Northern Ireland
Assembly

COMMITTEE FOR THE ENVIRONMENT

OFFICIAL REPORT
(Hansard)

Local Government (Finance) Bill

16 September 2010

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:
Mr Cathal Boylan (Chairperson)
Mr Patsy McGlone (Deputy Chairperson)
Mr Roy Beggs
Mr Thomas Buchanan
Mr Trevor Clarke
Mr Willie Clarke
Mr Danny Kinahan
Mr Alastair Ross
Mr Peter Weir
Mr Brian Wilson

Witnesses:

Mr Joe Campbell	)	Association of Local Government Finance Officers
Mr Robert Dowey	)	
Councillor Sean McPeake	)	Northern Ireland Local Government Association
Councillor Evelyne Robinson	)	
Ms Brona Slevin	)	

The Chairperson (Mr Boylan):

We will now receive a presentation from representatives from the Northern Ireland Local Government Association (NILGA) and the Association of Local Government Finance Officers (ALGFO). I welcome Councillor Evelyn Robinson, NILGA president elect; Councillor Sean

McPeake, NILGA vice president; Robert Dowey from Newry and Mourne District Council; Brona Slevin from Craigavon Borough Council; and Joe Campbell from Derry City Council. It is a joint presentation, so whoever wants to start off can do so. Because it is a joint presentation, I will allow 10 to 15 minutes and will then open it up to questions. Thank you very much.

Councillor Evelyn Robinson (Northern Ireland Local Government Association): Thank you very much. I am Councillor Evelyn Robinson, and I understand from what is written here that I am the NILGA president elect. I am also a DUP councillor in Ballymoney. Thank you very much for having us here this morning; we are happy to be here to answer all of your questions. With me this morning are Councillor Sean McPeake, who is the NILGA vice president; Mr Joe Campbell, the chair of the Association of Local Government Finance Officers; Ms Brona Slevin; and Mr Robert Dowey.

Committee members have a copy of NILGA's written submission, and we do not propose to go over that in detail. However, there are two issues we wish to highlight. I will highlight the first issue on behalf of NILGA and Mr McPeake will highlight the second one. After that, we will hand over to our finance officer colleagues who will take the rest of the presentation. The first issue concerns the proposed local government (reorganisation) Bill and the associated new governance framework for councillors. As you know, the aim of the Local Government (Finance) Bill is, in part, to modernise the current legislative framework relating to local government finance. NILGA members broadly welcome the proposals but consider that they should not be taken in isolation from proposals that will be contained in the local government (reorganisation) Bill. That Bill will also provide more modern powers for district councils.

When the finance Bill was first introduced, local government was moving towards the 11-council model as part of the local government reform. The Executive decided that that will not now happen in May 2011. The legislation to support that change to 11 councils is to be included as part of the local government (reorganisation) Bill. That is also delayed, pending the decision on the timing of the reform programme.

The reorganisation Bill, however, also contained other proposals that are not dependent on the 11-council model. I refer specifically to provisions to introduce a new governance framework for councils. NILGA members are strongly of the view that a new governance framework needs to be in place to complement the provisions in the finance Bill. Illustrating that point, clause 1(2) of the finance Bill requires a council to designate an officer of the council as its chief financial officer. Given the complexity of the local government accounting framework, NILGA members consider that, in line with the Chartered Institute of Public Finance and Accountancy (CIPFA) guidance, legislation should require the designation of a chief financial officer and the separation of the chief executive and chief financial officer roles.

Of course, all of that will be included in the reorganisation Bill. This supports the policy developed under the reform programme by policy development panel A, and is likely to form part of the new governance framework. Those provisions should not change the position of the chief executive as the accounting officer, they merely relate to improved governance arrangements through the segregation of duties.

We understand that, subject to Executive agreement, it is anticipated that consultation on the reorganisation Bill will commence in the autumn. We urge Committee members to do whatever they can to expedite that, so that an appropriate governance framework will be in place for councils to support the provisions of the Local Government (Finance) Bill.

Councillor Sean McPeake (Northern Ireland Local Government Association): I will address the social-clause element in the Local Government (Finance) Bill. From our written response to the consultation, the Committee will see that we recommended the inclusion of social clauses in public procurement contracts. The Committee will know that social clauses are requirements in public procurement contracts that stipulate that they should provide adequate social value — for example, a contract that will lead to new employment and ensure the employment of people from the local community who are long-term unemployed. The Committee will also know that the Executive have already committed to using government procurement to further their social objectives in the Programme for Government.

