

MINISTERIAL STATEMENT

Local Government Reform Programme

Mr Speaker: I have received notice from the Minister of the Environment that he wishes to make a statement on the local government reform programme.

The Minister of the Environment (Mr Poots): I am grateful for the opportunity to make a statement on the local government reform programme and on my intention to launch a short period of stakeholder engagement on the economic appraisal — *[Interruption.]*

Mr Speaker: Order. Members should leave the Chamber in an orderly fashion.

The Minister of the Environment: — of options for local government service delivery that I am publishing today.

Members will be aware of speculation in the media, in councils and in the corridors of the Assembly that the local government reform programme will not proceed; that it is too costly to implement; that it will not yield significant savings for taxpayers and ratepayers; that it no longer makes sense in difficult economic times; and that insufficient time is available between now and May 2011 to implement the move to 11 new councils.

(Mr Deputy Speaker [Mr Dallat] in the Chair)

Today, I want to scotch those rumours. First, I want to make it clear to Members, to our colleagues on councils and to the public that local government reform is proceeding and that I am committed to delivering that programme successfully. Secondly, I want to demonstrate that we have made, and are making, real progress in implementing local government reform. Finally, by publishing the economic appraisal of options for local government service delivery today, I want to demonstrate that, if we make the right political choices on the detailed design of new local government, proceeding with its reform makes sense, because it will improve efficiency, effectiveness and value for money.

Members will recall that my predecessor Arlene Foster announced the Executive's decisions on the future of local government in a statement to the Assembly on 31 March 2008. She announced that the 26 councils would be rationalised to 11 new councils that would take on a significant range of

functions from central government and other bodies in May 2011. She also announced that the new councils would need a new statute-based community planning process and that, working within a new statutory governance framework, they would have available a power of well-being. Importantly, Arlene set out the Executive's vision of local government, and that vision bears repeating today:

“our vision is of a strong, dynamic local government that creates vibrant, healthy, prosperous, safe and sustainable communities that have the needs of all citizens at their core. Central to that vision is the provision of high-quality, efficient services that respond to people's needs and continuously improve over time.” — [Official Report, Bound Volume 29, p2, col 1].

That vision resonates with the Executive's Programme for Government and strategic priorities. It is even more relevant now that there are difficult economic times than it was 18 months ago.

Where do I and my Executive colleagues stand on the reform of local government some 18 months after the Executive made those decisions? There should be no doubt in anyone's mind that, in order to deliver strong, effective local government and improve services for all citizens, the Executive mean to deliver local government reform in May 2011. I am fully committed to ensuring that that happens because, as a long-standing councillor, I understand the potential of local government.

The reform programme can and will unlock that potential and enable local councils to become effective local champions that respond to the aspirations and concerns of their communities, and, in partnership with others, guide the future development of their areas.

4.30 pm

Since the Executive took those decisions in March 2008, my predecessors and I have worked hard to ensure that the necessary policy, legislation and practical arrangements are put in place to create the new 11 councils in May 2011 and to transfer a significant range of central government functions and staff to local government. In doing so, we have worked closely with the Northern Ireland Local Government Association, the five main political parties and the existing councils to prepare the way for the change.

The strategic leadership board, which I chair, supported by three politically led policy development panels, has agreed a suite of policies and processes to underpin the development and operation of the 11 new councils. That work has underpinned the development of the four Bills that I will take through the Assembly in the course of the next 18 months, which will provide for the

creation of the new councils; put in place new governance mechanisms; provide for fair and effective decision-making; create a new performance management and ethical standards regime; provide new powers of community planning and well-being; and transfer reformed planning functions to local government.

The first of those Bills, the Local Government (Miscellaneous Provisions) Bill, is already before the Assembly and has just completed its Committee Stage. I thank the Committee for its effective, rational and timely response. I very much look forward to the Consideration Stage debate in this Chamber in the not-too-distant future. The second Bill, the local government finance Bill, will modernise the financial framework within which local government works. It is currently being consulted on. I look forward to introducing that Bill to the Assembly early next spring.

The final two Bills will give effect to the reorganisation of local government and to the reform and transfer of planning functions. As Members will know, I have just completed a period of intensive and wide-ranging consultation on planning reform. I will consider the outcome of that consultation before I bring detailed legislative proposals before the Executive for agreement.

Policy proposals for local government reorganisation are currently before the Executive. Subject to the Executive's agreement, I propose to publish those proposals for consultation in November. I will also bring Bills through the Assembly on nuisance hedges and on a clean neighbourhoods agenda, two issues in which local government will have a significant role to play. I intend to bring those Bills before the Assembly next summer.

