

LOCAL GOVERNMENT FINANCIAL ARRANGEMENTS

Local Government Division

1. LOCAL GOVERNMENT LEGISLATION (FINANCE-RELATED) AND OTHER CONTROLS

1.1. Most of finance-related primary legislation, under which local government operates, is contained in the following Acts/Orders:-

- Local Government Act (Northern Ireland) 1972
- The Local Government (Miscellaneous Provisions) (Northern Ireland) Order 1985
- The Local Government (Miscellaneous Provisions) (Northern Ireland) Order 1992
- The Local Government (Miscellaneous Provisions) (Northern Ireland) Order 1995
- The Local Government (Miscellaneous Provisions) (Northern Ireland) Order 2002
- The Local Government (Northern Ireland) Order 2005

1.2. Some provisions in the above primary legislation allow for the making of subordinate legislation, in the form of regulations or determinations. An example of the subordinate legislation would be the Local Government (General Grant) Regulations (Northern Ireland) 2003, which detail the statutory formula for distribution of the resources element of General Grant. Other examples would be the Local Government (Payments to Councillors) Regulations (Northern Ireland) 1999 and determinations, which specify the rates of individual allowances, payable to councillors.

1.3. The primary legislation makes specific provisions, which allow the Department to direct the format of district councils' annual accounts. An Accounts Direction is normally issued every year to keep abreast of changes in the format, which is dictated to a large extent by the CIPFA (Chartered Institute of Public Finance & Accountancy) Code of Practice on Local Authority Accounting in the United Kingdom, a Statement of Recommended Practice and also the Best Value Accountancy Code of Practice (Northern Ireland Edition).

1.4. There are extensive legislative provisions, both primary and subordinate, relating to the responsibilities and arrangements for presentation, publication and audit of accounts. The Department of the Environment designates and issues warrants to local government auditors (who are employed by the Northern Ireland Audit Office) to audit the accounts of named councils. The auditors may also initiate 'value for money' audits or, at the request of the Department carry out extraordinary audits.

1.5. Apart from the legislation made by Local Government Division, Department of the Environment, other Northern Ireland Departments may have incorporated powers under specific functions, which have implications for district councils. These could relate to specific grants or possibly to fees and charges.

Note: A comprehensive list of finance-related legislation contained in the Local Government Act (Northern Ireland) 1972 and subsequent Orders will be compiled. Also, efforts will be made to identify all relevant provisions in the legislation of the other Departments.

2. ROLE AND FUNCTIONS OF DISTRICT COUNCILS

2.1. District councils have a representative role; a consultative role; and a responsibility to provide a range of local services within their area.

2.2. Representative Role

Councils nominate individual members to represent the council on various public bodies and through the public appointments system, elected representatives are appointed to sit on Non-Departmental Public Bodies. For example, councillors are currently members of health and social services boards; education and library boards; the Board of the Northern Ireland Housing Executive; and the Northern Ireland Local Government Staff Commission.

2.3. Consultative Role

Councils are involved, on an ongoing basis, in considering numerous consultation documents and proposals, particularly in relation to housing, planning, roads and water. Elected representatives, therefore, contribute to decision-making and the formulation of government policy.

2.4. Local Services

The local services provided by district councils fall within the main functions of Leisure and Recreation and Environmental Services. However, there is an extensive list of Miscellaneous Services for which councils are also responsible. (See Table 1 below)

Table 1 - DISTRICT COUNCIL FUNCTIONS

Leisure and Recreation
Community Services
Culture and Heritage
Recreation and Sport (including Leisure Centres, Open Spaces, Sports Halls and Swimming Pools)
Tourism
Environmental Services
Building Control
Cemetery, Cremation and Mortuary
Environmental Health
Licensing
Minor Works
Other Cleansing
Other Community Assets
Public Conveniences
Waste Collection
Waste Disposal
Miscellaneous Services
Abattoirs
Airports
Civic Marriages
Clean Air
Control of Dogs
Economic Development
Emergency Planning
Harbours
Livestock Markets/Other Markets and Fairs
Official and Courtesy Visits/Civic Functions
Registration of Births, Deaths and Marriages
Special Purposes
Trading Services

3. LOCAL GOVERNMENT FINANCE

3.1. Sources of funding

To cover the cost of running its services, district councils are funded from four main sources, namely, District Rates; General Grant; Specific Grants; Fees and Charges.

3.1.1. District Rates

District rates ie a domestic rate and a non-domestic rate, in accordance with section 53 of the Local Government Act (Northern Ireland) 1972, must be determined by district councils when presenting their annual budgets each year. The Rates Regulations (Northern Ireland) 2000 requires that rates are struck by 15 February.

District rates, like regional rates, are based on the value of property in the district (currently notional rental values) but unlike regional rates are not uniform. Rates income is the balance required to meet the cost of current expenditure, after account has been taken of estimates for Specific Grants, Fees and Charges, General Grant and any balance carried forward year-on-year. District councils have discretion as to the level of rates they strike each year but must justify their budgets and district rates to their ratepayers. (See Tables 2- 4 and Pie-Charts 1-8 below)

