



Belfast City Council

Report to:	Strategic Policy and Resources (Transition) Committee
Subject:	RPA - Consultation on Local Government (Finance) Bill
Date:	23 rd October, 2009
Reporting Officer:	Ciaran Quigley, Director of Legal Services Gerry Millar, Director of Improvement
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1.0	<u>Relevant Background Information</u>
1.1	Members will note that the key legislative framework governing local government finances in Northern Ireland is in Part V of the Local Government Act (Northern Ireland) 1972. Although this has been updated by subsequent legislation, the provisions on borrowing and council funds have remained substantially unchanged.
1.2	Notwithstanding, it has been recognised for some time that this legislation needs to be updated to reflect modern accounting practices and, where appropriate, brought into line with best practice observed by local authorities in GB.
1.3	Accordingly, in July 2009 the Department of the Environment published ' <i>The Draft Local Government (Finance) Bill</i> ' consultation document (a copy of the Draft Bill is attached at Appendix 1). The closing date for written submissions is 31 October 2009 .
2.0	<u>Key Issues</u>
2.1	<p>The draft Finance Bill seeks to modernise the current legislative framework relating to local government finance and councillors' remuneration in Northern Ireland. It sets out the parameters within which a district council may manage its finances and central government may regulate that activity. The draft Bill aims to modernise the legislative framework for local government finance by introducing the following provisions:</p> <ul style="list-style-type: none"> ▪ removing the requirements for district councils to gain departmental approval for borrowings and the application of their funds or any proceeds from the sale of capital assets ▪ introducing new financial powers including, for example, the power to invest ▪ introducing a prudential regime for capital finance ▪ clarifying the nature of the general grant by replacing the two elements of the grant (i.e. the resources element and the de-rating element) with two separate grants – a rate support grant and a de-rating grant; and ▪ extending to all government departments the general power which allows the Department of the Environment to pay grants to councils.
2.2	<p>In relation to updating the legislation regarding councillors' remuneration, the draft Finance Bill enables the Department to make the following regulations:</p> <ul style="list-style-type: none"> ▪ requiring councils to make and publish a scheme of allowances; and ▪ establishing a remuneration panel to advise the Minister of the Environment on councillors' allowances ▪

2.3	It is important to note that the draft Local Government (Finance) Bill is largely enabling legislation and the detail around the specific provisions referred to above will be outlined in subsequent subordinate legislation (i.e. detailed regulations). Members will note that no regulations will be made without prior consultation with councils.
2.4	<p>In reviewing the draft Bill, the following observations should be made in relation to a number of key issues which need to be approached with caution by the Council. These issues are examined in further detail within the draft Council response to the consultation document attached at Appendix 2.</p> <ul style="list-style-type: none"> ▪ Whilst the Finance Bill provides councils with more freedom to operate, it also introduces a level of central control which may not be appropriate and needs to be approached with caution by the Council. ▪ Much of the Bill is replicating legislation which currently exists in GB. Whilst it is accepted that the larger and more complex councils that will result from the RPA will need the improved financial arrangements which this Bill introduces, concerns remain whether the level of central control placed upon local authorities in the rest of the UK should apply in equal measure with respect to Northern Ireland. This is particularly relevant given that the majority of Council funding (approx 74%) comes from the district rate, with Belfast City Council only receiving £4m from the central government general grant in comparison to the £150m annual budget of the Council. ▪ Some of the powers reserved by the Department, particularly in respect of their right to intervene both in terms of the overall borrowing by councils in Northern Ireland and in respect of what it thinks an individual council can afford appear to run contrary to the efforts of the RPA in providing strong local government. ▪ Whilst greater controls are being imposed on local authorities, the Bill does not address the role of these external agencies which impact upon and/or influence the financial processes of councils but which are not directly accountable to local government for their performance (e.g. Land and Property Services)
<u>Organisational Consequences</u>	
2.5	<p>If adopted, the proposals set out within the draft Finance Bill will potentially result in a number of organisational consequences which the Council will need to address in moving forward. For example</p> <ul style="list-style-type: none"> ▪ the need to revise/update the Council's Standing Orders and/or financial regulations that enact the provisions of the Bill when it becomes law ▪ The designation of a Chief Financial Officer ▪ Greater priority placed on internal Audit procedures ▪ A need to introduce a prudential borrowing framework ▪ Potential need for a Treasury Management Strategy

3.0 Resource Implications
There are no financial or Human Resource implications contained within this report.

4.0 Recommendations

Members are asked to:

- i) note the contents of this report and consider the draft corporate response to the Local Government (Finance) Bill consultation document attached at Appendix 2; and
- ii) approve the submission of the draft response to the DoE, subject to any revisions proposed by Members, before the 31st October 2009. The response would be submitted on the basis that it is subject to Council ratification on 2nd November 2009.

5.0 Documents Attached

Appendix 1	Local Government (Finance) Bill and Explanatory Memorandum
Appendix 2	Belfast City Council Draft Response

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