

Local Economic Impact Assessment

Future of Vehicle Registration and Licensing Services in Northern Ireland

Executive Summary

This Local Economic Impact Assessment has been prepared to assess the impact of the decision, outlined in more detail below, to centralise the delivery of vehicle registration and licensing services in Northern Ireland (NI), which are currently provided through the Driver and Vehicle Agency (DVA), at the Driver and Vehicle Licensing Agency (DVLA) in Swansea. It also offers a broad assessment of the DVA's economic contribution at a local level. This includes:

- Identifying the economic impacts of various types of DVA (NI) expenditure;
- Outlining the social and economic status of the affected NI office areas; regional economic assessments; and
- Setting out a high level illustration of the key industries and businesses within each NI office area.

To keep pace with customer expectations, the DVLA is going through significant changes. A key element of this process is to increase the number and level of services provided to customers online or through assisted digital channels. As part of the DVLA's review of services, the existing services within NI have also been examined to provide parity of service to customers across the UK and to meet the Ministerial commitment to provide modernised services. The decision now taken is to merge the NI and GB vehicle databases to create a UK-wide vehicle database, harmonising services and processes as a result. The aim is to ensure that vehicle services in NI are delivered in a streamlined and cost effective way in line with the services available in GB, while delivering more modern digital services currently unavailable to NI customers.

These changes will provide a range of significant benefits, including:

- Delivering modernised electronic services to NI customers through online and automated telephone channels, in line with the Government's Digital by Default agenda
- Provide enhanced and extended face-to-face relicensing services through around 175 Post Office branches in NI, improving compliance
- Harmonising all GB and NI vehicle registration and licensing services, ensuring that NI customers receive the same level and nature of service as their GB counterparts, excluding those transactions for which different legislation applies in NI. (excluding where there are differences in legislation.
- Reduced cost and administrative burden for NI motorists and business through process simplification and increased channel choice
- A £12m reduction in the DVLA's annual running costs
- A single, UK-wide register of vehicles and keepers, improving accuracy and supporting law enforcement

The DVLA has overall responsibility for the delivery of vehicle registration & licensing services in the UK on behalf of the Secretary of State for Transport, in accordance with the Vehicle Excise & Registration Act (VERA) 1994. In NI, the DVLA has outsourced the

delivery of these services to the DVA, part of the NI Department of the Environment (DoE). The DVA delivers a full range of vehicle services to NI customers on the DVLA's behalf under the terms of an Inter-Agency Agreement, with services delivered through a central headquarters in Coleraine and eight Local Offices, employing 324 posts within the NI Civil Service (NI CS).

Summary of the Main Economic Impacts

Re-scoping and reducing the DVLA/DVA's Inter-Agency Agreement in order to centralise NI transactions at the DVLA in Swansea

The decision to centralise NI services at Swansea will result in DVLA funding being withdrawn for 324 posts at the DVA. However, there will be a need for several posts to remain within NI to undertake enforcement-related services and provide ad-hoc support locally. This will affect the local economic contribution made by the DVA's NI offices and will, in principle, adversely affect the labour market in and around their respective locations. This will be felt most acutely in Coleraine, due to the high number of jobs affected within a relatively small community. The local economic impacts will stem from the money spent locally by the DVA as an organisation and by its staff through the purchase of goods and services - with wider impacts as a result of that money's contribution to employment and labour markets. The contribution made by each office is dependent on a number of variables, including the number of staff employed, the office lease and maintenance costs, the number of local services utilised and the relative strength of the local economy and employment market.

However, DoE NI has stated (provided in full later within this document) that where possible, all affected staff will be redeployed in alternative posts within the NI Civil Service, with the aim of minimising the need for redundancy, and if possible, avoiding compulsory redundancy. This would mitigate much of the immediate local economic impact by ensuring that the majority of staff retain their employment status and spending power within the local economy. Some contributions may be redirected depending on the location of their redeployment. It will, however, result in a net reduction in the total number of posts within the NI Civil Service, as affected DVA staff would be redeployed into posts that would otherwise have been filled through recruitment in the open market.