Table 2 – District Rates 2005/2006 and 2006/2007

DISTRICT COUNCIL	Non-Domestic Rate				Domestic Rate			
	2005/06	2006/07	Pence Increase	% Increase	2005/06	2006/07	Pence Increase	% Increase
Antrim	20.39	21.17	0.78	3.83%	144.85	150.40	5.55	3.83%
Ards	18.47	19.18	0.71	3.84%	148.95	154.61	5.66	3.80%
Armagh	20.88	22.44	1.56	7.47%	161.60	173.72	12.12	7.50%
Ballymena	17.11	18.82	1.71	9.99%	129.10	142.00	12.90	9.99%
Ballymoney	19.55	20.37	0.82	4.19%	134.80	140.50	5.70	4.23%
Banbridge	21.33	22.59	1.26	5.91%	150.99	159.90	8.91	5.90%
Belfast	19.49	20.58	1.09	5.59%	166.15	175.43	9.28	5.59%
Carrickfergus	20.83	21.24	0.41	1.97%	149.86	152.77	2.91	1.94%
Castlereagh	14.19	14.75	0.56	3.95%	118.79	123.50	4.71	3.96%
Coleraine	16.92	18.11	1.19	7.03%	128.50	137.50	9.00	7.00%
Cookstown	17.05	18.23	1.18	6.92%	136.73	146.15	9.42	6.89%
Craigavon	20.13	21.51	1.38	6.86%	153.15	163.65	10.50	6.86%
Derry	21.37	22.61	1.24	5.80%	167.05	176.74	9.69	5.80%
Down	19.01	20.53	1.52	8.00%	154.64	166.99	12.35	7.99%
Dungannon & South Tyrone	16.43	17.57	1.14	6.94%	128.38	137.34	8.96	6.98%
Fermanagh	13.32	14.15	0.83	6.23%	112.80	119.80	7.00	6.21%
Larne	20.26	21.38	1.12	5.53%	159.39	168.20	8.81	5.53%
Limavady	19.42	21.02	1.60	8.24%	140.70	152.29	11.59	8.24%
Lisburn	16.69	17.02	0.33	1.98%	131.76	134.38	2.62	1.99%
Magherafelt	16.16	16.73	0.57	3.53%	116.60	120.67	4.07	3.49%
Moyle	22.86	24.36	1.50	6.56%	168.30	179.33	11.03	6.55%
Newry & Mourne	17.99	18.88	0.89	4.95%	159.60	167.50	7.90	4.95%
Newtownabbey	20.57	21.37	0.80	3.89%	144.57	150.19	5.62	3.89%
North Down	15.05	15.85	0.80	5.32%	140.53	148.00	7.47	5.32%
Omagh	18.24	19.14	0.90	4.93%	157.02	164.76	7.74	4.93%
Strabane	18.76	19.74	0.98	5.22%	141.62	149.04	7.42	5.24%

Table 3 – General Estimate of Rates 2005/2006 – Summary of all councils

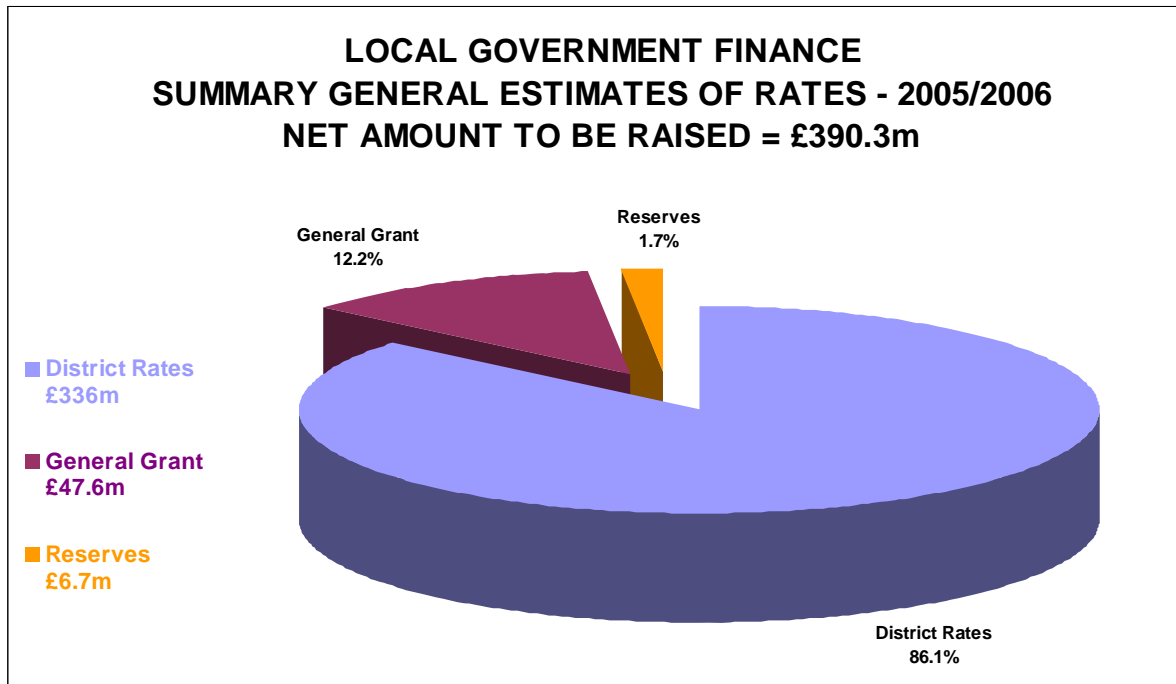
Services	Expenditure	Income	Estimated Net Expenditure	Proportion Net Operating Expenditure
Leisure and Recreation				
Culture and Heritage	26,944,072	5,292,323	21,651,749	5.0%
Recreation and Sport	152,614,752	29,444,633	123,170,119	28.6%
Tourism	29,284,567	7,141,541	22,143,026	5.1%
Community Services	29,957,321	6,769,196	23,188,125	5.4%
Environmental Services				
Cemetery, Cremation and Mortuary	7,760,333	2,835,290	4,925,043	1.1%
Environmental Health	26,915,277	2,942,603	23,972,674	5.6%
Public Conveniences	4,811,582	44,250	4,767,332	1.1%
Licensing	1,204,193	428,254	775,939	0.2%
Flood Defence and Land Drainage	0	0	0	0
Other Cleansing	29,031,927	248,682	28,783,245	6.7%
Waste Collection	63,448,149	13,836,828	49,611,321	11.5%
Waste Disposal	52,955,412	11,991,218	40,964,194	9.5%
Building Control	16,366,775	13,049,966	3,316,809	0.8%
Other Community Assets	8,533,980	408,413	8,125,567	1.9%
Minor Works	4,295,476	110,551	4,184,925	1.0%
Other Services				
Trading Services	15,967,424	8,835,494	7,131,930	1.7%
Economic Development	19,742,954	6,709,517	13,033,438	3.0%
Democratic Representation and Management	19,010,692	149,950	18,860,742	4.4%
Corporate Management	28,590,727	3,669,727	24,921,000	5.8%
Non Distributed Costs	2,057,749	177,623	1,880,126	0.4%
Central Services to the Public	13,010,174	6,473,209	6,536,965	1.5%
Exceptional Items	0	0	0	0
Other Operating Expend./Income				
Bank Interest and Investment Income	29,262	1,280,265	-1,251,003	-0.3%
Trading Account Surplus/Deficit	6,327,934	6,355,582	-27,648	0
Asset Management Revenue Account			0	0
Gains or Losses on the Repurchase or Early	0	0	0	0
Pension Interest Costs/Expected Return on Assets	0	0	0	0
Extraordinary Items	0	0	0	0
Net Operating Expenditure	558,860,733	128,195,114	430,665,621	100.0%
Transfers to/from Other Funds				
Capital Fund	1,130,000	25,000	1,105,000	
Renewal & Repairs Fund	129,212	0	129,212	
Capital Financing Reserve	3,767,070	0	3,767,070	
Pensions Reserve	39,180	0	39,180	
Other	229,500	29,500	200,000	
Sub-Totals	564,155,695	128,249,614	435,906,083	
Deduct Capital Charges	-92,892,555	0	-92,892,555	
Add Loan/Leasing Charges	47,252,564	0	47,252,564	
Totals	518,515,704	128,249,614	390,266,094	
			General Grant	-47,580,318
			+/- Balance Applied	-6,656,224
			Net Amount to be Raised	336,029,552
			Est. Product of 1p Rate	18,151,092
			Non-Domestic District Rate	18.51
			Growth Factor	8.0530
			Domestic District Rate	149.08

