



## **NILGA response to the Investment Strategy NI 2011-2021**

This response has been drafted to respond to the Strategic Investment Board consultation on the Investment Strategy 2011-2021.

**For further information or to discuss any of the issues highlighted, please contact Karen Smyth at the NILGA Offices: Email: [k.smyth@nilga.org](mailto:k.smyth@nilga.org) Tel: 028 9079 8972**

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### **INTRODUCTION**

NILGA, the Northern Ireland Local Government Association, is the representative body for district councils in Northern Ireland. NILGA represents and promotes the interests of all 26 local authorities and is supported by all the main political parties.

The Draft Programme for Government and associated Investment Strategy provide a real opportunity to refocus public expenditure in Northern Ireland. It is therefore essential that the local government sector's views are taken on board within this consultation process.

NILGA broadly welcomes the proposals contained within the new Programme for Government and ISNI. It welcomes the opportunity to forge a new partnership relationship with the Executive and Committees over the next four years and beyond, to ensure the delivery of better and more cost effective services to the public.

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### **BACKGROUND**

The Investment Strategy is one of a suite of three key strategic documents under the broad Programme for Government (PfG) process, published by the Executive, and continues to develop the strategic themes outlined in the similar consultation exercise undertaken on the budget at the end of last year. The Investment Strategy and the Economic Strategy are designed to complement the PfG and, as such, must also be taken into consideration when considering the overarching strategic planning and priorities for Northern Ireland up to 2015. An initial review of the PfG documents would seem to indicate that, disappointingly, the Executive has not used this opportunity to take on board the concerns of local government to the critical issues that were comprehensively set out in our responses in February 2011.

NILGA is currently in the process of developing responses to all three of these recent documents, to highlight the partnership role that local government must play in strategic

government planning and implementation for Northern Ireland. We would urge the Executive to take this opportunity to engage more meaningfully in order that, together, our combined resources can be seen to be working more effectively towards “building a better future”, the key theme of the Draft Programme for Government 2011-15.

The following document offers thoughts on the Investment Strategy.

## **CONTEXT**

The Investment Strategy identifies priority areas for infrastructure investment in the years ahead, and is designed to help stakeholders - public, private and voluntary sector partners - plan for the challenge of delivering the infrastructure programme.

NILGA welcomes the fact that the Investment Strategy, produced to indicate government priorities over the coming decade, is consistent with the current Programme for Government and should assist with planning. NILGA would support this initiative but would support the need, highlighted in the document, for effective joined up delivery mechanisms to ensure its success. NILGA can and will play a key part in this integrated effort.

## **KEY ISSUES**

- **Partnership Approach**

NILGA would note the financial challenges facing Northern Ireland and the desire of the Executive to ensure services are better delivered to the citizen. NILGA would strongly suggest that cognisance should be taken of the partnership role that local government can play, as outlined in our response to the Programme for Government, in the delivery of services and implementation of policy and strategy at local level. Many of the services of local councils are commonly provided across the 26 district council areas, and are therefore suited to consideration in a Northern Ireland strategic context, in collaboration with the Executive.

The proposals to join up and co-locate various services are broadly welcomed. Councils have been ahead of the game on this in many respects, in working with other agencies to develop a ‘one-stop-shop’ approach to service provision such as the Grove Health and Well-being Centre. There are scores of similar examples so it is incumbent on the Executive to draw on available expertise and this can be sourced from local government, as a partner.

- **Waste Management Infrastructure**

It is noted that the ISNI 2011-2021 document will be most useful in planning for long term projects such as those in the waste management field. It is noted however, that there is a huge financial disparity between this iteration of the Investment Strategy and the 2008-11 document. The shifting policy on and resourcing of waste management infrastructure is having a negative impact on the confidence of private sector investors and on the waste programme generally. There is an urgent need for a greater partnership working, policy stability and funding to ensure the waste programme fully meets legislative requirements. The Executive needs to show strong leadership and commitment to supporting local government in the delivery of critical waste infrastructure in terms of the highest level of political, policy and strategic planning support, and, crucially, by committing adequate levels of funding support. To achieve the aims set out for Northern Ireland, local government needs as much certainty and stability as possible in the long term financial commitment from regional government.