The majority (80%) of the impacted posts are located at the DVA's central office in Coleraine. A breakdown of posts funded or part funded by the DVLA is outlined below:

Location	Total Posts
Coleraine HQ	251.5
Coleraine LO	8
Belfast LO	22
Ballymena LO	8
Londonderry LO	6
Omagh LO	6
Enniskillen LO	5
Armagh LO	10.5
Downpatrick LO	7
Total	324

Location of DVA Northern Ireland Offices



Context

The DVLA currently has centralised capability in Swansea for the majority of its transactions and services. In addition, it outsources the delivery of all NI vehicle registration and licensing services to the DVA in NI, part of the DoE NI. These services are operated from the DVA's headquarters in Coleraine and eight local offices, which provide face-to-face and postal services.

As a consequence of the introduction of parity of service and integration of IT systems for Northern Ireland customers, a decision has been taken to centralise the processing and services carried out by the DVA in NI at the DVLA's main site in Swansea.

Current Jobs and Skills

The roles that currently exist within the DVA can be categorised as largely administrative, with the majority of staff in non-mobile grades (AA or AO). Individuals in these roles primarily process batches of postal applications on a daily basis and deal with large volumes of customers covering a wide range of vehicle registration and licensing queries. There are also a proportion of corporate support (e.g. finance, HR) and managerial roles that are part-funded by the DVLA, since they directly support vehicle registration and licensing operations within NI.

DVA staff have excellent business knowledge of the current processes for delivering and supporting vehicle registration and licensing services within NI, with strong customer service and communication skills. Staff are computer literate and all work to meet measurable targets, performance and quality standards.

A small proportion of these staff have managerial responsibilities. These include general managers, ICT specialists providing IT support and providing enforcement activities. These officers are entrusted with the duty of receiving monies on behalf of the DVA and have responsibility for the efficient financial administration of the offices.

The Aim of This Report

This Local Economic Impact Assessment is intended to provide a statement of the local economic contribution made by the DVA's Offices and to put this in context.

DVA Offices: Local Assessments

This section contains an assessment for the eight DVA offices in NI. They give an account of the office's contribution to the local economy and puts this into context by detailing the areas' economic activity.

The majority of posts affected (80%) are based in Coleraine. The closure of the eight other local offices would also result in a reduction of 72.5 posts from across Northern Ireland.

Number of posts and Costs for DVA NI Offices 2012/13

Office	Posts	Indicative salary cost per location (£k)	Local Accommodation Costs (£k)
Coleraine Headquarters	251.5	7,002	694 (combined cost)
Coleraine Local Office	8	223	
Belfast Local Office	22	613	97
Ballymena Local Office	8	223	67
Londonderry Local Office	6	167	47
Omagh Local Office	6	167	34
Enniskillen Local Office	5	139	26
Armagh Local Office	10.5	292	42
Downpatrick Local Office	7	195	24

Total Costs to DVA for carrying our vehicle services on behalf of the DVLA Based on 2012/13 outturn	
Posts Impacted	324
Salaries & Personnel Charges	£9m
Total Accommodation Costs	£1,300,00
Supply Chain Spending	£1,200,000
Total annual DVA Local Economic Contribution	£11,500,000

Basis for Calculation

When compiling these assessments the following assumptions have been made:

- Figures taken from the DVA's 2012/13 actual outturn
- Local accommodation costs are actual costs per premises for 2012/13 as provided by the DVA. Total accommodation costs include local costs and other accommodation charges
- Indicative salary costs per location are calculated using the total annual salary and personnel cost, divided by the number of posts per office. The use of average salary per grade results in a significant variance between these figures, so has been avoided
- Supply chain spending is based on the DVA's running costs not incurred as a result of staffing or accommodation costs

Impact on Local Economic Contribution

The impact on the three areas of the DVA's economic contribution is as follows:

- **Salaries:** DoE NI have stated that they will look to redeploy all affected DVA staff into alternative posts within the NI Civil Service. On this basis, the salary contribution would remain in the local economy, although the distribution may change based on the location of the redeployed posts. Some staff may choose early retirement as opposed to redeployment. It is reasonable to assume that these staff will continue to contribute economically through pension income.
- **Accommodation Costs:** Given the appropriate notice period, landlords of affected leased office locations in Belfast and Armagh would be required to find alternative tenants for vacated accommodation, thus the current level of contribution should be unaffected. Upkeep and utilisation costs for the remaining freehold estate would fall to the NI CS to manage, which may create a residual impact if they are subsequently dormant
- **Supply Chain Spending:** The DVA currently spends £1,158k in the local and national supply chain, through outsourced services, for example cleaning, catering, legal advice or procurement, for example, stationery. Unless alternative public sector work can be brought to the affected areas, under the current economic climate it is not reasonable to assume that this supply chain contribution could be supplemented by increased private sector activity. Although it is not possible to identify the size of impact in the areas affected, it is clear given the distribution of the affected posts, that the impact will be felt most acutely in Coleraine.