We understand that the Department proposes to create an Order, using the powers available in the Local Government (Best Value) Act (Northern Ireland) 2002, that will enable councils to include social clauses in their procurement contracts to the extent that they are necessary or expedient to achieve best value. The Department has indicated that, due to the legislative time frames, it will be some time before those will be implemented. However, NILGA strongly urges that that work should be completed as soon as possible, particularly given the backdrop of the current economic climate.

Mr J Campbell (Association of Local Government Finance Officers): I want to begin by thanking the Chairman and members of the Committee for the Environment for inviting the Association of Local Government Finance Officers to give oral evidence today. We are pleased to form a joint deputation with NILGA. At the outset, I want to reiterate the fact that we welcome the introduction of the 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, particularly its provisions on the capital finance system, aims to give greater financial freedom to Northern Ireland local authorities, and we urge that that greater freedom will not be constrained through the use of regulations. We are pleased that the Department has indicated that there will be consultation on any subordinate legislation. We also feel that there should be adequate legislative provision to support important new initiatives and models for service delivery in the future and urge for that to be clarified as soon as possible. That provision would include powers to participate in public-private partnerships (PPPs), public finance initiatives (PFI) or local asset-backed vehicles, and it is envisaged that those types of initiatives may be required for councils to put in place arrangements for service delivery models, such as waste management collaboration, and to effectively manage their assets.

We also support the point made by NILGA that a new governance framework needs to be put in place to complement the provisions in the Local Government (Finance) Bill. That is necessary given the complexity of the local government accounting framework and the need to be in line with the CIPFA guidance that legislation should require the designation of a chief financial officer — as the Bill does — and the separation of the chief executive and the chief financial officer roles.

Under clause 1(2), it is, therefore, noted and welcomed that the Department proposes to take forward the separation of the role of chief executive and chief financial officer in the forthcoming local government (reorganisation) Bill, although we ask where that Bill now sits, given the decision to defer the implementation of RPA.

ALGFO strongly supports that separation, particularly in the light of the responsibilities that the Bill places on a chief financial officer. That includes, under clause 4, submitting a report on the robustness of the estimates of a council, reporting to a council on the adequacy of financial reserves, which is clause 6, and reviewing a council's affordable borrowing limit, which is clause 13. Those are specific financial responsibilities, which should be the remit of a council's chief financial officer.

Good governance would indicate that that role should be separate from that of chief executive. The chief financial officer's role deals largely with financial accountability, and it does not impact on the chief executive, who remains the accountable officer for councils.

ALGFO supports NILGA's recommendation that the Local Government (Finance) Bill should include provision for the inclusion of social clauses in local government procurement along the lines proposed for central government procurement. The association provided a written submission, which contains a lot of our detailed comments on specific clauses. However, I want to highlight two clauses. Clause 7 provides for specified reserves to be designated as controlled reserves. In the spirit of greater financial freedom, no reserves should be designated by the Department as controlled reserves. That is the case in GB, and the same should apply in Northern Ireland.

We have Chief Local Government Auditor guidance on the level of reserves that should be held. That guidance is being implemented voluntarily by local government, and it stipulates that we must have a minimum of 5% of our district funds reserves. The objective that would be achieved by specifying reserves to be designated as controlled reserves can be achieved on that voluntary basis. There should be no designated controlled reserves at this stage.

Clause 27 concerns the rates support grant. Had RPA gone ahead, the association would have advocated that the formula for distributing the general grant resources, which is called the rates support grant in the Bill, be reviewed. In addition, the resources for the rates support grant should be ring-fenced. We accept the financial constraints that all Government Departments are under, but were disappointed by the 5% cut at the start of the 2010-11 financial year and the further 5·9% in-year cut at the end of July. Those cuts impact on only the poorest councils.

The association broadly welcomes the Bill, thanks the Committee for the opportunity to make a presentation and thanks members for listening.

The Chairperson:

Thank you very much. Members, officials from the Department of the Environment (DOE) will brief the Committee on the local government auditor on 21 October 2010, when we will get a clearer line about controlled reserves.

Do all councils support the separation of the chief executive and the chief financial officer?

