

**Strabane**  
District Council  
Comhairle Ceantair  
an tSraitha Báin  
Strabane District Council



**DERRY**  
CITY COUNCIL

25th June, 2010.

Mr Sean McCann  
Assistant Clerk  
Environment Committee  
Room 247  
Parliament Buildings  
Stormont Estate  
BELFAST BT4 3XX

Dear Mr McCann

### **Local Government Finance Bill**

I refer to your letter dated 30 April 2010, inviting views on the above proposed bill for consideration by the Committee for the Environment at Committee Stage.

I wish at the outset to reiterate that the Transition Committee for the Derry and Strabane District Council welcomes the proposal to introduce a New Local Government (Finance) Bill and the opportunity to modernise the current legislative framework relating to local government finance and Councillors' remuneration in Northern Ireland.

The proposed legislation, especially in relation to the capital finance system, aims to give greater freedom to Northern Ireland Local Authorities and would urge that this greater freedom is not constrained through the use of regulations and we trust in any case that there will also be adequate consultation with Local Government when the regulations are drafted.

The Transition Committee for the Derry and Strabane District Council would also make the case that there should be adequate legislative provision to support important new initiatives and models for service delivery in the future. This includes powers to participate in Public Private Partnerships (PPP), Public Finance Initiatives (PFI) or Local Asset Backed Vehicles (LABV). It is envisaged that these types of initiatives may be required in order for Councils to put in place arrangements for service delivery models, for example Waste Management, and to effectively manage their assets.

The Transition Committee for the Derry and Strabane District Council would wish to make the following comments on the specific clauses of the Bill.

**Clause 7 makes provision for reserves specified in regulations under clause 6(1) to be designated controlled reserves, with a required minimum balance at the end of the financial year. The chief financial officer must report to the council on the reasons for a controlled reserve not achieving the minimum level, and any action considered necessary to prevent a recurrence in the following year.**

The Transition Committee for the Derry and Strabane District Council would advocate that in the spirit of financial freedom no reserves should be designated controlled reserves, as is the case in the GB regulations that derived from the Local Government Act 2003.

The Transition Committee would also expect that the recent guidance from DOE issued in December 2009 with regard to minimum balances for the District Fund, which advised that Councils should plan for a District Fund balance above 5% as part of their Rates Estimates should be sufficient. This would fulfill the objective of clause 6(1) of the draft Finance Bill without designating it as a controlled reserve. Councils would also be expected to follow guidance given in the Prudential Code for capital finance.

**Clause 22 enables the Department to make regulations about the use of capital receipts.**

The Transition Committee for the Derry and Strabane District Council would acknowledge the greater flexibility in the bill for the use of capital receipts and would welcome the removal of the requirement for capital receipts to be applied in the first instance against any money borrowed by the Council for the purposes of acquiring that asset, as sometimes this could result in significant financial penalties for early redemption.

**Clause 27 makes provision for the Department to make a rates support grant to district councils for each financial year.**

The Transition Committee for the Derry and Strabane District Council would be concerned if the current statutory formula used for the allocation of resources grant were to be subsequently applied to the allocation of rates support grant. It is the Transition Committee's strong view that the current statutory formula needs to be immediately reviewed to confirm post RPA that it continues to meet its objectives, especially in light of the establishment of new local authorities with new functions and functions that will transfer from central to local government.

There is also an urgent need for more resources to be provided by Central Government to ensure that the rates support grant achieves the objective of equalisation amongst the New Councils as one of the key principles underpinning the RPA process. Resources allocated should also be ring-fenced to avoid cuts such as occurred this year when the General Grant (Resources) was cut by 5%, impacting on the poorest Councils only.

It is the stated policy of the Transition Committee that in any review of the statutory formulae for a rates support grant measures are used to ensure that TSN is fully applied and that Central Government commits fully to provide sufficient financial resources to ensure that post RPA that no Council is at a disadvantage, due to a poor wealth base, in providing essential public services.

In this regard, it is the Transition Committee's view that a full EQIA be carried out to ensure equity in the distribution of the rates support grant.

**Clause 34 gives the Department power to make regulations for the establishment of an independent panel to advise the Department on payments to Councillors.**

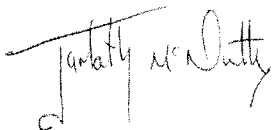
The Transition Committee for the Derry and Strabane District Council welcomes the establishment of an independent panel to advise the Department on payments to Councillors to bring Northern Ireland into line with the rest of the United Kingdom, where independent panels already exist to consider the level and system of Councillors' allowances.

**Clause 36 allows a district council to make payments for any purpose which in its opinion are in the interests of, and will bring direct benefit to, the council, its district or any part of its district, or the inhabitants of the district or any part of its district.**

The Transition Committee for the Derry and Strabane District Council notes that it is proposed to include the general power of well-being in the forthcoming Local Government (Reorganisation) Bill and that it is considered necessary to retain this provision until such time as that Bill comes into operation. The Transition Committee would accept this but request in the meantime that the current limits on expenditure for special purposes be reviewed as they are too low.

Finally, The Transition Committee for the Derry and Strabane District Council would wish to attend the Committee meeting to give evidence.

Yours sincerely



Cllr Jarlath McNulty  
**Chairman TC  
Strabane**



Cllr Gerard Diver  
**Chairman TC  
Derry**