I have considered the report of the Local Government Boundaries Commission and have issued a paper to the Executive. Subject to the Executive's agreement, the final report, the draft Order and the statement about modifications will be laid before this Assembly. My intention is that that order should be debated before the Christmas recess. If it is approved by Members, it will take effect at the next local government election.

Members will also know that we have established and provided a range of guidance to voluntary transition committees across the 11 council groups, and that those committees have driven forward the implementation programme at local level. I will take time to visit each and every transition committee of the merging councils in the coming weeks to brief them on the progress of the programme of change, to thank them for the efforts that they have made in preparing the way for the new councils and to encourage them to continue to do so. I have already had the pleasure of visiting three transition committees and have been impressed by the work that they are doing to prepare the way

for the creation of the new councils. None of us underestimates the complexity and difficulty of the task that lies ahead.

I have also established negotiating machinery — the local government reform joint forum — to enable the employer organisations that are affected by the programme to come together with trade unions to negotiate and agree the detailed arrangements for dealing with staffing issues that arise from the change process. That forum is making rapid progress in addressing and agreeing some of the most complex change-management issues that we face in taking forward this programme.

We have made good progress in addressing a wide range of policy, legislative and practical arrangements for delivering the programme. I pay tribute to my predecessors and all others who were involved in the regional and local implementation machinery for what has already been achieved.

I have also been working with my colleagues on the strategic leadership board to conduct a full economic appraisal of the options for local government service delivery. In January 2009, PricewaterhouseCoopers (PWC) was commissioned by the strategic leadership board to identify the operational arrangements of the functions to be transferred from central to local government, and those currently delivered, on a group basis, by local government.

PWC was also required to analyse the proposed operating models for delivering functions after the May 2011 transfer. In taking forward that work, PWC identified and assessed options for the delivery of local government services and made preliminary recommendations on a preferred option to the strategic leadership board in July.

The key recommendations arising from the phase 1 report were: the adoption of a design approach to the development of a consistent operating model for the new councils, giving local government a unique opportunity to design a purpose-built solution for Northern Ireland; that a full economic appraisal should be conducted on the shortlisting options for the design of operating models in the new councils; that the definition of each option in the economic appraisal should articulate the associated role and responsibilities of transition committees, the key elements of support that each committee will be offered, and the key actions; dependencies and milestones on the overall implementation plan for which transitional committees will be responsible; and that decisions should be taken on the design of appropriate regional structures for local government in Northern Ireland.

The phase 1 report was accepted by the strategic leadership board on 3 July 2009 and is available on my Department's website. PWC then moved to the second phase of its assignment, which it completed and presented to the strategic leadership board last week for initial discussion. However, my colleagues and I on that board felt that it was important to widen the debate on the report's recommendations by seeking the views of key stakeholders.

That is why I am publishing that report today and have arranged for copies to be made available to Members. It will be placed on the Department of the Environment's (DOE) website and will be made available to a wide range of stakeholders who have an interest in local government reform. I intend to allow six weeks for stakeholders to consider and discuss the report and to submit their views to me on its recommendations.

I will also seek the views of my Executive colleagues, most notably the Ministers who are responsible for the functions that are due to transfer to local government in May 2011. I will also discuss the report with my colleague the Minister of Finance and Personnel to explore the implementation and longer-term funding options that may be available to the Executive, with a view to putting detailed proposals to the Executive towards the end of the year.

For the most part, Members will not have had an opportunity to consider the report. However, I encourage all of them to do so. I want to take the opportunity to set out the report's core recommendations, which include 11 new councils in Northern Ireland, each of which will deliver the full range of local government services. Current group-working arrangements for environmental health and building control will cease, and each council will develop a self-contained capacity to deliver those services. A regional business services organisation will be formed that is wholly owned, operated and run by local government, which will enable collaborative solutions across local government. A single waste disposal authority wholly owned and operated by local government will be created, aimed at delivering efficiencies in future procurement and contract-management activities.

The report creates a new local government association that revitalises the representation of local councils; it enhances the Northern Ireland Audit Office to reflect its new role of monitoring the new comprehensive performance-management framework for local government; and that of the Northern Ireland Ombudsman's role to reflect its monitoring of a code of ethics for councillors. The report recognises that such a scale of change cannot be delivered overnight and that the transformation process will not end in May 2011 with the creation of the 11 new councils, but will continue up to 2015.

The report also recognises that change of such a scale and complexity does not happen without significant, upfront investment. PWC has taken a prudent approach to its estimated costs and the benefits of implementing the programme. Its estimates of implementation costs are likely to be on the high side, and, conversely, estimates of savings may be on the low side.

