

NOAC – National Oversight and Audit Commission

Local Authorities – Reports on Delivery of Efficiency Measures, Shared Services,

Rates Collection and Financial Performance

The National Oversight and Audit Commission (NOAC) has published reports on:

- *Local Government Efficiency Review Reforms,*
- *Local Government Shared Services Projects,*
- *Local Authority Rates Collection 2013-2014,*
- *Financial Performance of Local Authorities 2013-2015.*

In commenting on the reports, NOAC Chairman, Pat McLoughlin, said:

"The reports on efficiency and shared services highlight the success Local Government has had in implementing a range of efficiency measures since 2008, which is to be commended. NOAC wants to ensure that this drive for efficiency is embedded in the day to day work of Local Authorities. The reports on rates collection and financial performance highlight the variable performance within the sector on these specific areas. NOAC urges the Elected Members and Chief Executives of Local Authorities to focus on their specific performance against those who have performed best. NOAC will continue to monitor and report on performance in these key areas."

Local Government Efficiency Review Reforms

In 2015, NOAC requested a progress report from the Programme Management Office (PMO) of the Local Government Management Agency on the implementation of public service efficiency reforms recommended by the 2010 Local Government Efficiency Review. The PMO report which is now being published by NOAC will be the final progress report covering all of the recommendations.

The 2010 Efficiency Review made 106 recommendations and identified a range of efficiency savings and other revenue options amounting to €511m annually (€346m in efficiency savings and €165m in improved cost recovery and revenue-raising), of which €93m related to areas that are now the responsibility of Irish Water.

The PMO report indicates that by end 2015:

- 69 of the recommendations have been or are being implemented as recommended,
- 15 are being implemented by way of a policy modification of the original recommendation,
- 8 are on hold, and
- in the remaining 14 cases, either no progress has been made or a decision has been taken not to implement the recommendation.

NOAC considers that this represents a high level of implementation of the reforms and a significant reduction in overhead costs. NOAC commends the local government sector for

the increased efficiency and consequential savings achieved, which are now estimated in the report to be €587m a year (with over 80% of this coming from payroll savings) when compared with 2008 local authority payroll costs.

Local Government Shared Services Projects

NOAC also sought a report from the PMO on shared services projects, which were among the initiatives implemented in the local government sector as part of the public service efficiency reforms. This PMO report is also now being published by NOAC along with NOAC comments on the progress of these initiatives.

The PMO report indicates the status of 19 shared services projects - MyPay, Road Management Office, Procurement, Local Government Portal, Building and Control Management System, ICT Back Office, Library Management System, FixYourStreet.ie, Internal Audit Centre of Excellence, Debt Management, Waste Enforcement Regional Local Authorities, Water Framework Directive, Housing Assistance Payment, Treasury Management, Accounts Payable, Legal Services, Veterinary Services, Laboratory Services and Motor Tax.

NOAC is pleased to note progress in advancing the majority (13) of these projects (in some cases in a different manner to that originally envisaged), with delivery not achieved or not progressing on 6 projects - Treasury Management, Accounts Payable, Legal Services, Veterinary Services, Laboratory Services and Motor Tax. NOAC is generally satisfied with the explanatory information provided in respect of these 6 projects.

The table on page 10 of the PMO report outlines €43.5m of annual operational costs and €1.3m in year one and/or capital costs incurred on the 13 projects that have advanced to date. It also highlights estimated annual savings of €5.1m in respect of MyPay and €1.4m from the ICT Back Office project, as well as €3.2m of savings enabled by the Procurement project in 2015 and a reduction of €56m in cumulative rates arrears in 2015 (affected by the level of write-offs as well as collection performance).

Local Authority Rates Collection 2013-2014

Rates charged on commercial property are an important source of local authority revenue, with the amount collected representing 28% of total income in 2013 and 32% in 2014.

NOAC, therefore, decided to review the rates collection performance of local authorities. The focus of the review was on local authorities where high amounts of rates arrears had built-up and/or where there was a weak rates collection performance.

