

**LOCAL GOVERNMENT TASKFORCE
FINANCE SUB-GROUP**

**MEETING HELD ON TUESDAY 23 MAY 2006
AT 10.00am IN ANTRIM CIVIC CENTRE**

MINUTES

Present:	Leo O'Reilly	DFP (Chair)
	Cllr Alan Lawther	Alliance Party
	Cllr Jim White	Democratic Unionist Party
	Cllr Gary Stokes	SDLP
	Dara O'Hagan	Sinn Fein
	David Bell	Chair of ALGFO/Coleraine Borough Council
	Dave Clarke	Ards Borough Council
	Heather Loudon	Belfast City Council
	Joe Campbell	Derry City Council
	Brendan Hegarty	Fermanagh District Council
	Richard Pengelly	DFP – Central Expenditure Division
	Julie Anderson	DFP – Central Expenditure Division
	Peter Aiken	DOE – Central Finance
	Marie Finnegan	DOE – Local Government Division
	Felicity Boyd	DOE – Local Government Division (Legislation)
	Donald Henry	DRD – Finance
	John McNeill	DRD – Roads Service
	Derek Baker	DSD – Resources, Housing and Social Security Group
	Brenda Dickson	DOE - Local Government Division (Secretariat)

Action

Apologies

Apologies were recorded from Cllr Vera McWilliam, UUP; Richard Lewis, Moyle District Council; Trevor Salmon, Belfast City Council; Ian Eagleson, Carrickfergus Borough Council; Brona Slevin, Craigavon Borough Council and John Buchanan, Local Government Audit Office. Leo O'Reilly had to leave the meeting early, and Richard Pengelly chaired the meeting after that.

1. Minutes of meeting held on 15 May 2006

The minutes of the previous meeting were agreed. Members were advised that a website had been set up by the Local Government Reform Unit, DoE, to communicate information about the Taskforce and its sub-groups. A list of members of the Finance Sub-Group and minutes of the meeting held on 25 April 2006 are now available on this website and similar information on other sub-groups is also available. Members were advised that the link for this website would be e-mailed to them for information.

DoE

2. Draft Terms of Reference for the Finance Sub-Group

Dara O'Hagan tabled suggestions for input to the draft Terms of Reference, relating to the statutory duty of equality and she agreed to send an electronic version to the secretariat. The Chair advised that the Equality Unit, OFMDFM had been consulted about the document and their views would be put to members for consideration before the Terms of Reference are finalised. No further comments had been received from other individuals.

DO'H

DFP

3. Identification of Relevant Legislation

Papers were tabled by DoE and DFP which identified legislation relevant to district councils, within central government departments. It was recognised that these papers were summaries and further work would be required.

It was suggested that the legislative provisions could be grouped in a number of main categories eg those relating to councillors, officials, borrowings, grants etc. Comments should then be provided; powers which need to be addressed should be defined; and any gaps should be highlighted. Where legislation had been recently amended there may still be a case to revisit it to ascertain that it was still fit for purpose. It was agreed that this exercise would be undertaken for the meeting scheduled for 6 June 2006.

DoE/

DFP

4. Financing of Local Government Post RPA

The Chair reminded members that it was the group's responsibility to identify the issues and principles relating to future local government financing, by the end of June 2006. Putting a framework in place is the first stage and the group's responsibility and the mechanism for delivery would then have to be developed. He reiterated the importance of individuals' views being reflected in the final report.

Dara O'Hagan tabled suggestions for additional wording to cover statutory equality requirements, for inclusion in the Options paper (LGT/FSG No.7). She agreed to send an electronic version to the secretariat.