It is noted on p13 of the ISNI document that EU legislation is a driver for investment, but unfortunately investment in waste infrastructure has seen an exponential decline, sitting at only around 1% of the allocation in the last ISNI document.

Councils in Northern Ireland need more than sporadic project support on waste management, which must be viewed as critical regional infrastructure by government, in the same vein as transport or water and sewage infrastructure. NILGA would highlight the approach to waste infrastructure taken by the English government in their national Infrastructure plan, and would suggest that it is appropriate to give waste infrastructure similar consideration in Northern Ireland.

The potential implications of the current level of investment are dramatic in that they present a real risk of, at best, delay and, at worst, default in the delivery of the waste infrastructure depending on the outcome.

The removal of a substantial element of SWIF capital support, down from £200m in the last CSR to £2m in this CSR, at a time when the three waste management groups were entering into the final stages of their procurements, has proved to be particularly difficult, putting the prospect of successful delivery at an even greater risk of failure. It has been widely recognised that the development of major waste infrastructure to meet the long term needs of Northern Ireland, and comply with the stringent EU Regulations, is beyond the financial capacity of local government. Whilst local government appreciates the financial difficulties with which the Executive is also faced, to remove 99% of funding support in one fell swoop sends out the wrong signal to councils, the three waste management groups, the Residual Waste Treatment bidders and their funders.

At the time of dialogue with the Department on the preparation of the original Departmental Strategic Business Case the funding support was agreed for pre-procurement, procurement, and operational phases of the waste infrastructure programme. In the last CSR, this resulted in agreement that pre-procurement activities would be supported (**50% DOE and 50% SIB**) and that the capital element of procurement and the infrastructure itself would be at a rate of 50% of capital cost **up to a limit of £200m**. At the time there was an understanding that, because of the shortfall in short-term funding for procurement and land assembly, a greater fraction of this £200m support package could be applied in the early years subject to the ultimate total not exceeding this limit in recognition of the structure of the three Waste Management Groups and other pressures on council budgets. This included the Landfill Tax Escalator, collection and the micro-infrastructure costs.

- At least one of the local government Waste Management Groups is contemplating the acquisition of new sites arising from a site selection process on which the critical infrastructure will be located subject to the outcome of the tendering process. The negotiations with vendors have been subject to this funding continuing, and its removal on the cusp of conditional contracts for sale being finalised, will present considerable difficulties for the continuity of the programme.
- The largest element of the SWIF funding was contemplated to be used to abate the capital cost of the critical infrastructure. This was secured by the Department of Environment at the behest of local government through the Waste Infrastructure Taskforce, in recognition of the need to mitigate the ultimate uplift on rates presented by

the delivery of this infrastructure, in terms of the proliferation of pressures on the rate payers. It was recognised that compliance with EU directives could not be achieved without some support to local authorities.

Local government believes that this support was and still is **wholly appropriate and necessary** to abate the step increase in waste management costs which will arise through the new infrastructure regime.

In addition, the financial support was seen as an incentive for councils / waste management groups to view infrastructure in the context of “**Northern Ireland Plc**” over a 20-25 year time horizon as contemplated by the Waste Management Strategy in the context of delivering an integrated network of infrastructure throughout Northern Ireland. Sound waste infrastructure planning with investment designed around it was offered and now it has been removed – which is disappointing in every sense.

NILGA has evidential concerns that its removal may erode the incentive for councils to continue to work together to look at the long-term macro-infrastructure needs for Northern Ireland as dictated in policy terms. Given the current financial constraints in local government and, in particular, the continuation of the additional landfill tax burden, currently £56 per tonne but escalating at £8 per tonne per annum up to £80 per tonne during the period of this PfG, there is a greater financial incentive for councils to militate towards a preference for more short-term solutions for which we consider Northern Ireland will not ultimately have the capacity. We feel that this could also have a detrimental impact on the cohesion of the groups, and lead to a wholly unsustainable situation for the region.