The report concludes that the programme delivery will require an up-front investment, at today's prices, of approximately £118 million over a five-year period. However, that investment will deliver projected savings of £438 million, again at today's prices, over a 25-year period. Under the preferred option that is set out in the report, the reform programme will begin to realise a reduction in local government operating costs by 2013-14, with the break-even point on the return on the initial investment being reached by 2016-17. That makes economic sense, and it represents long-term value for citizens, ratepayers and taxpayers.

I shall pick out two of the recommendations and explore them in a little more detail. The first is the proposed single waste disposal authority. I pay tribute to the work of the three waste management groups in bringing us this far in dealing with our municipal waste. Nevertheless, the single waste disposal authority is a better model to take us on the remainder of that journey.

Reducing, reusing, recycling and managing waste effectively are the most important environmental challenges that we face. Unless we learn to recognise our waste for what it is — a valuable resource — and manage it effectively, we run the risk of damaging our environment and economy and of placing a huge financial burden on families throughout Northern Ireland as a result of European Union infraction fines that could amount to £500,000 a day.

It is my long-held view that the best way to meet those challenges is through a single waste disposal authority. There are three reasons for that. First, a single waste disposal authority would ensure that there is a strategic approach to waste management, and it would make the best use of that valuable resource. In addition, a single corporate body that is accountable to the new councils would establish a clear and transparent line of authority. Working on behalf of those councils, the authority would seek to reduce the amount of waste that is generated and to maximise reuse, recycling and recovery. It would also manage waste in a way that minimises its impact on the environment and on public health.

Secondly, a single waste disposal authority would ensure that ratepayers receive the best value for money, driving efficiencies in future waste management procurement procedures and in managing waste handling contracts. The three waste management groups have achieved efficiencies

already, working on a subregional basis. A single waste disposal authority could build on those efficiencies by encouraging Northern Ireland-wide competition in the waste market.

Thirdly, a single waste disposal authority could promote the best and most practical environmentally sensitive solutions to waste management. Working on behalf of the councils, it would, by its nature, be responsive to the needs of individual councils and the ratepayers that they represent. It would have a responsibility to take on board the real concerns that people have about various types of waste treatment facilities and to promote the highest sustainability standards. At the same time, a single authority would recognise our collective responsibility to ensure that Northern Ireland people are not faced with the environmental and financial consequences of failing to manage waste effectively.

It is too early to set out details of the structure of the single waste authority, but there are some obvious characteristics that I believe it should have. First and foremost, it would be a local government organisation that is accountable to, and includes representation from, the 11 councils. It would be a mandatory, joint committee of the councils, and it would be incorporated. Such an authority would take on the responsibilities of the existing waste management groups, including managing existing waste contracts and procuring new contracts as necessary. The body would have the necessary specialist expertise to ensure that it achieves the highest procurement standards, and it would be a centre of procurement excellence. Finally, it would be a lean structure that is designed to deliver efficient services with low overheads.

The proposal for a single waste disposal authority cannot, and will not, put current infrastructure procurement processes at risk in any way. The ongoing infrastructure development programme will proceed to completion, and, on its establishment, the contracts will move to the new authority.

4.45 pm

The second recommendation that I want to highlight is the proposed business services organisation. The report proposes the establishment of a business services organisation whose key characteristics are that it is wholly owned, operated and governed by local government and that should deliver a range of collaborative solutions across local government. There are a number of functional areas where it is likely that the councils will be able to gain financial efficiencies and service improvements through collaboration with other councils in the design and implementation of shared solutions.

It is recommended that the new business organisation should lead on the design and implementation of collaborative solutions for local government. Councils will be fully involved in the design of the most appropriate solution for each of the functional areas that is selected for collaborative delivery. There should be no fixed approach to the design of collaborative regional solutions across local government. Approaches to service delivery that should be adopted by the business service organisation include: a network of council-based resources; lead councils; centres of excellence; shared service centres; public sector solutions; and commercial providers. It will be the responsibility of the business service organisation to agree the most appropriate solution, or range of solutions, for the provision of each service and to negotiate and agree with the 11 councils how and by what means that service might be delivered.

On the question of collaborative working, it strikes me that there are, potentially, areas to which the new councils could give early consideration, especially the new planning functions. I encourage stakeholders, in considering this report, to think about the possibility of collaboration in delivering citizen-facing planning functions.

The report's recommendations offer the opportunity to deliver a world-class, cutting-edge, effective, efficient and value-for-money system of local government in Northern Ireland. I strongly encourage Members, and all local government stakeholders, to consider the report fully and carefully and let me know their views by the end of November. I am particularly keen to hear from the political parties, the Northern Ireland Local Government Association (NILGA), the Society of Local Authority Chief Executives (SOLACE), the councils and the transition committees. I also welcome the views of other interested stakeholders.