DO'H

Main issues discussed by group:

- Central Government retention of revenue raising powers
General discussion took place on the four options outlined in the paper and members were asked to consider if there were any other options that should be included. DFP explained that central government needed to retain some form of revenue raising power and the regional rate was the methodology currently used. It was generally felt by members that the option which included elements of district and regional rate collection, was possibly the best one.
- Mechanism to cover cost of transferring functions
With reference to Option 4 in the paper, there was an understanding among members that the cost of functions to be transferred was currently met from the regional rates and appropriate funding would transfer to councils. Dara O'Hagan and Cllr Lawther queried how functions, currently financed by

central government or income tax, would be funded under a new regime. It was anticipated that the mechanism for transfer from central government would be either from regional rates or in the form of grant. The point was made that, should there be insufficient regional rates income to cover the cost of any service, the balance might require to be funded through a grant regime. Brendan Hegarty asked what the likelihood was of the regional rate covering the cost of functions being transferred. Richard Pengelly indicated that the estimates available showed this was the case, but, as these figures are very broad estimates, he cautioned against their application at this stage.

It was considered that, where a policy is being retained by central government and the operation is being transferred to district councils, specific grants may be more appropriate.

Derek Baker highlighted that there are likely to be some areas where the transfer of funding might not be straightforward due to the differing levels of need between local councils eg grants relating to houses in multiple occupancy.

- Possibility of future requirement for equalisation grant
Dave Clarke queried whether the requirement for future grant would be in the form of specific grants. Marie Finnegan advised that this was most likely, as the General Grant statutory formula would not be an appropriate mechanism. By its nature, it measures councils' wealth against their needs and therefore disqualifies a number of councils from entitlement to a share of the grant. The question of specific grants would require further exploration. Also, the existing formula will need further examination, in the context of a 7-council structure.
- Rate Burden
Cllr Stokes strongly emphasised that the rate burden should not increase. He made the point that ratepayers would not have bought into the RPA had this been the expectation. Members were reminded that the remit of this group was to provide a framework for the future financing of local government and that more information on levels of funding could be considered when available. This principle was accepted, with the understanding that this matter could be revisited.
- Fairness of funding for transferring functions
Dave Clarke suggested that there must be an ability to demonstrate openness and transparency in relation to the costs associated with the functions transferring to councils and until figures were available it was not clear that this would be the case. It was his view that confidence in the process was required. Cllr Lawther suggested that costings should cover a number of years' budgets to ensure that a run-down of investment in services did not occur during the transitional period.

There was also an expectation from some members that any efficiency savings identified through the transfer process would stay within N I block.

- Shadow council expenses
To date, there is no guidance as to how the expenses of shadow councils would be funded during the set-up period. Concerns were expressed that council reserves would be fully utilised during the transitional period, leaving the new councils with a zero carry-forward position. An example used was that of funds normally set aside to cover the cost of the 2009 elections. It is a matter for councils, whether or not they create reserves and decisions would have to be taken as to how reserves should be handled, in due course. Suggestion was made that capping the 'balance applied' figure which councils currently use in rates calculations, might be worth considering, otherwise unrealistically low district rates could be struck in the transitional period. These points were noted.
- Insurance/VAT on transferring functions
It was recognised that central government was self-insured and can recover VAT. This could potentially create additional costs for certain functions transferring. There was agreement that cost differentials would need to be identified and guidance provided.
- Tax raising
Brendan Hegarty raised the issue of tax raising powers. Richard Pengelly explained that alternative / supplementary options for raising local revenues had been identified as a consultation issue during the early stages of the review of rating policy. At that time there was no clear support apparent for alternatives to the rates. He also highlighted that options for alternative sources of local revenues would most likely fall within the responsibilities of HM Treasury, with any change requiring primary legislation at Westminster. Brendan noted this, and added he thought there would be merit in finding some way to differentiate more clearly between local revenues raised by councils for the services they provide, and the revenues raised to support services provided at regional level.

5. Key Issues for discussion at the remaining meetings

The papers listing existing legislation would be taken forward to the second stage (discussed under Agenda item 3). Recommendations about repeals, amendments with enhanced provisions (modernisation); etc should be detailed. This paper should be produced and circulated, as soon as possible, for comment and discussion.

DoE/
DFP

6. Any other Business

None recorded

7. Date and Location of next meeting

It was confirmed that the next meeting would be held in Newry & Mourne Council Offices – Training Suite, on 6 June 2006 @ 2pm. A map and/or directions will be circulated in advance.

DoE

Brenda Dickson
June 2006