In addition, NILGA would also encourage the Executive to support local government through better use of the landfill tax monies returning to Northern Ireland from HM Treasury. As a result of the aforementioned landfill tax escalator, in the last five years local government has paid out around £130m of landfill tax and, in the next three years, anticipates paying out a similar sum. The objective of the tax is to encourage waste producers to produce less waste, recover more value from waste and to use more economical and environmentally friendly methods of waste disposal. It is the NILGA view that the money returning to Northern Ireland should be offered for this purpose.

In terms of waste management, particularly the provision of waste infrastructure, NILGA would assert that the Executive could adopt a more imaginative approach to providing long term funding support, to create greater certainty around the planning of financial resources in the long term.

It is critical for the Executive to fully and financially support the objectives of the Waste Strategy, as had been identified in ISNI2, but which has been overlooked to a great extent in ISNI3. The Executive is respectfully urged to rethink this approach and reinstate a substantial funding package in support of the successful delivery of the waste infrastructure. It cannot be overemphasised how important policy and funding stability are to the successful implementation of this programme.

### **Single Electricity Market and its implications for waste infrastructure**

As the proposals for waste infrastructure from the tender organisations are now developed to a more detailed stage, a key issue involves the ability of the facilities to have access to markets for the sale of their renewable energy outputs. The waste management groups have been engaged

in lengthy consultations with the responsible bodies, the Regulator and Central Government Departments, to ensure that the heat and electricity generated by the proposed facilities are taken into account in the wider energy market reforms.

This exercise has been a struggle for local government and NILGA believes that a commitment from the Executive to ensure that the interests of waste management infrastructure are properly taken into account is given, as part of the emerging SEM market regulatory framework.

### **Planning and Permitting**

The waste infrastructure projects are expected to complete their procurement processes during this CSR period and the next critical stage will involve planning and permitting. Again, given the history of planning and permitting, NILGA asserts that the Executive should ensure that the needs of local government waste infrastructure are comprehensively understood and given priority to promote investment.

- **Local Government Reform**

The Executive will be aware that local government is currently awaiting the finalisation of the commitments within the Programme for Government regarding reform, but that work is continuing within the sector to determine shared services and contemporary integrated planning through local government's Improvement Collaboration and Efficiency programme.

NILGA is disappointed to note therefore, in light of the dynamic nature of this work, and the commitments outlined in the draft PFG, that there is no mention within the PFG or ISNI of provision of a RPA Implementation/Modernisation fund, given that all the evidence underpins the need to adequately resource any major change management process. It is acknowledged that such a fund would be largely revenue based, with some capital funding required, nevertheless, NILGA requests that this issue is dealt with urgently to avoid compromising the forthcoming reform process and that this, too, is done in partnership. NILGA is in a political leadership position to assist the co-ordinated effort required to achieve this and, as such, is keen to help solve a systemic problem / investment gap.

It is already clear, from the detailed work done to date, that any modernisation programme is likely to require substantial resources. It is widely accepted that change and reform do have "upfront costs", with efficiency savings being delivered over time. It is likely, therefore, that a proportion of the costs associated with the modernisation of local government may have to be borne by regional government. However, any funding programme must be designed in such a way as to maximise the development of co-operative and collaborative ventures across councils. NILGA would support the creation of a Challenge Fund administered through DOE, from which monies could be made available to councils to undertake modernisation schemes. Resources will be required to make the Challenge Fund a reality, as a tangible way to deliver professional change. Very recent examples in Scotland and Wales support this "invest to save and invest to sustain" initiative.

The overall local government reform programme is a significant undertaking, and for it to succeed **the modernisation programme which has now commenced must be resourced to an appropriate level**. In terms of modernisation alone, notwithstanding the wider re-structuring and transfer of functions proposals, there is a considerable task ahead to improve efficiency and

consistent, enhanced, service delivery in the local government sector and the wider public sector.