General Factors for Consideration for Northern Ireland Social and Economic Impacts

During the consultation period, Oxford Economics were commissioned by the Department of the Environment in Northern Ireland to conduct an economic appraisal of the proposals to modernise the way vehicle registration and licensing of services are

done in Northern Ireland. Their report concluded that there will be significant negative impacts on employment, incomes and output in the NI economy. These include:

- A reduction of 523 jobs in NI in total – including direct and indirect effects from reduced demand for services by DVA and its workers;
- A total reduction of £11.2m in wages;
- A reduction of £22.4 m in Gross Value Added to the NI economy;
- The report focuses particularly on Coleraine and the impact of the cuts there.

There is no discussion of benefits in the report.

Oxford Economics argue that the labour market in Coleraine and NI will be stagnant in the future. Employment and unemployment levels are forecast to be relatively static to 2020.

The underlying analysis on which estimates are based is not specified. There is no way of checking the validity of estimates. The labour market estimates produced do not tie in with the falls in unemployment which have occurred in Northern Ireland over the last year.

The analysis provided by Oxford Economics does not reflect the impact that the changes to DVA's operations will have because it ignores all of the benefits that will occur from the expansion of digital services and the widening of services offered at post offices. These will increase choice and ease of access for consumers and reduce the costs of vehicle licensing and registration to businesses ultimately increasing NI employment.

The position of DoE NI in relation to the impact on DVA staff affected by this proposal is as follows:

"DOE NI, in conjunction with the wider NI CS Departments, will seek to absorb surplus staff by means of redeployment either to other suitable posts within DOE, insofar as this is possible, or in another Department. However, it is recognised that due to the preponderance of potentially surplus staff in the Coleraine area, the vast majority of whom are in non-mobile grades or have restricted mobility due to working pattern, disability or welfare reasons, that identifying suitable redeployment opportunities may present a significant challenge particularly if the timeframe for completing such moves is short.

In recognition of the importance to staff of job security, DOE will use their best endeavours to avoid the need for redundancy and where redundancies are unavoidable, the aim will be to minimise the number of compulsory redundancies."

Although this may minimise the impact on the individuals affected, it will result in a net loss of jobs to the NI CS as a whole, as the vacancies required to achieve redeployment of impacted DVA staff would otherwise have been filled by recruiting additional NI civil servants. This will result in the size of the NI CS remaining static, rather than continuing to grow in size. This is consistent with the Government's Civil Service Reform Plan, albeit that these reductions have been set at 0.2% of annual budgets for NI departments (as a rebalancing measure), rather than 1% of annual budgets for most Whitehall departments.

There is nothing on the benefits of these proposed changes to consumers and businesses. They are likely to be positive. It would be good if some of the benefits from the main document could be brought into this document.

Benefits of the changes being made

Availability of On-line Services

The following service improvements will be delivered:

- Access to electronic vehicle licensing services, which will allow the customer to relicense or make a SORN:
 - via the Internet
 - via an automated telephone service, utilising IVR, or
 - via telephone to a DVLA agent
 - Available 24 hours a day, 7 days a week from home, work or abroad.
 - Payments made by either a debit or credit card.
- Additional support to NI motor dealers to enable them to take up the AFRL Web service, increasing take-up of automated first registrations via an intermediary.
- Access to bulk vehicle licensing reminder and relicensing services through the DVLA's fleets service.
- NI customers able to purchase NI and GB personalised registration numbers through a harmonised Personalised Registration (PR) sales scheme, delivered online via the DVLA's PR web site and via auctions.
- The DVA offices will offer assisted digital services for a period following centralisation to support customers during their initial online transactions and answer any queries they may have. This will help the transition to electronic services for NI customers.