Table 4 – General Estimate of Rates 2005/2006
 Illustrative Summary for seven new councils

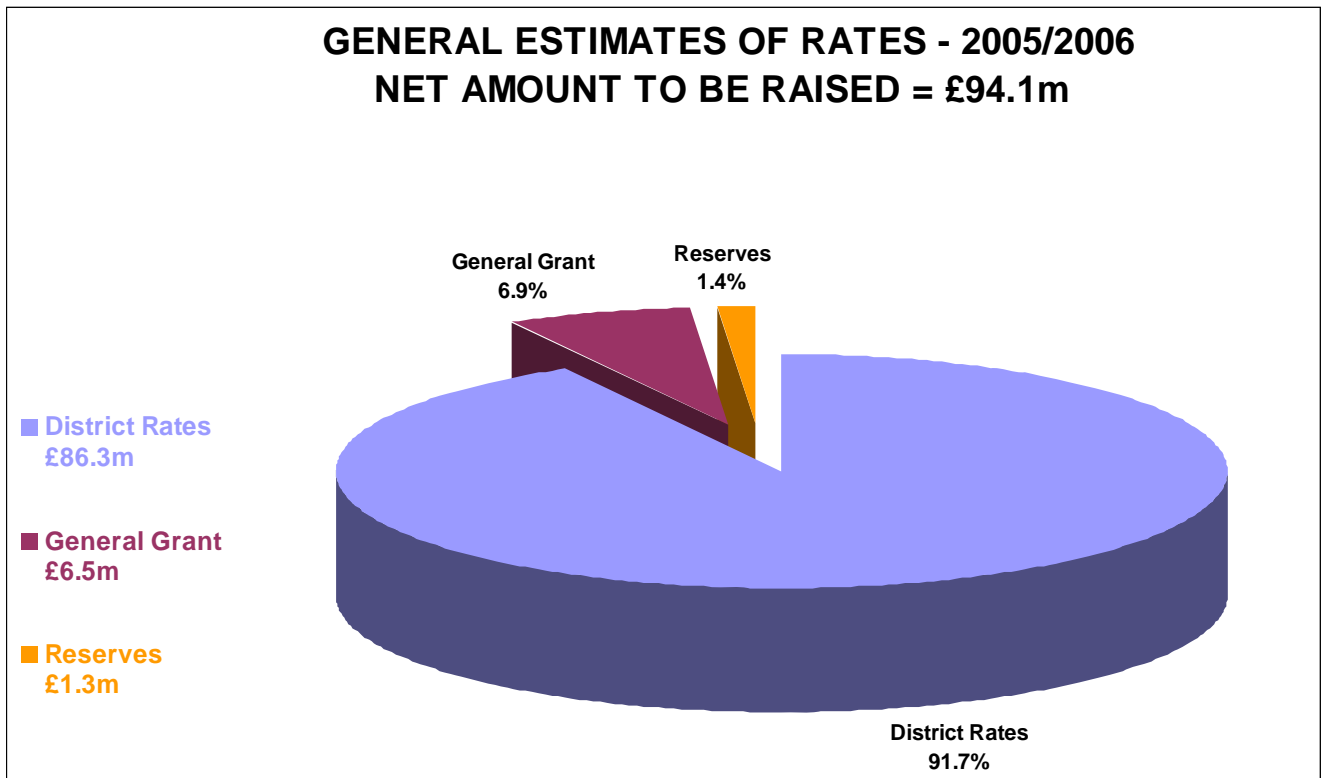
	Population	Net Expenditure £	General Grant £	Balance Applied £	Net Amount to be raised £	Est. Product of 1p Rate	Non-Domestic District Rate p	Growth Factor (NI Average)	Domestic District Rate p
Group 1									
Belfast	271,596	94,098,271	-6,479,190	-1,300,000	86,319,081	4,428,320	19.49	8.0530	156.97
Group 2									
Antrim; Carrickfergus; Lisburn & Newtownabbey	277,576	60,452,601	-5,367,782	-1,105,000	53,979,819	2,842,340	18.99	8.0530	152.94
Group 3									
Ards; Castlereagh; Down & North Down	282,750	55,471,092	-5,541,435	-1,293,795	48,635,862	2,973,212	16.36	8.0530	131.73
Group 4									
Armagh; Banbridge; Craigavon & Newry & Mourne	270,331	58,151,034	-9,416,919	-1,206,000	47,528,115	2,412,930	19.70	8.0530	158.62
Group 5									
Cookstown; Dunagannon; Fermanagh & Omagh	190,347	35,801,299	-8,021,473	-847,867	26,931,959	1,682,260	16.01	8.0530	128.92
Group 6									
Derry; Limavady; Magherafelt & Strabane	219,429	46,319,708	-8,509,522	-828,562	36,981,624	1,853,520	19.95	8.0530	160.67
Group 7									
Ballymena; Ballymoney; Coleraine; Larne & Moyle	190,599	39,972,089	-4,243,997	-75,000	35,653,092	1,958,510	18.20	8.0530	146.60
TOTALS	1,702,628	390,266,094	-47,580,318	-6,656,224	336,029,552	18,151,092	18.51	8.053	149.08