This is a uniquely challenging change process to manage and deliver and no one involved underestimates the challenges. However, I am confident that, by working together, we will achieve our goals of creating 11 strong and effective councils in May 2011 and of transforming the way in which those councils and the local government sector operate by 2015. The Executive believe that the local government reform programme will yield real benefits for citizens, ratepayers and taxpayers. The reforms will produce better performing, stronger and more effective councils to deliver real improvements in services to local communities.

The economic appraisal published today clearly demonstrates how that can be achieved and what the benefits will be. That is what the programme is about, and that is what I intend to deliver.

The Chairperson of the Committee for the Environment (Mrs D Kelly): I thank the Minister for his statement and his commitment to strong, effective local government, which is something that all Members wish to secure. I thank him also for his remarks in relation to the work of the Committee. Through the programme of Bills that he intends to bring before the House over the year, he has given the Committee a very challenging programme of work. However, we look forward to ensuring that the legislation is robust and delivered in a timely fashion.

The costs of the implementation of the proposals will be a major concern for Committee members of all parties and are particularly concerning for ratepayers. Some £90 million has already been spent on the review of public administration (RPA). As I understand it, the Minister's statement referred to costs of £118 million and £130 million; we need clarity as to which represents the total cost. Does that cost include the £90 million, or is it an additional cost? At what stage will the Minister seek commitment from the Finance Minister that those costs will be met, in part or in total, by the central Government, as opposed to by the local councils?

Given the challenge of the timescale, are the proposals predicated on the Executive's acceptance of the boundary change recommendations, and when will those be tabled at the Executive?

The Minister of the Environment: I thank the Member for her questions and for the commitment of the Environment Committee in helping to drive the programme through by dealing with the legislative process. I recognise that a heavy burden is being placed on the Committee, but it is the public's desire that the Assembly work hard. The Committee will have to deal with six Bills related to one particular issue, and with other Bills, as will I; that is a demonstration that the Assembly is working hard. There might not be anyone outside listening to that, but nonetheless it is a fact.

Of the £90 million that was referred to, £75 million was associated with health reform and has nothing to do with this programme. This programme has to do with local government. The cost is £118 million. We believe that that estimate is at the upper end, and the cost is likely to come in lower than that. The savings are identified at £438 million. Again, that is at the lower end, and we believe that the savings could be considerably greater. The difference between £438 million and £118 million is £320 million, and that is the benefit to the taxpayers and ratepayers.

The fact is that this is being hit up front, so how do we work out a scheme to deal with it? I will be in negotiations with the Finance Minister. However, what happened previously in other parts of the United Kingdom was that

government loans were given to local authorities and, once they started to generate savings, those loans were paid back over a period at a preferential interest rate. That has to be negotiated. I will have my negotiations with the Minister and local government, and I will consult the House on the best way forward in respect of finance. Nothing is set in stone at this point, but I have indicated the route that was taken in the rest of the UK.

Mr Weir: I thank the Minister for his very comprehensive statement and, indeed, for the very sensible road map that has been put forward for the progress of the RPA and service delivery.

Will the Minister take an open-minded approach to the structure of the three regional service organisations — the single waste authority, the business service organisation, and the local government association — and any linkages between them, in order to ensure that service delivery is efficient and flexible? Also, when looking at the suite of services that could go into a business service organisation, will the Minister take cognisance of the evaluation of the experience in Scotland, which showed that a number of services did not lend themselves particularly well to shared services, but that some shared services were implemented very successfully?

The Minister of the Environment: If the reform is to work, it is essential that it be supported. Buy-in is needed from local government in order to gain its support. Local government will establish what it wants from a central business service office and will make the decision to buy those services for its district. That decision will be taken when there are identifiable and considerable savings to be made in the local government area. If local government chooses not to buy those services in and has greater costs for delivering them locally, it will be depriving its ratepayers financially by having to raise rates to meet the services, or it will be denying them of some other service.

There will be a common sense and logical approach to this. I believe that most local government organisations will want to buy into it, but we need to put it before them and for them to take that decision themselves.

Mr Boylan: Go raibh maith agat, a LeasCheann Comhairle. Cuirim fáilte roimh ráiteas an Aire.. I welcome the Minister's statement.

The Minister paid tribute to the three groups that are already there and have carried out much valuable work in implementing waste strategies and plans.

The Minister will also recognise that there is an element of doubt about the benefits of change, and there are concerns about the waste strategy in

particular. In the Minister's statement, he said that PricewaterhouseCoopers' estimates of cash savings are likely to be on the low side, but, in the following paragraph, he said that there are projected savings over a 25-year period. However, I am not convinced.