LOCAL AREA INFORMATION

Armagh Local Area

- The population of Armagh is 59,340, which is 3.28% of the total NI population.¹
- The employment rate in Armagh at April 2012 is 60.15%. Unemployment rate is 4.94% with 45.43% classed as long term unemployed (since 2009 or earlier).¹
- The median gross weekly earnings in Armagh at April 2012 is £310.6 compared to NI as a whole of £360.2.²
- In 2011, 2.8% of the total employee jobs in NI were based in Armagh. Of these, 5.5% were in construction, 9.6% in manufacturing and 82.6% in services.³
- Agriculture is the main business sector in Armagh. Tourism, meat processing and dairy food production are also strong in the region, as is the thriving apple industry. However, manufacturing and transport also play major roles. The county also boasts a fast-growing IT industry.⁴

Downpatrick Local Area

- Downpatrick is a medium sized town in the Down District with a population of 10,316.³
- The population of Down is 69,731, which is 3.85% of the total NI population (2001 census).¹
- The employment rate in Down at April 2012 is 58.87%. Unemployment rate is 4.89% with 44.06% classed as long term unemployed (since 2009 or earlier).¹
- The median gross weekly earnings in Down at April 2012 is £339.4 compared to NI as a whole of £360.2.²
- In 2011, 2.7% of the total employee jobs in NI were based in Down. Of these, 5.9% were in construction, 6.7% in manufacturing and 85.7% in services.³
- The county is within easy reach of Belfast, which means that it has good transport and communication links with the rest of the UK, the Republic of Ireland and the European Union. The largest sectors are agriculture and construction. Other major sectors include retail and tourism.⁴

Omagh Local Area

- The population of Omagh is 51,356, which is 2.84% of the total NI population.¹

- The employment rate in Omagh at April 2012 is 56.82%. Unemployment rate is 4.92% with 46.79% classed as long term unemployed (since 2009 or earlier).¹
- The median gross weekly earnings in Omagh at April 2012 is £360.4 compared to NI as a whole of £360.2.²
- In 2011, 2.6% of the total employee jobs in NI were based in Omagh. Of these, 8.6% were in construction, 8.3% in manufacturing and 80.9% in services.³
- Services play an important role in the local economy, employing almost 12,000 people within the district. Almost two thirds of these service sector employees work within the public sector, primarily involved in education, public administration and medical services.⁴
- Agriculture is another key sector that plays an important role in the economic life of the district. Omagh's agricultural sector is complemented by a strong agri-food sector with a variety of key food processors (Omagh Meats, Strathroy Dairies, Lakeland Dairies (Omagh) Ltd and Kerry Group (Omagh) Ltd having a presence in the district.⁴

Enniskillen Local Area

- Enniskillen is a medium sized town in the Fermanagh District with a population of 13,599 (2001 census).³
- The population of Fermanagh is 61,805, which is 3.41% of the total NI population.¹
- The employment rate in Fermanagh at April 2012 is 59.84%. Unemployment rate is 4.71% with 47.35% classed as long term unemployed (since 2009 or earlier).¹
- The median gross weekly earnings in Fermanagh at April 2012 is £307.9 compared to NI as a whole of £360.2.²
- In 2011 3.0% of the total employee jobs in NI were based in Fermanagh. Of these, 5.1% were in construction, 14.9% in manufacturing and 78.3% in services.³
- Fermanagh has a large agricultural business base, which provides sustainable supply chains in County Fermanagh. Tourism has rapidly developed as a key sector, with huge investments in hotels and golf courses to complement the natural scenery of the Fermanagh lakes.⁴
- Some major companies which have invested in Fermanagh are British Telecom, Kerry Foods, Western Brand, Webtech (NI) and Ready Eggs Products. Fermanagh is home to the world famous Belleek Pottery.⁴

Ballymena Local Area

- The population of Ballymena is 64,044, which is 3.54% of the total NI population. ¹
- The employment rate in Ballymena at April 2012 is 62.33%. Unemployment rate is 3.99% with 43.31% classed as long term unemployed (since 2009 or earlier). ¹
- The median gross weekly earnings in Ballymena at April 2012 is £363.2 compared to NI as a whole of £360.2. ²
- In 2011, 3.8% of the total employee jobs in NI were based in Ballymena. Of these, 6.7% were in construction, 23.0% in manufacturing and 69.6% in services. ³
- As one of the country's most fertile and prosperous farming regions, agriculture remains at the heart of this community's livelihood. Tourism is also becoming a major source of income for the region as numbers of visitors continue to grow year on year. It is also a popular retail area with a mixture of High Street Stores and traditional locally run outlets. ⁵
- A new UK wide skills initiative which would see staff members loaned to other organisations was launched in Ballymena in December 2012. Ballymena became the first Skill Exchange hub when the scheme was unveiled. ⁵

