

Belfast City Council Response DRAFT FINANCE BILL REGULATIONS AND GUIDANCE

1. INTRODUCTION

Belfast City Council is supportive of the need to modernise the legislative framework relating to local government finance and welcomes the opportunity to comment on the draft regulations and guidance.

The following response sets out both general commentary on the implementation of Finance Bill and detailed commentary on the individual draft regulations and guidelines where appropriate.

2. GENERAL COMMENTS

Enacting Finance Bill

The Council would be concerned that if the Finance Bill comes into force on 1 April 2011, that in the first year, capital budgets and the rates will have already been set for 2011/12 in the absence of the guidance and regulations. The Council would highlight that the proposed lead in time is too short to have all aspects of the Prudential Code in place before April 2011 e.g. medium term financial plan, treasury management strategy, capital financing strategy etc.

The Council would therefore ask that DOE recognises this in the regulations and guidance and treats 2011/12 as a year of transition, with full implementation of the new financial regime, as set out within the draft regulations and guidance (e.g. Prudential Code etc) being implemented from 2012/13 onwards.

3. COMMENTS ON DRAFT REGULATIONS & GUIDANCE

DRAFT REGULATIONS AND GUIDANCE TO BE MADE UNDER PART 1 OF THE LOCAL GOVERNMENT FINANCE BILL – FINANCIAL ADMINISTRATION

Local Government (Capital Finance and Accounting) Regulations (Northern Ireland) 2011	
Belfast City Council Comments	
Part 1 – Preliminary	No comment
Part 2 – Accounting	<p>The Council notes that regulation 6 (a) and (b) refers to the requirement on Council to determine its minimum revenue provision. The Council would highlight that in both GB and Wales, detailed statutory guidance on ‘Minimum Revenue Provision’ has been issued, and it would suggest that it would be beneficial if similar guidance was considered for Northern Ireland.</p>
Part 3 – Borrowing	<p>The Council would support the application of the CIPFA Prudential Code for Capital Finance in Local Authorities’ by councils to ensure that their capital investment plans are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice.</p> <p>The Council notes that Clause 24 of the Finance Bill, as introduced into the Assembly, precludes councils given any consideration to the use of LABV’s (Local Asset Based Vehicles) as a means of securing capital investment. The Council would reiterate its previous concerns, as raised in responding to the draft Finance Bill consultation, in regards to this issue and would request that a council’s ability to utilise other forms of securing capital funding (such as LABVs) should not be precluded in legislation and should be considered on the basis of a council’s prudent borrowing.</p>
Part 4 – Credit Arrangements	No comment

Part 5 – Capital Expenditure	No comment
Part 6 – Capital Receipts	No comment
Part 7 – Supplementary	No comment
Capitalisation Direction - Guidance Notes	<p>The Council notes that the draft guidance is prescriptive in dealing with the capitalisation issue. Whilst it is accepted that this is unavoidable it should also take account of the current issues that the local government sector faces.</p> <p>The limit as set out within the draft guidance for local councils in Northern Ireland is set at £3.4m. Further guidance states that capitalisation will only be allowed where costs exceed 5% of available reserves and also separately exceed 0.25% of budgeted expenditure for the year in which expenditure is incurred.</p> <p>If, as is likely, there is any reform or rationalisation of the local authorities in Northern Ireland in the future, will special provision be made to set aside these limits? It would appear that this would be necessary to facilitate any likely redundancies situation and other necessary adjustments that might occur?</p> <p>If no account is taken of this then the sector may be extremely limited in facilitating any period of adjustment that might result from a reorganisation.</p> <p>Whilst the Council would agree in principal with the guidance note on Capitalisation Directions, however, greater guidance is required to ensure consistency across councils in their application.</p>

DRAFT REGULATIONS TO BE MADE UNDER PART 2 OF THE LOCAL GOVERNMENT FINANCE BILL – GRANTS TO COUNCILS

Draft Local Government (Rates Support Grant) Regulations (Northern Ireland) 2011	
Belfast City Council Comments	
Regulation 3 - Rates Support Grant	<p>The Council notes that in the covering letter received from Mr John Small, reference is made to the recommendation made by the Environment Committee, as set out within its report on the Committee Stage consideration of the Finance Bill, that the Bill should be amended to prevent in-year cuts to the Rate Support Grant. The Council would support this amendment.</p> <p>The Council would also recommend that any future consideration to be given to a potential reduction in the rates support grant should be discussed in detail with councils so as to establish the potential implications on service delivery.</p>