Given that the report has no firm indications of any possible significant savings, will the Minister outline how the proposals for a single waste authority will facilitate the ongoing work of the three waste management groups and allow them the autonomy to deliver their individual strategies, meet pressing EU targets and avoid the EU infractions that he mentioned in his statement?

The Minister of the Environment: I paid a sincere tribute to the three waste management organisations that have delivered since they were established. We have been operating under a 26-council model. It would have been impossible for 26 councils to feed into a single waste authority, but it is possible for 11 councils to do that, and to do so reasonably. Members have heard a fair degree of criticism over the past weeks about how much we spend on consultants, for example. We have three waste authorities, and each of those has had to buy in expertise from consultants. If the costs incurred by one of those authorities are multiplied by three, one will see the total cost to the public. Therefore, it is common sense to opt for a single waste disposal authority, with one procurement exercise and one management body. I recognise the fears that have been expressed by the Member, but, in establishing a single waste disposal authority, it is important that there is local influence and buy-in and that local areas are involved in the implementation of local decision-making processes that are right for the local area. Waste does not travel, and, for the most part, it has to be dealt with locally.

In establishing a regional authority rather than a subregional authority, let us not move away from a model that provides a strong local influence to the outcomes. I am happy to discuss the issue with the Committee for the Environment or with Members. It is imperative that we get the right model, which delivers for taxpayers and ratepayers, and one which provides waste solutions locally.

Mr Deputy Speaker: I remind Members that questions should be reasonably short.

Mr Beggs: Does the Minister acknowledge that the devolution of planning to local government will be crucial in enabling new councils to have a key local relevance? I am thinking about local planning decisions, local area plans and the development of community planning, and so forth. Will those roles be devolved by 2011? Given the decision not to have shadow councils, how will

new councillors be trained in preparation for their first day when they will have to make such decisions?

The Minister of the Environment: Ninety-nine per cent of planning decisions will be made by local councils. Strategic decisions will continue to be made at planning headquarters, on behalf of the DOE, but all major and small planning applications will be dealt with by local authorities.

The training of staff is part of the programme of work that the transition committees will address. The DOE will assist the transition committees in providing them with support and advice on how best to train individuals, and we will seek to identify the best way forward in conjunction with the strategic leadership board, which, I understand, the Member will join soon. I recognise that, if councillors' functions are to be changed, there is a need to train councillors who wish to stand for re-election.

Mr Ford: I thank the Minister for his statement, and, as a member of the Committee for the Environment, I thank him for his compliment to the Committee. He gave a considerable rundown of the work that has been achieved to date. Will he inform the House whether he will feel the need to add any financial issues to the Local Government (Miscellaneous Provisions) Bill when it reaches its Consideration Stage? Given the work that still has to be done, is the Minister satisfied with the operation, so far, of all 11 transition committees?

There is a strong economic case for a single waste management organisation, as can be seen from the context in which the Minister set out his argument. Will the Minister assure the House that a single organisation will be more successful in meeting the needs of waste disposal than, for example, Arc21 has been when dealing with Belfast City Council?

5.00 pm

The Minister of the Environment: I understand what the Member said, but I do not wish to decry the work of Arc21.

The Department has been set high standards to be achieved across Northern Ireland. Indeed, just seven years ago, less than 5% of municipal waste was recycled, and today more than 30% is recycled, which is a sixfold increase and an indication of a success story. I am proud of the successes that have taken place, and I will not allow people to decry the work that has been done, or the achievements that have been made. The Department will drive the issue forward, and it will seek to find the best local solutions to waste generally and to municipal waste in particular.

Mr I McCrea: I also welcome the Minister's statement. He stated that the transition committees will train the new councillors. Will he outline any other roles that the statutory transition committees will have in the implementation of the reform programme?

The Minister of the Environment: The transition committees have a hugely important role to play, particularly as they move to a statutory footing.

Mr Ford wanted to know how well the transitional committees are working, and I can tell him that some are working very well, while others have some catching up to do. However, those committees recognise that, and as the change managers come into position, a great deal of that work will fall into place quickly.

One of the essential tasks that the transition committees will carry out is the appointment of the senior management teams of the new councils, including the new chief executives. They will also have the task of identifying the future income and expenditure of the new councils, and will set the rates for 2011-12. Effectively, in the last year of the existing council arrangements, the transition committees will be the body that will ensure the smooth transition from the 26-council model to the new 11-council model.

The responsibility that is being placed on the transition committees is huge. Those who are involved in that work are undertaking a significant role that will make a very real and positive contribution to creating a more efficient and better form of local government in Northern Ireland.

Mr McKay: Go raibh maith agat, a LeasCheann Comhairle. I declare an interest as a member of Ballymoney Borough Council.