Mr J Campbell:

The finance officers' association certainly supports that, and the Bill recommends that the roles should be separated. For members' information, three of the district councils currently have that separation in place. For example, I am the chief financial officer of Derry City Council as opposed to the chief executive. Likewise, in Belfast City Council and, more recently, in Craigavon Borough council there is separation. The relationship works very well. It is not about the chief executive being subordinate to the chief financial officer; it is about a good working relationship that leads to good governance. It is also a recommendation of CIPFA.

The Chairperson:

Is the designation of that finance officer done at local government level?

Mr J Campbell:

It is made at local government level. As I said, we have shared our response with the Society of Local Authority Chief Executives (SOLACE), which is aware of our position. Our response has also been shared with NILGA, the representatives of which will give their position on that today.

The Chairperson:

In relation to the PPPs and PFIs, there is provision within the Local Government (Miscellaneous Provisions) Act 2010. Are you content with that, or are you asking whether that will be robust enough?

Mr J Campbell:

I know that our in-house solicitor will always have concerns about something that is dealt with in a general way, because there is always the possibility of uncertainty when it comes to implementing or using the guidance or legislation. We are simply flagging up the view that local government needs to have as much financial flexibility as possible going forward, particularly in the areas of asset management and collaboration. We do not want to find that, when the time comes to do something, we do not have the legislative basis on which to do it. We are not saying that it is not there, we are just making sure that, as part of the passage of the Local Government (Finance) Bill, there are no gaps.

The Chairperson:

I would like you to expand on controlled reserves. Perhaps you could comment on that, Joe. Social clauses have obviously worked elsewhere. Are you saying, Mr McPeake, that we have no time to include that in the legislation?

Councillor McPeake:

That is the indication that we were getting, but we ask and encourage the Committee to endeavour to include it at the earliest opportunity because, given the economic situation that we are facing at the moment, with high levels of unemployment etc, we need that flexibility to be built in so that the long-term unemployed can be utilised in a way that benefits them and local government. I am not sure about the timetable for that.

The Chairperson:

Will you expand a bit on the controlled resources, as, obviously, they are working elsewhere?

Mr J Campbell:

To take the GB legislation, on which the Local Government (Finance) Bill is largely based, our understanding is that no council reserves in GB have been designated as controlled reserves. Last year, particularly with the run-up to the RPA that was working to a timetable of 2011, the councils voluntarily agreed that they would aim to keep their district fund reserve, which is the main council reserve, at 5% of their budget. That largely achieved their objective to set a controlled reserve. We have controlled reserves under the 1972 Act. If we want to borrow, we have to seek DOE consent. Likewise, if we want to apply funds from the capital fund, we must seek DOE consent. We argue that, in the spirit of greater financial freedom, which is the Bill's objective, controlled reserves are not necessary. There is sufficient provision in the Bill if something has to be done in particular situations.

The Chairperson:

Before I open the meeting to questions, I welcome Mr Trevor Clarke back to this Committee.

Mr McGlone:

Thank you, ladies and gentlemen, for your presentation. You will forgive me, Mr Campbell: my knowledge of councils' financial dealings will be far surpassed by yours. You mentioned financial freedom in having no reserves designated as controlled reserves. Will you boil that down to what that means in practice for the workability of a council and what that allows a council to do?

Mr J Campbell:

It would mean a council having complete freedom to decide how its reserves — the capital fund, the repair and renewals, and any other reserves that it sets — should be applied in its own area. At the moment, those reserves, through the 1972 Act, are largely controlled, and councils must seek the consent of the DOE to apply them. Very rarely would a council seek consent to find that it would be denied. However, under the new legislation, councils would have more control over their finances and how they apply them to their local areas.

Mr McGlone:

Could we work out the flip side, because we have had experiences here with expenditure, not all of them good? What about the reasoned control of that expenditure?

Mr J Campbell:

Again, the Bill makes adequate provision for that.

Mr McGlone:

I know that it will give the kick-in powers, after the event.

Mr J Campbell:

My answer is that with greater freedom comes greater financial responsibility —

Mr McGlone:

It goes back to people such as you.

Mr J Campbell:

That is why the position of the chief financial officer is key. The chief financial officer will have to submit a report to the council on the robustness of the estimate. He or she will have to submit a report on the adequacy of the reserves. So, if there is an issue, the onus will be on that chief financial officer to flag that up and make the council fully aware of it. Likewise, if councils are overstretching in their borrowing, under clause 6 the chief financial officer will have to review the council's affordable borrowing limit and advise the council whether it is affordable.