DRAFT REGULATIONS TO BE MADE UNDER PART 3 OF THE LOCAL GOVERNMENT FINANCE BILL – PAYMENTS TO COUNCILLORS

Draft Local Government (Payments to Councillors) Regulations (Northern Ireland) 2011	
Belfast City Council Comments	
<p>Question 1</p> <p><i>Do you agree that a special responsibility allowance should be made to no more than half of the councillors of a council? If you do not agree with this restriction, what alternative would you suggest?</i></p>	<p>Agree. Special Responsibility Allowance payments recognise “significant additional duties” undertaken by a Member and it is considered to be reasonable that it is not awarded to more than half of the Councillors on a Council.</p>

<p>Question 2</p> <p><i>Should the special responsibility allowance paid to the chairman or the vice-chairman be excluded from the restriction of payment of that allowance to no more than half the members of a council?</i></p>	<p>Agree. This is currently the position and a change in regulations is not necessary.</p>
<p>Question 3</p> <p><i>Do you agree that no councillor should be paid more than one special responsibility allowance?</i></p>	<p>Disagree. It should be noted that the Minister for the Environment has released a consultation document on Local Government Reform and part of the Minister's proposals deals with the requirement for all Councils to appoint Members to their Committees etc on the basis of proportionality. Belfast City Council uses the Special Responsibility Allowance to remunerate its Committee Chairmen and Deputy Chairmen and also the Party Group Leaders, Deputy Leaders and Secretaries (depending upon Group size).</p> <p>In making the appointment of Chairmen and Deputy Chairmen the Council employs the d'Hondt system of proportionality and the level of remuneration paid to the Party Group Officers is based upon the Groups' relative size within the Council. Therefore, there is complete fairness and transparency in the allocation of the Special Responsibility Allowance in the Council.</p> <p>To enforce a regulation which restricts the operation of reasonable control by a Party Grouping within its own Grouping on the Council would be viewed as unnecessary and overly restrictive.</p> <p>There might be very good reasons why, within a Party Grouping on the Council, it might be considered to be appropriate to pay more than one special responsibility allowance to an individual Member and this proposal seeks to impose a restriction which is unnecessary.</p>
<p>Question 4</p> <p><i>Do you support the Department's proposal to simplify the scheme for travel allowance by the introduction of a single category for all motor cycles and a single category for all motor cars?</i></p>	<p>Agree. This would simplify current processes and would follow the existing practices in place in Scotland and Wales. It should be noted that the Council would urge that a similar scheme is introduced for officers' mileage claims.</p>

Question 5

Do you support the proposal that councils should publish their scheme of allowances to councillors on the council website and, at the end of the year, the payments made to councillors?

If you do not agree, what alternatives would you propose to encourage transparency?

Agree. This was recommended by the Councillors Remuneration Working Group who, in addition, recommended that a common template should be used by all Councils in Northern Ireland to illustrate their scheme of allowances.

Draft Local Government (Councillors' Remuneration Panel) Regulations 2011

Question 6

Do you agree with the proposed composition and the tenure of the panel?

Agree. This would be in line with best practice in Scotland where the Scottish Local Authorities Remuneration Committee (SLARC) is appointed by Scottish Ministers following a competitive interview process. The work of SLARC is taken forward independently of Government.

It would be important that individuals appointed to a Remuneration Committee would have a sound knowledge of how Local Government works as well as experience of dealing with pay and remuneration issues.

Question 7

Do you think that the regulations as drafted ensure sufficient impartiality and independence?

Agree. The use of the Public Appointments Procedure to appoint members to the Remuneration Panel will help ensure impartiality and independence. In general terms, the regulations are drafted in such a way as to ensure they are impartial.

GENERAL COMMENTS

The Council would urge the Remuneration Panel to give urgent consideration to reviewing the level of allowances paid to elected Members in Northern Ireland. It is proposed that considerable new powers will be given to local Councils over the next year, including significant planning powers, and a review of the level of allowances is necessary given the change in levels of responsibility which elected Members will be expected to undertake.