I thank the Minister for his statement. How will he ensure that no potential contractors who are involved in the tendering process will be discouraged with the introduction of the new governance arrangements? Will he particularly give that assurance about the proposed single waste authority?

The Minister of the Environment: There is certainly no shortage of contractors who wish to become involved, which is evident from the bidding and procurement regimes. Whatever bids are made in a procurement exercise, and whoever is eventually successful in being awarded a contract will find that that contract, will be honoured. Furthermore, there will be no divergence from the contracts that are established.

A single management process will be established for a region as opposed to a subregion, but there is no hidden agenda. A subregional method has been

used so far to award those contracts, but that process can be managed more efficiently on a regional basis, and that will reduce the cost to the ratepayers. There is no hidden agenda and contractors have nothing to fear.

Mr Craig: I also welcome the Minister's statement, and I declare an interest not only as a member of Lisburn City Council but as the chairman of the Castlereagh/Lisburn transition committee.

Will the Minister outline the timetable for the drawing up of legislation for a legislative transition committee? Furthermore, does the Minister have any plans to legislate for a transition committee for Belfast City Council, as its strategic policy and resources committee is attempting to carry out that function?

The Minister of the Environment: The establishment of the statutory committees is dealt with in the Local Government (Miscellaneous Provisions) Bill, which has just gone through Committee Stage. The legislation will be completed before Christmas, and we will be ready to move to the statutory transition committees in the new year.

As regards the Belfast transition committee, I have made some minor modifications to the Boundary Commission report, which will go to the Executive. On the basis of the Executive accepting those modifications and moving forward, we will be in a position to look at the Belfast transition committee subsuming substantial chunks of Castlereagh and Lisburn council areas. Therefore, the ratepayers in those areas will have to be entitled to have their voices heard on the establishment of the new Belfast City Council, as it will not be the same Belfast City Council but a greatly expanded Belfast City Council. Ratepayers in both areas that will become part of that council area should have their voices heard and recognised through their public representatives.

Mr Kinahan: I congratulate the Minister for his commitment, and I congratulate both him and his Department for all their hard work.

I welcome the idea of a business service organisation and the answer he has already given on that. However, I need to tease that out a little bit more. Will the need for financial benefits in having some form of central expertise for the legal, insurance and consultancy work be within that business service organisation, and how does he see that working? Will pressure have to be put on councils to ensure that they do not do things in their own way? It looks as though the Minister is giving the organisation most of the tasks to do and that, therefore, councillors may be waiting another four years before they get the work that they are expecting.

The Minister of the Environment: I think that that will be the case. Indeed, areas such as human resources and payrolls, where there is no particular necessity for them to be carried out by the local area, could be added. Someone asked whether the organisation needs to be in Belfast, and I said no, it could be in Derrylin, because it provides and shares information, and, therefore, it does not need to be based in the capital city. Again, an exercise will be carried out to identify the best location.

There are huge advantages in all of this, although they will probably not be delivered by 2011, but some time thereafter; and this area will deliver significant cost benefits to the local authorities.

Mr Gallagher: The Minister has tied up a number of loose ends regarding the reorganisation of councils that have been outstanding for some time. Some questions arise as the result of the report and, in particular, about the implications for ratepayers. The PWC report refers to additional costs of £119 million and, indeed, underlines key works such as that the full additional costs will be passed from central government to local government. In other words, they will be passed to the ratepayers. Another page is devoted to the convergence of the rates in each of the new 11 councils. In Fermanagh's case, for example, it is noticeable that the rate will go up by around 20%, while that in Omagh will drop by about 20%.

If the Minister will ensure that the three new organisations at the centre are based in Fermanagh, it might help to offset the ill effects. If not, can he give us an assurance for councils that will be negatively affected by the new rating arrangements? Will there be any other cushion from central government?

Mr Deputy Speaker: There were loads of questions there, Minister.

The Minister of the Environment: It was a very good speech. I have demonstrated how much I think of County Fermanagh: I was instrumental in delivering the Waterways Ireland headquarters to Enniskillen, so I would not necessarily oppose those three organisations being based in County Fermanagh.

I suspect that, when the Member says that the £118 million of costs will be a burden on the ratepayers, he would not want central government taking any of the £438 million of savings from local government. We need to facilitate the period between the costs kicking in and the savings kicking in so that no burden falls on the ratepayers in the intervening period and so that costs can be met through the savings made. That can be achieved, and there will be considerable long-term benefits as councils may not have to increase rates by

so much because identifiable savings have been made as a result of what we are doing today.