Londonderry Local Area

- Londonderry is within Derry Urban Area (DUA) with a population of 83,699 (2001 census). ³
- The population of Derry is 107,877, which is 5.96% of the total NI population. ¹
- The employment rate in Derry at April 2012 is 48.80%. Unemployment rate is 7.53% with 48.32% classed as long term unemployed (since 2009 or earlier). ¹
- The median gross weekly earnings in Derry at April 2012 is £308.4 compared to NI as a whole of £360.2. ²
- In 2011 6.1% of the total employee jobs in NI were based in Derry. Of these, 3.3% were in construction, 8.7% in Manufacturing and 86.9% in Services. ³
- The region has economic ties with the USA, the UK and Europe, and is attracting a growing number of local businesses and inward investors, specifically in financial services, shared service centres, contact centres and software engineering. Benefits of the region include a young population, competitive set-up costs and dedicated business support. ⁴

- Though it was historically known for its textiles, the county has a growing IT sector. Derry is now home to a cluster of high technology businesses (Singularity, Western Connect, Fujitsu, DuPont/Invista).⁴
- Derry Airport: There are plans to extend a runway and redevelop the terminal, bringing new investment into the area.⁴

Coleraine Local Area

- The population of Coleraine is 59,067, which is 3.26% of the total NI population.¹
- The employment rate in Coleraine at April 2012 is 54.44%. Unemployment rate is 4.77% with 46.51% classed as long term unemployed (since 2009 or earlier).¹
- The median gross weekly earnings in Coleraine at April 2012 is £325.7 compared to NI as a whole of £360.2.²
- In 2011, 3.0% of the total employee jobs in NI were based in Coleraine. Of these, 3.4% were in construction, 9.7% in manufacturing and 86.3% in services.³
- Coleraine has strategic importance as a 'Tourism Hub' and is top ranked in the league for tourism in NI.⁵
- Coleraine is the dominant town in the Northern Plan area and is the fifth largest town in the region outside the Belfast Metropolitan Area and Londonderry.⁵
- Coleraine has major industrial, commercial, educational, administrative, health and recreational facilities. The town retains an important industrial base with a number of major employers across a range of sectors.⁵
- Project Kelvin, a €32 million project, involved the laying of a new underwater cable to North America, resulting in faster broadband speeds for large areas throughout Ireland. As the new cable has come ashore at Portrush with a landing station at Dundooan, Coleraine is strategically well positioned to harness the benefits of Project Kelvin to emerge as a global destination for financial systems, creative media and cloud computing technologies.⁵

Belfast Local Area

- The population of Belfast is 280,962, which is 15.52% of the total NI population.¹
- The employment rate in Belfast at April 2012 is 52.32%. Unemployment rate is 5.67% with 43.33% classed as long term unemployed (since 2009 or earlier).¹
- The median gross weekly earnings in Belfast at April 2012 is £358.7 compared to NI as a whole of £360.2.²

- In 2011, 28.9% of the total employee jobs in NI were based in Belfast. Of these, 2.4% were in construction, 4.4% in manufacturing and 92.5% in services.³
- Belfast boasts a world class reputation for conference facilities and staging major international events, including the MTV Europe Music Awards.⁴
- The key sectors in Belfast are software, contact centres, financial services, aerospace, engineering, health technology, creative industries and environmental industries. International companies which have invested in Belfast include 3PAR, Bombardier, Bloomberg, CEM Systems, Citi, Cybersource, Firstsource, Fujitsu, GE Healthcare, GEM, Halifax Bank of Scotland, IKEA, Liberty Mutual NYSE and Openwave.⁴
- Belfast is served by two airports - Belfast City Airport and Belfast International Airport which is 15 miles west of the city. Belfast is also a major port, with commercial and industrial docks dominating the Belfast Lough shoreline.⁴

¹ NISRA Area Profile Report

² ONS Annual Survey of Hours & Earnings (ASHE) 2012

³ NINIS.NISRA.Gov.UK

⁴ NI Business Info website

⁵ District/Borough Council website