NOTE: NI Average Rates - Non-Domestic 18.51p; Domestic 149.08p

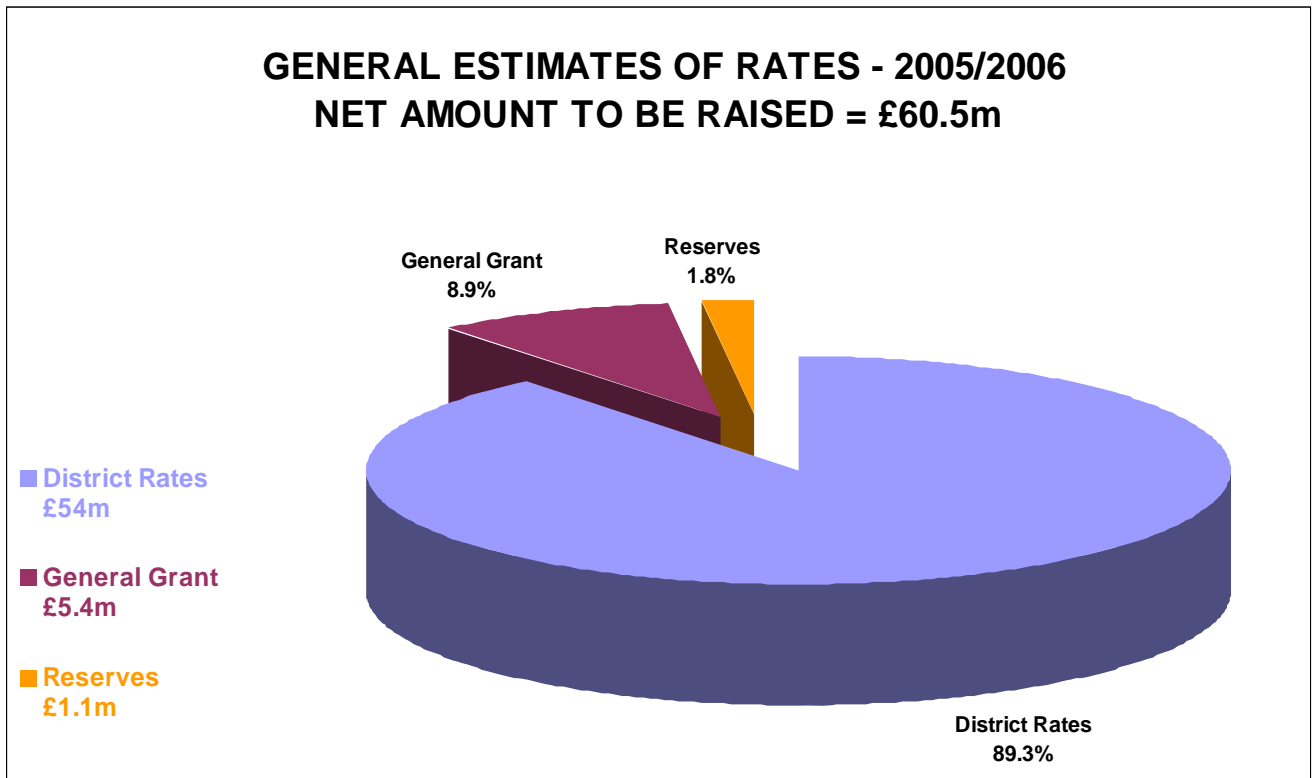
Pie Chart 1 – General Estimate of Rates - Summary of all Councils