The Member refers to an issue with which I suspect the Finance Minister will have to deal: in some council areas rates will have to increase considerably, while in others they will decrease considerably. My thought on that — I am not the Finance Minister — is that it would be impossible to deliver that in one year and that there must be a period of convergence that would be acceptable to ratepayers. That is something that my ministerial colleague Sammy Wilson will have to consider, but my immediate thought is that a new council could not be established successfully if ratepayers were being hit with a 20% rate rise in the first year of that council. That would be hugely detrimental to the entire process.

Mr Molloy: Go raibh maith agat. I thank the Minister for his statement; it is very appropriate. I declare an interest as a local government representative and also as a member of the Southern Waste Management Partnership (SWaMP), one of the regional waste management authorities. The Minister said that a single waste management authority would promote a more practical, environmentally sensitive solution, but it would also incorporate Arc21 and its incinerator into that solution. How can he equate those two things? SWaMP and the north-west group have been able to provide a solution that does not include incineration. It would be a retrograde step to amalgamate the three waste management groups into one.

Will the business services organisation that the Minister mentioned be a local government-owned association or company? How will the waste management organisation and the services organisation be constructed with regard to democratic accountability?

The Minister of the Environment: In relation to the waste management process, I would dearly love Northern Ireland to be able to reuse and recycle all its waste; however, I do not think we will be in that situation in the foreseeable future. There are other treatments, such as anaerobic digestion and mechanical biological treatments, but energy from waste has to be considered. The alternative to energy from waste is dumping waste in landfills, and that will come at a considerable cost to the taxpayer and ratepayer. There will be a charge of £72 per ton of waste that goes to landfill. We have to consider those situations and come to logical conclusions.

Were an energy-from-waste proposal to be the logical conclusion for a particular area or areas, then that decision would have to be taken. We do not need to make decisions today on the Floor of the House on how exactly we

should handle our waste. We have a problem that must be dealt with, and we must deal with it and get our heads around it.

5.15 pm

The business services organisation that was referred to will be a council-owned organisation that will be answerable to local authorities, with representatives from each local authority. Given the nature of Northern Ireland, it must be ensured that each sector of Northern Ireland is represented on such bodies and that the organisations have cross-party membership in order to work effectively.

Mr B McCrea: I do not doubt the Minister's personal commitment to the project. I will be interested to see whether the projected savings can be trapped; 25 years is a fairly long time, even in politics, and we are being asked to spend £118 million to save £438 million. It is not yet entirely clear how that will be paid for in the early stages.

I take on board the Minister's suggestion that some discussion will take place with DFP, but surely ratepayers in one existing council will pay lower rates than those in another council, and I am interested to know how the Minister will deal with that disparity.

I note that the report mentions that some modifications may be made to the Boundary Commission's proposals. What does the Minister have in mind? Do those new proposals have cross-party support, and are there any knock-on implications for elections?

The Minister of the Environment: The Member raised a number of issues. He is right to say that 25 years is a long time; he may even have received his free TV licence by then and not only his free bus pass. We will have to negotiate with the Department of Finance and Personnel to identify a solution to finding the £118 million. Central government may make the entire contribution or part of it, local government may make the full contribution, or it may be a combination. Loans, through which councils borrow at very favourable rates and start to pay back the loan when they are financially better off as a result of the savings that are made, may be sanctioned. All that must be worked out.

The Member also identified the issue of convergence. That is a separate and distinct issue that must be resolved among the councils. Mr Gallagher rightly identified that the largest difference is in the new Fermanagh/Omagh council area.

I took on board the lobbying that took place on behalf of the residents of Dunmurry on the boundary changes, through the submission that was made to the Executive. I identified a stronger boundary than the one that was included in the Local Government Boundaries Commissioner's proposal. Modest modifications have been made. For example, the civic offices in Castlereagh will remain in the Castlereagh council area, and the leisure development to the Dundonald side will be in the Belfast council area.

Mr Deputy Speaker: Minister, if Members' questions get any longer, we will all receive free TV licences by the time we are finished.

Mr O'Loan: I thank the Minister for his substantial and detailed statement. I wish to follow up on a question that Tommy Gallagher asked. If the proposals go through, several new bodies will be created. Will the Minister guarantee that those bodies will be located outside Belfast?

The Minister of the Environment: I cannot guarantee that, because I will not be making that decision. That will be a decision for local government organisations. I would always give respect to democratically elected politicians and their ability to make their own decisions. I am not a dictator. I tend to listen to people and try to arrive at common-sense decisions. I will leave it to the good people who will set up that body and who will buy its services to identify the best location for its office.

Mr B Wilson: I thank the Minister for his statement, but I found it to be rather disappointing, particularly its financial projections. Would the Minister not agree that savings of £17 million per annum fall far short of previous projected savings that would be made from the reform of local government?

