial management and audit across the local government sector (short-term);
56. The annual report should be sent to the Oireachtas Committee on Environment, Heritage and Local Government which can be publicly discussed with the Director and relevant local government representatives (short-term);
57. Opportunities for exchange and secondment of audit personnel with the private sector should be explored (medium-term);
58. Any value for money (VFM) studies or efficiency reviews carried out within the local authority should be reported through internal audit. The role of VFM officer within an authority could be assigned or extended to cover internal audit (short-term);
59. Regulations, as provided for in the Local Government (Business Improvement Districts) Act 2006, should be issued on the operation of audit committees. This should include good practice as identified from experience to date (medium-term);
60. Local authority performance against national VFM studies, capital spot checks, efficiency reviews or VFM follow-up reports should be considered by the local government auditor. Local authority progress in relation to VFM / efficiency reviews should also be discussed with the audit committee (short-term);
61. An improved website area should be created for the Local Government Audit Service, on which all audit publications, including the annual audit reports, as well as information on local VFM studies, efficiency reviews and best practice could be made available to the public (short-term).

Financial Reporting/Management

62. All local authorities must meet the statutory deadline for preparation of the draft annual financial statement (short-term);
63. Necessary remedial action should continue to be pursued intensively in respect of the significant revenue account deficits in a number of local authorities (short-term);
64. Cash flow statements should be prepared at regular intervals and considered by the local authority management team, with appropriate action taken (short-term);
65. Regular competitive tendering should be carried out for banking services and overdrafts, and local authorities should use their purchasing power to procure uniform overdraft rates at national level (short-term);
66. The best rates available should be obtained for investments/ deposits – markets should be checked regularly to ensure best rates are being obtained (short-term);
67. A treasury management best practice forum should be established (including a mentoring system between local authorities geared towards those local authorities that lack specialised skills in this area), while preserving financial autonomy (short-term);
68. A specialist group should be established to examine the possibility of pooling arrangements for surpluses/ overdrafts of local authorities and attempt to match them, possibly through the Housing Finance Agency as host (short-term);
69. The approval period for overdraft sanctions should be extended as appropriate from 6 months to one year to reduce repeat applications (short-term);
70. An Innovation Fund should be established by the Department of the Environment, Heritage and Local Government to incentivise innovation and efficiencies in the operation and delivery of local government services, and to incentivise joint public service delivery at local level – projects financed through this fund would also be financed through a local contribution (short-term).

Cost Recovery and Revenue Issues

71. Full economic cost recovery should apply to all services carried out by local authorities on an agency basis on behalf of central government on the basis that services are being run efficiently (short-term);
72. A handling fee of €10 should be introduced to reflect the cost of processing manual motor tax payments to reflect the additional costs involved and encourage take-up of the online motor tax service (short-term);
73. The cost of a ten-year driving licence should be increased from €25 to €40, and the cost of a replacement licence from €15 to €30 (short-term);
74. Local authority contributions to Vocational Educational Committees (VECs) should cease (short-term);
75. Arrangements necessary to allow for the levying of local taxes and domestic water charges should be progressed as a matter of priority (medium-term);

76. A series of exemptions to the commercial rates base should be curtailed (medium-term);
77. Existing approaches to charging should be adapted in line with the model of the annual charge on non-principal private residences, particularly as regards dealing with late payments, and providing for charges and late payment penalties to be a charge against a property where possible (medium-term);
78. Cost recovery should be attained in water services for non-domestic users, and in waste charges for both domestic and non-domestic users, in line with Government policy (medium-term).

Procurement Recommendations

79. The amounts spent on professional consultants should be reduced (short-term);
80. Local authorities should be allowed to advertise statutory notices in summary form, providing relevant links to pages on local authority websites to encourage online consultation and reduce advertising budgets (medium-term);
81. Procurement systems in operation in Dublin City Council, Clare County Council, Longford County Council and LAQuotes should be reviewed within 12-18 months to establish which system can deliver the greatest cost savings through aggregation – following this review, participation in an aggregated sectoral procurement system should be mandatory for all local authorities (short-term);
82. The procurement of road salt should be transferred to the National Roads Authority to ensure that local authorities do not have to compete with one another when there is a high demand for road salt (short-term);
83. LAQuotes should be adapted to ensure that metrics are installed to measure throughput in value terms, count the number of transactions and record the transaction size, and identify the products and services being procured (short-term);
84. Local suppliers should be encouraged to participate in the tendering process – the underlying principle is clear that best value must be obtained in terms of economy, but equally local authorities must enable local suppliers to participate in the tendering process (short-term);
85. Each local authority should designate a contact point and resource to support procurement (short-term);
86. Links should be formalised between the procurement officers in local authorities to promote exchange of best practice and coordinate efforts at shared procurement (short-term);
87. Regional procurement specialists from the National Procurement Service should work with the Local Government Management Agency and a number of local authorities in each region to encourage the identification and exploitation of opportunities for more effective procurement co-operation and co-ordination across local authorities and the broader public sector (short-term);
88. Cost effective training should be provided for all key participants in the procurement process and should be developed and implemented