Mr McGlone:

I hear entirely what Councillor McPeake is saying about social clauses. We come from more or less the one area and know many of the same people. Do you concede that the social clause could wind up missing many of the short-term unemployed who would bring great skills to, say, the construction industry? I have no problem with endorsing the social clause in principle; the long-term bit sounds fine to me. However, it could miss out some of the really good workers who you and I know — neighbours and friends of ours, who are unemployed because of the crisis. I have no problem at a personal level with endorsing a social contract that deals with the unemployed full stop and takes advantage of that skill base.

Councillor McPeake:

I entirely agree with you, Patsy. There has to be that flexibility built in, too. I suppose that the social clauses that are being rolled out by the Department are geared towards the long-term unemployed. However, you are right; it could be tweaked to allow flexibility. We do not want to hamstring ourselves with a threshold that the unemployed must cross to take advantage of that social contract. You are absolutely right to flag that up, and I hope that you take it on board. We would have no problem with that. I think that it would be a good idea.

The Chairperson:

We will hand over to our resident expert in these matters, Mr Weir.

Mr Weir:

Thank you, Mr Boylan, and thank you for the heavy use of sarcasm.

The Chairperson:

Do not record that bit.

Mr Weir:

I take on board what has been said in connection with this. I suppose that the only distinction between the short-term and the long-term unemployed is that there could be a danger of firms doing a bit of a fiddle. For instance, they could lay off staff on a Friday and rehire them a week later, claiming that they are recruiting a certain number of unemployed people for their businesses. Those issues need to be weighed up.

The Chairperson and Patsy have covered some of the points, to some extent. I suppose that a lot of the provisions relating to local government finances were drafted at a time when it looked as though the RPA was going ahead. If the RPA goes ahead at a later stage, there is one area in which I can see some role for controlled reserves. Some anxiety was expressed that, where a range of councils merge, and if there is no control on reserves or expenditure, there will be a race for a range of legacy projects. The idea would be that the councils would commit to big capital projects and the wider area would pick up the tab. Is there any provision outside the controlled reserves that would prevent that sort of thing happening at some stage?

Mr Robert Dowey (Northern Ireland Local Government Association):
What councils do or commit themselves to when they are separate councils will have no impact on the Bill. That had been going on, to a degree, and that was one reason why the auditors recommended a 5% threshold. That threshold was to stop money being sifted out of reserves, particularly the general fund. If councils were to commit themselves to big projects, which some seem to have attempted to do prior to reorganisation, the issue would have to be politically thrashed out when the councils came together, because the contracts were still going to be there. The situation is slightly different when there is new legislation, because a new council or existing councils will have to take it on. Therefore it is difficult to envisage that happening.

Mr Weir:
Perhaps I have a wee bit of cynicism. If people see something more concrete in a bigger picture, some councils will be tempted to spend or commit themselves heavily to capital knowing that the tab, to some extent, will be shared elsewhere. If we were to eliminate the clause on controlled reserves, for instance, would it be a question of simply saying that it should go completely? Should a milder provision be put in? If there was no reference to controlled reserves, for instance, could there be wording to the effect that the council would be required to take cognisance of any advice from the Chief Local Government Auditor? That would be a milder form of wording that could, potentially, alleviate worries without having the hands-tied quality of controlled reserves.

Mr J Campbell:

That has happened already with the district fund reserve, which is councils' key revenue reserve. We have signed up voluntarily to 5%. That was largely based on the guidance from the Chief Local Government Auditor. No doubt, when it comes to reviewing the councils' affordable borrowing limit, the robustness of the estimate and the other provisions that protect the overall finances, the auditor will have his view on that. If the auditor thinks that councils are overstretching and taking on capital projects in the run-up to the review of public administration, I am sure that he will be quick to comment on that.

Mr Weir:

On a different topic, I understand where you are coming from as regards the general grant. However, do you think that it is realistic to say that the general grant should be ring-fenced? Without getting into a political argument, the broad financial situation is one in which an avalanche is coming over the hill from Westminster. Presumably, that will mean that very little within government will be protected through ring-fencing. I understand the desire to defend the general grant, because its removal would have a direct impact on ratepayers and taxpayers. However, do you think that it is realistic to argue that it should be ring-fenced?