NILGA would assert that a significant capacity building programme should be inserted as a component part of the work programme outlined.

Given the position from which local government is starting, it is unreasonable to expect the sector to fully finance its modernisation programme from existing revenue streams. Whilst there are short/medium and longer term efficiencies which will be realised from modernisation, there will be significant associated investment in the initial period, as is the case in Scotland, Wales and the Republic of Ireland.

NILGA trusts that the Executive will give this Challenge Fund, modernisation and capacity building programme its full support. We would also be keen to discuss potential new mechanisms to enable local government to collectively work on 'invest to save' initiatives.

**As part of the co-ordinated, determined, solution to this issue, NILGA invites NI Executive representatives to feed into, as associates, its Modernisation, Communication and Reform Working Group, which has Chief Executive and cross-party representation from the sector.**

### **Investment by Key Sectors**

#### **Networks:**

NILGA welcomes the recognition in the ISNI document of the challenges posed by fuel security issues, and our reliance on oil, and the renewed focus on sustainable transport initiatives.

We would respectfully encourage the Executive to examine the need to improve food security and to plan for the impact increasing fuel prices will have on our food supply networks.

In the context of rebalancing the economy, NILGA would encourage SIB and the Executive to examine the potential for involving the private sector more effectively in its road-building programme e.g. investigate the potential for the introduction of toll roads.

A key component of growing the rural economy and making rural life sustainable will be a focus on the further development of rural broadband networks.

#### **Skills:**

Councils are keen to work with DENI on integrated service provision and collocation of services. It is noted that future schools provision is reliant on DENI area plans, which are not currently linked to development plans. **Addressing the development plan deficit** must be a priority over the coming four years, with appropriate remodelling / resourcing attached.

#### **Health:**

NILGA welcomes the renewed emphasis on community health care service provision, and would emphasise the role that councils can have, working with the healthcare sector, in developing a 'one stop shop' approach to healthcare and community service provision in a wider context. Examples such as the Grove Centre should not be 'one-offs', but as always these need to be properly costed, resourced in partnership and made sustainable. A growing focus on resourcing preventative healthcare will save money in the long term.

**Social:**

The council role in developing community well-being, tackling disadvantage, job creation through local economic development and creating economic vitality through urban and rural regeneration cannot be underestimated and should be supported by the NI Executive.

The priorities for investment, particularly those focused on development of economic development sites, good quality housing stock and sport and leisure facilities are welcomed.

We are concerned that the desired job creation arising from regeneration projects could be limited by lack of plans and the current dysfunctional planning system.

**Environment:**

In addition to our comments above relating to waste infrastructure, the following is also noted:

- The attention to the potential for flooding in Northern Ireland, and investment on works to alleviate flooding is welcomed, as is the investment in the water system. It is highlighted, however, that severe weather can have outcomes other than flooding e.g. the periods of extreme cold experienced in recent winters. Discussions should take place between SIB, DRD Roads Service, Power NI and NI Water regarding the resultant impact on our infrastructure, and investment required as a result of climate change and severe weather events.
- PCSPs need to be supported financially.
- The commitment to track delivery of projects is welcomed.
- Government procurement needs to start local – the Chancellor's autumn statement (2011) supports this.

**Productive:**

The investment identified for the signature tourism projects is welcomed, as is the focus on development of sustainable rural communities and economies.

NILGA is keen to discuss with SIB and the NI Executive, including the Department of Environment, the potential for developing invest to save initiatives within local government. At present, limitations are presented due to the governance arrangements and issues arising from 26 individually constituted bodies attempting to work collaboratively to save money. Discussions to develop innovative models for pooling monies saved, to invest back into the sector would be immensely valuable - again, mirroring examples in Wales, Scotland and the Republic of Ireland.

**Justice:**

NILGA would welcome an ongoing, long term funding commitment from government towards the Policing and Community Safety Partnerships, in as much as this shared initiative between local and regional government should be designed and delivered through shared investment.

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