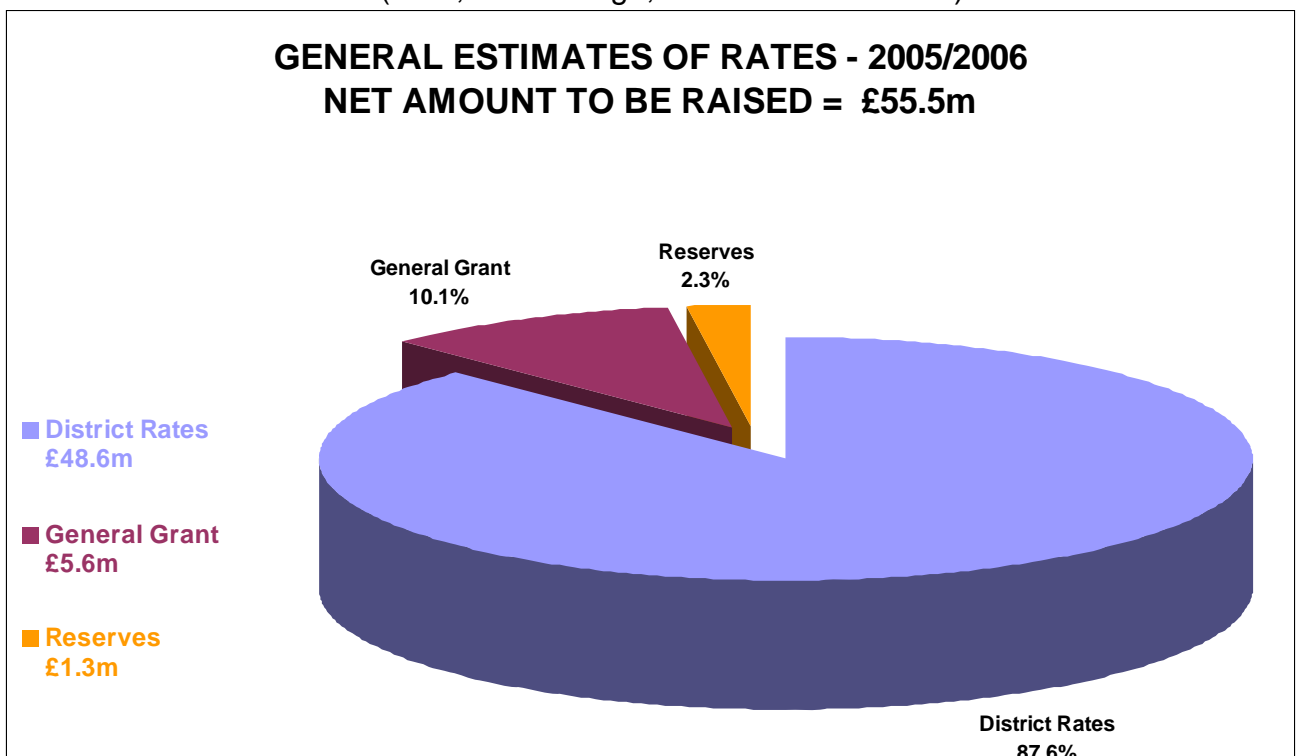
Pie Chart 2 – General Estimate of Rates - Group 1 (Belfast)



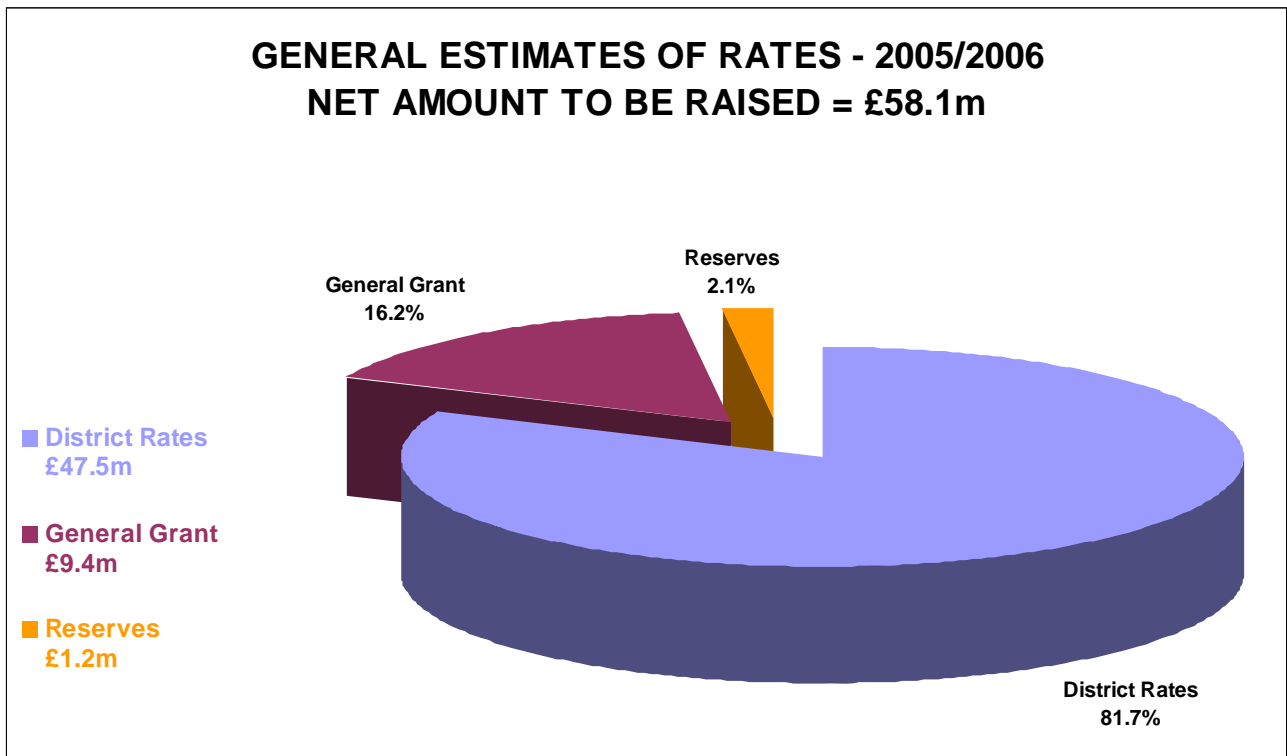
Pie Chart 3 – General Estimate of Rates - Group 2
(Antrim; Carrickfergus; Lisburn & Newtownabbey)