The report gives data on collection performance achieved in 2013 and 2014. While there is evidence of some improvement in a number of the local authorities, the 11 authorities examined had poor collection performance and face a challenge in incrementally improving collection levels.

The 7 authorities with the weakest collection performance fell well short of generating a full year's income, with all cash collected (including that related to opening arrears) constituting around three-quarters of the 2013 rates levy. While continuing to fall well short of generating cash equivalent to the annual rates levy, some counties began to show improvement in cash collection in 2014.

Details of measures being taken at national and local levels to improve performance are set out in the report, along with information on procedures followed by local authorities in writing-off debts that are considered to be uncollectable.

NOAC concludes that it is important that compliance with the targets set within the local government sector for improved collection performance is monitored closely. It is also important that work continues on the development of best practice standards for bad and doubtful debt provision and associated write-offs. There is considerable scope for local authorities to share experiences and identify transferable good practice given the wide variety of measures currently being implemented or piloted.

NOAC will monitor the extent to which national measures, and those of individual authorities, are contributing towards the achievement of improved collection performance.

Financial Performance of Local Authorities 2013-2015

The final NOAC report focuses mainly on review of 3 local authorities that had significant cumulative revenue deficits at end 2013 (Offaly, Donegal and Sligo County Councils) and of the timeliness of production of the accounts of local authorities generally - Annual Financial Statements (AFSs).

The report welcomes improvement in the financial position of both Offaly and Donegal County Council in 2014 and 2015 as an early indication that the measures being employed by these local authorities are beginning to address their financial position. Given the scale of the problems that remain, NOAC considers that there can be no room for complacency and that both Councils must continue to monitor expenditure and income rigorously to ensure that there is no slippage in their progress towards financial equilibrium.

While the agreement reached with the Department of the Environment, Community and Local Government (DECLG) on Sligo County Council's Financial Plan 2015-19 is a welcome development, the financial position of that Council remains of concern, particularly since its deficit grew further in 2014. NOAC notes that the projected deficit reductions contained in that Plan, if achieved, would still mean a cumulative deficit of nearly 23% of projected income in 2019.

As the 2015 accounts (AFS) of Sligo County Council were overdue at the time of finalisation of the NOAC report, it was not possible to confirm if the Plan's target surplus of €690,000 in 2015 had been achieved. The planned reductions in subsequent years are even more challenging so the outturns will need to be monitored on a timely basis to ensure that they are in line with projections in the Financial Plan of the authority.

NOAC considers it unacceptable that a trend of late preparation and submission of AFSs is continuing - only 16 of the 31 local authorities prepared and submitted to DECLG by 31 March 2016 (the relevant statutory deadline) an AFS for 2015 certified by the Chief Executive and Head of Finance.

Local authorities need to assess and address the factors that are delaying submission of their financial accounts to DECLG for annual audit. In turn, the Department should ensure that its systems for receipt and recording of the AFSs are robust and can reliably enable

identification of non-compliant local authorities so as to facilitate improved monitoring of performance, and better practice, in this area.

Notes for Editors

The 4 reports are available here:

<http://noac.ie/wp-content/uploads/2016/05/NOAC-LGER-Report.pdf>

<http://noac.ie/wp-content/uploads/2016/05/NOAC-Shared-Services-Report.pdf>

<http://noac.ie/wp-content/uploads/2016/05/Rates-Collection-Report.pdf>

<http://noac.ie/wp-content/uploads/2016/05/Financial-Performance-of-Local-Authorities.pdf>

The National Oversight and Audit Commission (NOAC) was established under the Local Government Reform Act 2014 to provide independent scrutiny of local government performance in fulfilling national, regional and local mandates, including performance in respect of financial resources. Its mission is to independently oversee the local government sector by reviewing the financial and operational performance of bodies within its remit, overseeing implementation of national local government policy and identifying opportunities for best practice.

Since its establishment, NOAC has examined a range of areas of local authority activity. Reports arising from some of this work are now being published. The NOAC Annual Report for 2015 was published in April 2016 and gives more details of the Commission's work. For further information on NOAC, including all reports published to date, see www.noac.ie.

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