

Local Government Paper on Funding Contribution to the Reform Programme

Agenda Item: 4

Summary: This paper provides a summary of the views obtained from councils and Transition Committees regarding possible funding contributions towards the Reform Programme by Local Government.

Action Required: Minister to consider proposed principles.

BACKGROUND

1. Given the current financial climate and budgetary constraints, the Finance Minister has indicated that the Reform process should be entirely funded by Local Government.
2. The Department of Finance and Personnel (DFP) reiterated at the recent RTCG meeting that there are extreme budgetary constraints on the Executive and a compelling case will have to be made as to why funding for reorganisation should take precedence over the other major Programme for Government priorities.
3. It is the Environment Minister's view that an element of funding from both central and local government is provided for the Reform process, with possibility for central government contributing to restructuring costs and Local Government contributing to initiatives where benefits and savings will be realised by councils.
4. At the Strategic Leadership Board on the 9 December 2009 the Minister requested that the views of Councils and Transition Committees should be sought regarding Local Government contributing towards the Reform process.

VIEWS OF LOCAL GOVERNMENT

5. Subsequent to the SLB meeting in December, a letter from NILGA was sent to Councils and Transition Committees to ascertain their views on contributing financially to the Reform Programme.
6. There were a variety of views expressed.
 - The majority of responses indicate that the RPA should be cost neutral to the ratepayer.
 - There is a strong view across the sector that central government should honour the initial basis of the RPA proposals and fund Local Government reform, as was the case in Health and Education.
 - Some responses agree that local government should cover some of the reform costs, specifically where there a clear direct benefit to local government is accrued.
 - Some responses indicate that it would not be appropriate for councils to fund the costs relating to councillor severance and transfer of functions.
 - Some councils expressed the view that there must be a centrally funded equalisation grant.
 - Some councils agreed that loans to councils from central government would provide an appropriate funding mechanism, with repayments to be made once savings are generated.
7. The above views were fully debated at the NILGA Full Members Meeting held in January 2010. There were 57 members at the meeting where all member councils and Chief Executives were represented. At the meeting, based on the above views, members agreed the following principles.

AGREED PRINCIPLES

8. There is a strong view across the sector that Central Government should honour the initial basis of the RPA proposals and fund the Local Government reform process. If councils are required to contribute to reform costs, this should only be on the basis of the following principles.

PRINCIPLES

1. The reform process should be cost neutral to the rate payer as promised at the outset of the reform process and that any rate rises to the ratepayer must be avoided.
2. Where there is no financial benefit to local government, costs should be met by Central Government.
3. Councils may make a contribution where benefits will be accrued. Contribution should be apportioned based on the level of benefit gained.
4. Central Government should fund activities where equity across the sector is required (e.g. Elected Member and Officer Severance Schemes).
5. The final programme costs and the apportionment must be negotiated based on a robust and mutually agreed business case.
6. The final programme costs must be affordable.
7. Repayment of any loans from central government to local government should only be considered when councils have made demonstrable savings.

It was noted that 3 members voted against the proposal, preferring instead to take the view that councils would not be prepared to make a contribution.

RECOMMENDATION

12. Local Government welcomes the views of the Minister. It is recommended that further more detailed financial models are developed and that Central and Local government continue negotiations based on the above principles.

**Prepared by NILGA on behalf of Local Government
February 2010**