Mr J Campbell:

First and foremost, we fully appreciate the severe constraints that public finances are under. Indeed, the situation will get worse. We recognise the economic climate that we are all in. The resources grant was ring-fenced for many years. It was kept at a certain level, and councils that were in receipt of general grant resources could, at least, plan within their estimates. Our concern, as finance officers in the local government sector, is the large degree of uncertainty. We were advised fairly late last year that it would be cut by 5%, and we have had a further 5·9% cut in year. We are all starting to prepare our estimates for 2011-12, but we do not know what the financial resources will be for next year.

Although everything has to be looked at, the general grant resources are targeted at the councils that have the greatest need; the grant does not apply to all councils. Targeting the grant effectively impacts upon councils that have already been recognised as needing the general grant resources in order to keep their rates at a certain level.

Mr Weir:

It may be useful if you could supply us with a paper rather than giving a verbal answer. You said, understandably, that, if the general grant is to continue into the future, the formula needs to be reviewed. Everyone accepts that any formula needs to be reviewed from time to time. You may not be making a judgement that the current formula is wrong, but are there elements of the formula that you think are wrong? If you have specific ideas in that regard, it may be useful for you to supply those to the Committee.

Mr J Campbell:

I would not go as far as to say that the formula is wrong. However, we recognise that the general grant resources, which will be called the rate support grant in the new Finance Bill, are based on expenditure and a number of other factors, such as targeting social need, the influx of population and sparsity. We are saying that, had the RPA gone ahead and led to a lot more functions being transferring from central government to councils, the formula would have had to be reviewed. We are not saying that there is anything wrong with the formula necessarily, but a time when significant change was being made to local government would have been an appropriate time to carry out a review.

Mr W Clarke:

Thanks very much for your contribution. I want clarification on social clauses in procurement. At present, councils can build social clauses into major contracts. I declare an interest as a member of Down District Council. We managed to build social clauses into the contracts for our new administration centre. It might relate to one long-term unemployed worker for the period of the contract rather than many. Do you want it to be compulsory to build in social clauses, whether they relate to the long-term unemployed or apprenticeships?

I am very much in favour of that. On the point that was made about short-term and long-term unemployment, I am strongly of the view that such measures have to be used to tackle long-term unemployment, particularly in areas of deprivation and areas of neighbourhood renewal, where there is a stigma attached to unemployment and health damage to people who are long-term unemployed. I speak as someone who was long-term unemployed during the late-1980s, so I know at first hand how difficult it is to get a job after having been unemployed for a long time. We need to focus the measures.

As Mr Weir said, the system could be manipulated, and firms could lay people off two months before their contract has been announced and then bring them back on. Social clauses improve the situation if you bring in that provision for the long-term unemployed, because people are more likely to take the people in the neighbourhood than to bring them from outside. Under European law, firms could bring unemployed people from Poland to do the contract, but they are less likely to do that if the social clause includes a provision for the long-term unemployed; they are more likely to take people from their neighbourhood. Will you clarify that please?

Councillor McPeake:
Personally, I was unaware that Down District Council had availed itself of that provision. I would be interested to hear how it did that, because it was NILGA's understanding that that power was not available to local government. I have heard of instances in Derry for example, where that provision has been built in to some of the projects that the Department is doing there, such as the new bridge. We would like to see that provision made compulsory.

I take the point that Mr Weir made, that the system could perhaps be open to manipulation, but there are ways around that. There would have to be a certain cut-off date, so that someone could not be made redundant one week and employed the next. There are bound to be ways of putting in a threshold. The principle should be established that those who are unemployed need to be looked after and to be able to avail themselves of employment opportunities in local government projects. That is the general point that I will make at this stage. It is up to the Committee to tease out the possibilities around that. I would be interested to hear later about your experiences in Down. That is the first that we in NILGA have heard of it.

Mr B Wilson:
Thank you for your presentation. Will you clarify something? I am concerned about the relationship between a chief executive, who remains the accounting officer, and the chief finance officer. Who is responsible for finance in the end? What is the relationship there?