The decision to set up councils in 2011 and increase powers until 2015 sounds a bit like Prior's rolling devolution, which never rolled. Can the Minister give a timetable for the transfer of powers up to 2015?

The Minister of the Environment: I am sorry that the Member is disappointed. However, he is, apparently, confused. Perhaps, that has led to some of his disappointment.

Powers will be transferred in 2011. However, some services that councils will buy in will not be available until later. Therefore, there is an interim period in which those councils must establish those services themselves in conjunction with DOE.

As regards savings, the Department has worked out prudent figures. I expect that ratepayers will be considerably better off. It is better to be prudent

than to come out with silly, outlandish figures that, perhaps, were previously in the ether and which the Member has bought into. I never bought into those figures. I welcome the fact that the way forward is realistic.

Mr Elliott: I thank the Minister for his statement. I wonder whether consideration was given to making efficiency savings under option 1 — maintaining the status quo. The Minister mentioned the increase in waste recycling from 6% to 30%, which clearly indicates the current local government system's positives. Has genuine thought been given to making efficiency savings in the current system, including, perhaps, the waste disposal proposals that have come out of that?

The Minister of the Environment: That was not part of work in which PricewaterhouseCoopers was engaged. Obviously, the councils have been around for 36 or 37 years. Joined-up working and identifiable savings were implemented when there were three subregional bodies to deal with waste. There has been joined-up local government in building control and environmental health, although those are possibly not two of the best examples of local authorities working together. Therefore, that period has allowed those efficiencies to be demonstrated, and PricewaterhouseCoopers did not have to do a stream of work on it.

The Department is moving ahead with the 11-council model that has been proposed. We want to identify the best way to proceed under that 11-council model.

Mr A Maginness: I welcome the Minister's comprehensive presentation. It contains a number of interesting features. The single waste disposal authority, in particular, is attractive. However, the Assembly would certainly have to consider the details of it before it could give its approval.

The Minister mentioned a saving of £438 million over 25 years. I believe that that works out at around £17.5 million each year for local councils. Yet, upfront investment of £118 million is needed over five years, which represents around £23 million each year. Does being asked to pay a lot of money initially for little return, profit or saving over an extended period of 25 years not place an unfair burden on local government?

The Minister of the Environment: There is certainly a debate to be had on that matter. I have no doubt that local government will make that case, and it will be included in our discussions with the Finance Minister. If the House and the Executive decide that they wish to contribute to the matter, such a decision will be accommodated. However, Members should remember that the review of local government is not about cost savings exclusively; the

transfer of functions is a considerable element of the reforms. I believe that the functions proposed for transfer to local government will be better delivered by local government; they will be delivered closer to the people; and that will give the councillors who represent those people greater powers and greater ability to represent the views of constituents at local level.

We have identified that there are significant financial benefits. However, leaving finance to one side, it can be seen that the transfer of powers and functions is of even greater benefit to the local communities. That is a key element that we should never lose sight of. It is one thing to talk about money, but service delivery is the greater prize to be achieved. I encourage all my colleagues to go for the greater prize and to deliver a better service of local government to the local community at a lower cost. I hope that the House is with me on that.

Mr Lunn: In his own words, the Minister has scotched the rumours that have been rife for the past few months about what is going to happen in local government. It is good to have that clarification.

As most of the questions have been asked, I will take a risk and ask the Minister about something that was not in his statement but is of massive interest to a lot of elderly local councillors. I am sure that the Minister knows what is coming. Will he tell us anything about the severance arrangements for local councillors? I declare an interest.

The Minister of the Environment: I think that Trevor Lunn is far too young to be stepping down from local government, but if that is his choice, so be it.

For some time, I have been engaging with Paul Goggins, who is responsible for elections, by-elections, co-options and so on. We have been trying to come to an arrangement that would allow us to proceed with severance arrangements. Paul Goggins has put forward proposals that will be put to public consultation. The proposals will enable us to proceed with some form of severance arrangements in the next financial year; in other words, the last year of the existing councils. That is something that we will most likely proceed with.

I am sympathetic to the notion of severance pay for retiring councillors. The media questioned me earlier on that issue. Sometimes, I cannot get over the level of resentment towards giving a retiring councillor £15,000 or £20,000, and yet nobody cares about senior officers on councils getting £200,000 or £300,000.

I have huge respect for people who served in local government with, on many occasions, very few responsibilities, at great risk to themselves, and at great loss to their families over a long period of time. Many of those people, across the parties, are the salt of the earth and did it purely for public service. Given that almost a quarter of council places are being lost, I am fully convinced that many of the councillors who wish to retire, having given such good service, are as entitled to some form of compensation as the senior directors who will be losing their jobs as a result of the review of local government. I make no apologies for that.