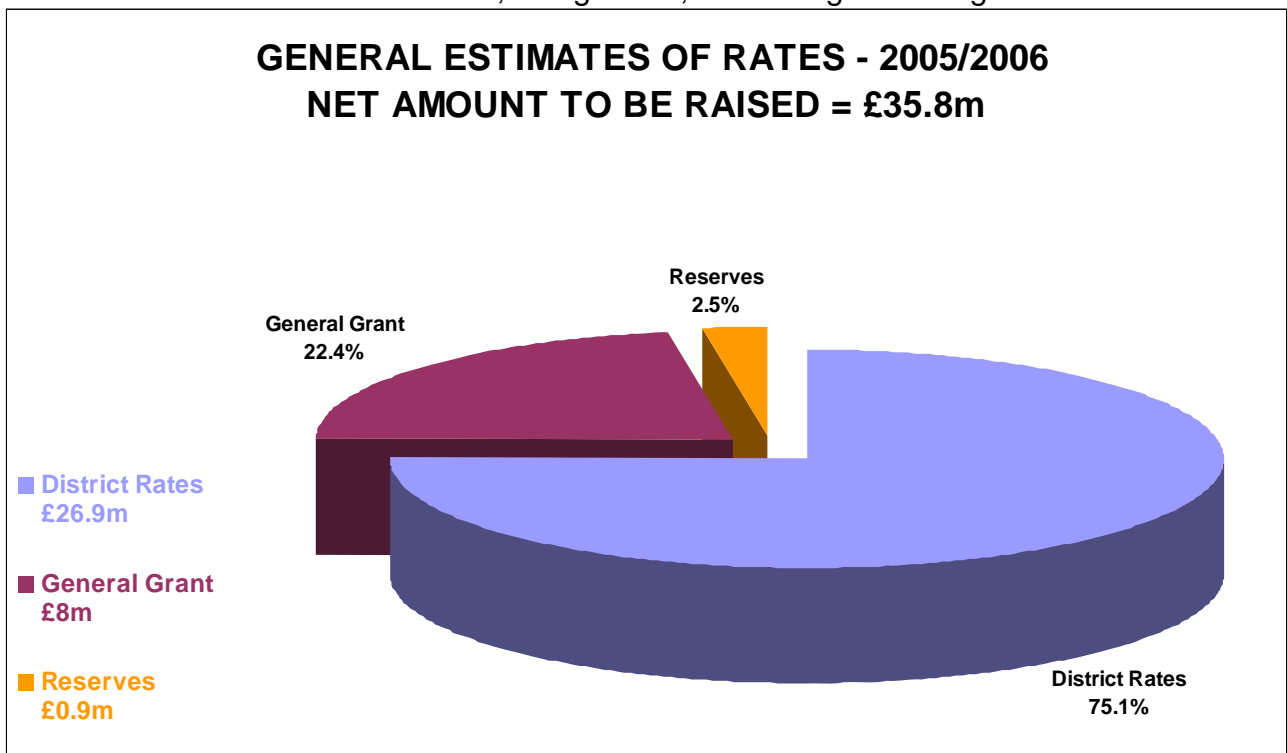
Pie Chart 4 – General Estimate of Rates - Group 3
(Ards; Castlereagh; Down & North Down)



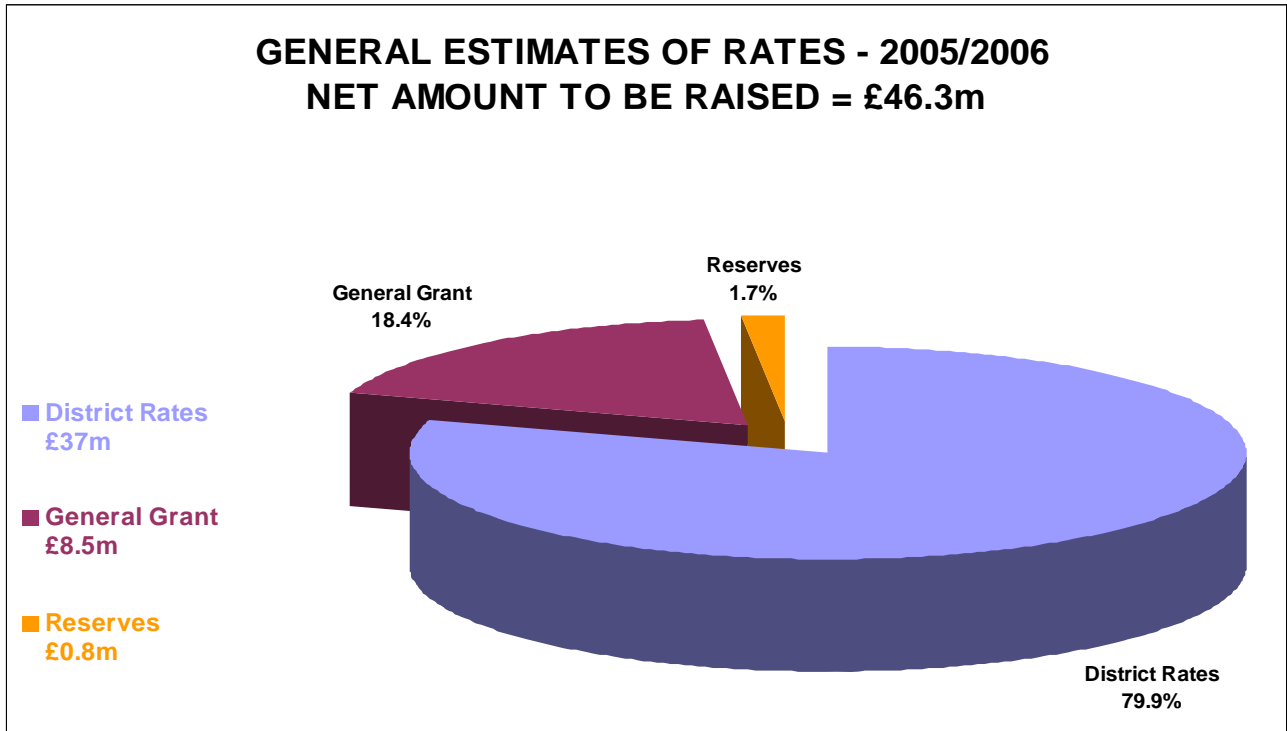
Pie Chart 5 – General Estimate of Rates - Group 4
(Armagh; Banbridge; Craigavon & Newry & Mourne)