across the sector – the skills of participants should be enhanced to ensure adherence with best practice in specific cases of procurement, but also the strategic procurement skills to collect, aggregate and analyse high level spend data through detailed spend analysis, market analysis, negotiating and contracting skills, supplier and contract management, and supplier performance management (short-term).

Cross-Cutting and Shared Service Recommendations

Information and Communication Technology

89. A uniform human resource and payroll system should be implemented for local authorities (short-term);
90. Single, national ICT applications with common business rules for all local authorities should be pursued wherever possible, as opposed to multiple and duplicating local ICT applications (short-term);
91. ICT infrastructure services across the sector should be consolidated and delivered as a shared service by 'lead authorities' or the Local Government Management Agency (short to medium-term);
92. The development of online services should be intensified to improve both efficiencies and service provision to the public (short to medium-term);
93. The ICT systems used by local authorities and those bodies to which they report should be compatible (medium-term).

Shared Services

94. A single building inspectorate service could be established on a regional basis to streamline the approach to the inspection of property. This should be examined to see how a single inspection could serve most if not all purposes across housing, planning, fire and other functions – this process should also be facilitated through the establishment of joint administrative areas (medium-term);
95. The business case for a shared service approach between local authorities in the fields of fire services, homelessness, building inspection, internal audit, motor tax, and e-Government initiatives, either on a regional basis or on a lead authority model should be evaluated, having regard to timescale, service improvements and anticipated cost savings, as well as the proposed joint administrative areas (short-term);
96. The Regional Design Office model should be extended to other local authority service areas, for example to the procurement, land acquisition, project management through planning and construction, and asset management of water and waste infrastructure, and public lighting (short to medium-term);
97. Local authorities in specific regions should be obliged to negotiate a framework agreement for the region every 5 years, which would include assessments of shared service opportunities, and to encourage attention to regional policy issues that transcend local boundaries (short to medium-term).

Local Government and the Wider Public Service

98. The programmes and plans of local development bodies should be aligned with those of the relevant local authorities to ensure maximum value for money and a more focused impact on local communities (short-term);
99. The plans of local development bodies must be approved by their appropriate county and city council, and these bodies should report on the progress made in implementing these plans to local authorities at regular intervals (short-term);
100. All new local development programmes should be placed under the care and control of the relevant local authorities (medium to long-term);
101. The County/ City Development Board (CDB) Interdepartmental Group should remain in place to strengthen and develop the CDBs including overseeing relevant recommendations in this report (short-term);
102. CDB member bodies should be incentivised to share resources and promote better co-ordination of publicly funded local services – this could be done either by making a small percentage of budget allocations to relevant member bodies conditional on the delivery of agreed joint service initiatives as confirmed by the CDB, or by ringfencing a small percentage of budget allocations to relevant member bodies specifically for the delivery of joint service initiatives as agreed by the CDB (short-term).

Other Cross-Cutting Recommendations

103. GPS systems should be installed in all vehicles within the local authority fleet (medium-term);
104. Each local authority should review the potential for rationalising and consolidating the number of depots across different locations and across different local authority service areas (short-term);
105. Service indicators should be more firmly embedded and used as part of the efficiency agenda, for example by the performance of each local authority being regularly reviewed by local authority management teams to drive change and challenge existing approaches to service delivery, and by being one of the considerations in the selection of issues for examination as part of VFM studies. The potential also exists for service indicators to be used to guide allocation of central government resources at local level in the future (short to medium-term);
106. Local authorities must make greater use of available data in decision-making, including in relation to the allocation of resources. This data includes service indicators, financial performance, value for money reports, benchmarking based on quantitative and qualitative information, and other metrics and analysis available (short-term).