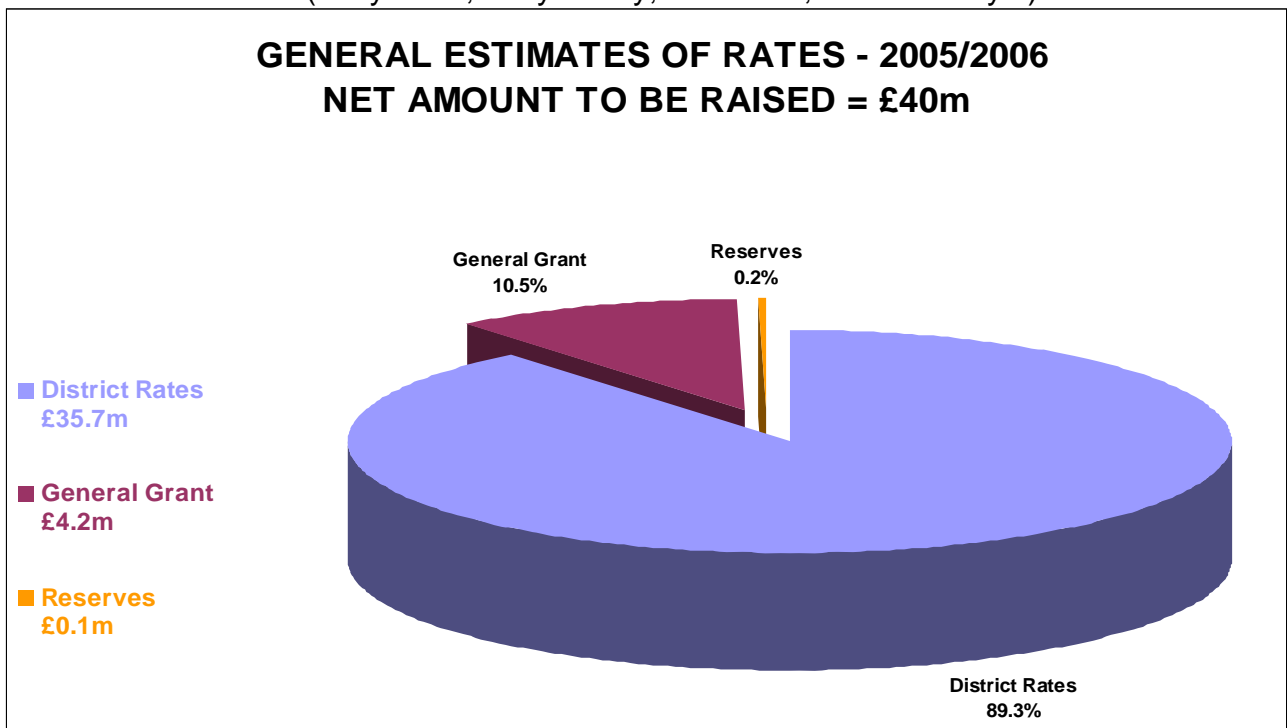
Pie Chart 6 - General Estimate of Rates - Group 5
Cookstown; Dungannon; Fermanagh & Omagh



Pie Chart 7 - General Estimate of Rates - Group 6
(Derry; Limavady; Magherafelt & Strabane)



Pie Chart 8 - General Estimate of Rates - Group 7
(Ballymena; Ballymoney; Coleraine; Larne & Moyle)



3.1.2. General Grant

The Local Government (Miscellaneous Provisions) (Northern Ireland) Order 2002 and The Local Government (General Grant) Regulations (Northern Ireland) 2003 provide for General Grant payments to be made to district councils and the statutory formula for distribution of the resources element of the grant.

The General Grant consists of two distinct elements – a derating element and a resources element.

The derating element, which is a statutory entitlement and payable to all twenty-six district councils, represents compensation for loss of rates income on derated properties. The properties, which are defined in various pieces of legislation made by the Department of Finance and Personnel, are as follows:-

- Sport and Recreation property (currently 80 per cent derated)
- Industrial property (currently 75 per cent derated and being phased out over a period of seven years)
- Freight and Transport property (75 per cent derated)

The resources element of the grant is distributed in accordance with a statutory formula, designed to measure the wealth and needs of each council and is paid only to those councils whose needs exceed their wealth. Wealth is determined by the value of property in the district and needs by adjusted population. Built into the formula are factors to address socio-economic disadvantage; the impact of an influx of population into a district; and sparsity. The formula is targeted to assist the poorer councils and in the current financial year, sixteen of the twenty-six councils are eligible for a share of the funds available which, for 2006/2007 amounts to £19.5 million.

Monthly instalments of both elements of General Grant are paid by the Department of the Environment to district councils (See Tables 5 and 6 below).

Table 5 General Grant Allocations 2005/2006

District	Derating	Resources	Total
Antrim	932,068	0	932,068
Ards	793,767	1,255,948	2,049,715
Armagh	661,165	1,783,504	2,444,669
Ballymena	1,127,190	0	1,127,190
Ballymoney	336,514	1,052,084	1,388,598
Banbridge	473,803	953,758	1,427,561
Belfast	6,409,131	0	6,409,131
Carrickfergus	563,951	264,650	828,601
Castlereagh	700,433	0	700,433
Coleraine	518,886	0	518,886
Cookstown	688,837	972,907	1,661,744
Craigavon	2,337,536	0	2,337,536
Derry	1,315,836	1,276,683	2,592,519
Down	457,780	1,683,189	2,140,969
Dungannon	1,379,379	930,916	2,310,295
Fermanagh	776,276	1,437,935	2,214,211
Larne	481,641	24,202	505,843
Limavady	206,182	1,308,476	1,514,658
Lisburn	1,742,336	0	1,742,336
Magherafelt	611,462	1,466,528	2,077,990
Moyle	158,900	585,645	744,545
Newry & Mourne	1,094,799	2,043,239	3,138,038
Newtownabbey	1,534,687	0	1,534,687
North Down	476,077	0	476,077
Omagh	528,960	1,407,084	1,936,044
Strabane	344,959	2,050,252	2,395,211
Total	26,652,555	20,497,000	47,149,555

Table 6 - General Grant Allocations 2006/2007

District	Derating	Resources	Total
Antrim	827,630	0	827,630
Ards	705,277	1,381,172	2,086,449
Armagh	589,087	1,455,962	2,045,049
Ballymena	997,239	0	997,239
Ballymoney	299,662	915,511	1,215,173
Banbridge	420,756	1,005,136	1,425,892
Belfast	5,750,797	0	5,750,797
Carrickfergus	501,107	369,564	870,671
Castlereagh	620,444	0	620,444
Coleraine	463,913	0	463,913
Cookstown	610,407	890,226	1,500,633
Craigavon	2,069,606	0	2,069,606
Derry	1,170,991	1,188,657	2,359,648
Down	409,551	1,709,521	2,119,072
Dungannon	1,220,794	909,843	2,130,637
Fermanagh	687,778	1,417,182	2,104,960
Larne	433,969	0	433,969
Limavady	185,694	1,266,695	1,452,389
Lisburn	1,544,125	0	1,544,125
Magherafelt	542,087	1,380,881	1,922,968
Moyle	141,412	550,314	691,726
Newry & Mourne	976,299	1,771,737	2,748,036
Newtownabbey	1,358,875	0	1,358,875
North Down	426,171	0	426,171
Omagh	470,300	1,336,901	1,807,201
Strabane	306,295	1,947,698	2,253,993
Total	23,730,266	19,497,000	43,227,266

3.1.3. Specific Grants

Central government departments/Agencies/European Union may provide specific grants, by way of a contribution to local government services. Examples of such grants are, as follows:-

- Tourism Grant (DETI)
- Community Relations Grant (DCAL)
- Waste Management Grant (DOE)

The related legislation and terms and conditions of each grant are the responsibility of individual departments and agencies.

(Note: A comprehensive list of Specific Grants has yet to be drawn up)

3.1.4. Fees and Charges

Fees and charges represent a small source of income for district councils. Fees may be a statutory requirement, for example, article 3 and Schedule 2 of the Local Government (Miscellaneous Provisions) (Northern Ireland) Order 1985 make provision for the determination of fees for licensing of places of entertainment. On the other hand, fees/charges may be introduced and levels may be fixed at the discretion of individual councils, for example entrance fees to leisure centres.

3.2. Capital Expenditure/Receipts

Capital expenditure is incurred by district councils on land; buildings; plant machinery; and vehicles. In accordance with the legislation district councils may, with the approval of the Department of the Environment, establish a capital fund and transfer monies into and out of it. The Department must also approve the application of capital receipts.

Under section 61 of the Local Government Act (Northern Ireland) 1972, councils have borrowing powers. Short-term borrowings can be arranged at the council's discretion but long-term borrowings must fulfil specific criteria and require the approval of the Department of the Environment. Loans may be made from the Consolidated Fund (up to a certain limit) or may be arranged with any of the local banks. (See Table 7 below).

**Table 7 - District Council's Long-Term Borrowings
Position as at 31 March 2005**

Council Groupings	£	Group Total £
GROUP 1		
Belfast	21,381,486	21,381,486
GROUP 2		
Antrim	10,035,964	
Carrickfergus	10,115,848	
Lisburn	21,033,838	
Newtownabbey	29,338,547	70,524,197
GROUP 3		
Ards	16,422,376	
Castlereagh	20,601,212	
Down	8,181,990	
North Down	17,226,137	62,431,715
GROUP 4		
Armagh	20,890,947	
Banbridge	12,907,358	
Craigavon	8,197,888	
Newry & Mourne	19,633,554	61,629,747
GROUP 5		
Cookstown	1,542,818	
Dungannon	1,941,741	
Fermanagh	1,894,181	
Omagh	8,979,169	14,357,909
GROUP 6		
Derry	20,391,622	
Limavady	8,262,064	
Magherafelt	47,848	
Strabane	2,613,259	31,314,793
GROUP 7		
Ballymena	20,050,312	
Ballymoney	5,446,866	
Coleraine	23,219,450	
Larne	6,023,302	
Moyle	6,962,932	61,702,862
Overall Total		323,342,709

3.3. Councillors' Allowances

Section 36 of the Local Government Act (Northern Ireland) 1972 and the Local Government (Payments to Councillors) Regulations (Northern Ireland) 1999 make provision for payments of allowances and expenses to councillors. The Department of the Environment determines the levels of personal allowance and travelling and subsistence allowances. (See Table 8 below)

A review of allowances is currently underway. The Councillors' Remuneration Working Group, an advisory group appointed by the Minister, is expected to report by June 2006.

Table 8 – Summary of Councillors' Allowances – Current Rates

PERSONAL ALLOWANCES	CURRENT ALLOWANCES	
BASIC ALLOWANCE (flat rate per person per annum)	£4,800	
ATTENDANCE ALLOWANCE (in any 24-hour period)	£22	
SPECIAL RESPONSIBILITY ALLOWANCE (per council) (Maximum payable to individual member limited to one fifth of these amounts)	District Council Population	£
	Exceeding: 200,000	44,714
	100,000 -200,000	33,537
	50,000 – 100,000	16,767
	Not exceeding: 50,000	11,180