Mr J Campbell:
Clearly, the chief executive is the accountable officer for a council. There is no getting away from that. We advocate — in line with CIPFA guidance — that for good governance, and particularly because of the specific financial responsibilities in the Bill, the chief financial officer's responsibilities should be separate from the responsibilities of the chief executive. That

is not to say that the chief executive is not responsible for finance. The chief executive is responsible for finance, just like everything else, but from a good governance point of view, particularly given the statements that I have already outlined that the chief financial officer has to make to council in accordance with the Bill, we are saying that the chief financial officer role should be separate from the chief executive role. Within local government, as I have already outlined, that separation has already taken place in three councils. It works very well and does not cause any difficulty at all.

Mr B Wilson:

Is there no danger of conflict between the two people?

Mr J Campbell:

No, there should not be. If there were conflict, it would have to be for a very good governance reasons.

Mr B Wilson:

I refer to the proposed ring-fencing of the rates support grant. Like Mr Weir, I feel that that is wishful thinking. Virtually every Department and body is under exactly the same financial pressures. You said, for example, that your budget had to be changed twice during the year. A lot of councils will have to do that, because new cuts are being made all the time. I support the idea of ring-fencing the rates support grant, but, given that the Health Department's budget cannot be ring-fenced, it is difficult to justify that proposal.

Mr J Campbell:

I will come in on that question and so will Robert. The rates support grant is based on the wealth in councils and is given to those with the least wealth. Consider the most extreme case: if the council that usually gets the most money — I do not have the figures to hand — does not get that, it may have to increase its rates by 10%, 15% or possibly even 20%. That is our point. At the end of the day, that money has effectively always been ring-fenced in the past. We accept, however, that the financial climate has changed significantly in the past year or two and will get worse. Nevertheless, the alternative — to remove or reduce the grant — would mean that councils could not raise it on the rate, because, the rate base is too low to raise it, or to raise it on the rate would put an unacceptably high burden on local ratepayers, which would then put those ratepayers at a disadvantage in comparison with other ratepayers in Northern Ireland. That is the key point.

Ms Brona Slevin (Northern Ireland Local Government Association):
Joe explained the numbers: of the 26 councils, 19 receive the grant at differing levels. The issue is about the disproportionate effect on the ratepayer if there are dramatic reductions in the general grant. Joe also mentioned the amount of planning involved. In-year cuts are very hard to deal with, as members can appreciate, as they raise the rates well in advance of the current year. Therefore, given what we have already said, if there are plans to cut the grant, it would be helpful if that could be planned well in advance, so that we could build that into the process.

Mr Dowey:
I will give members a clear example of how divisive this issue is. The proposals will not impact North Down Borough Council, because it does not get any of that money. However, it will affect councils in west of the Province, such as those in Dungannon, Strabane and Derry. I am from Newry, and the council there gets some money — it is not critical, but it is important. The situation can be likened to that of the benefits system: if benefits were reduced, it would make no difference to people who are employed.

The Chairperson:
If you have any more information that you would like to furnish the Committee with, we would appreciate that.

Mr McGlone:
Mr Campbell, you mentioned the distinctiveness of the two roles — the chief executive and chief finance officer — and how the separation of those has worked well. How long has that been working for?

Mr J Campbell:
In Belfast and Derry City Councils, that has been working since 1972. The roles were separated when the 1972 Act was drawn up. Therefore, it has been working for almost 30 years.

Mr McGlone:
Was Craigavon the other example given?

Ms Slevin:

An interim chief executive has been in post for the past two and a half years, and I have been acting as the chief financial officer during that time. I have to say that that has worked extremely well. It definitely improves corporate governance.

Mr McGlone:

Perhaps that is not the best example. However, it is good to hear that the other one has been working since 1972. Thank you.

Mr Beggs:

It appears, from what you are telling us, that separation of the role of chief financial officer and chief executive works reasonably well in some of the largest councils, such as Belfast and Craigavon. However, what would the cost implication be for a council such as Moyle to create a second role with increased financial responsibility? Is there a problem implementing that model with some of our very small councils?

Mr J Campbell:

That is a good question, because the Bill was based very much on the 11-council model. We are not now dealing with that model, but the finance Bill will still go ahead and apply to the 26 councils. NILGA suggested that it may need further consideration, particularly for the smaller councils.

Mr Beggs:

Would a joint working arrangement be a way around that? It needs to be thought through so that everyone understands what they will be going into.

Mr J Campbell:

With RPA deferred, I do not know the status of the local government (reorganisation) Bill. I would have thought that consideration of joint working would have been part of the progression of that Bill. It will be that Bill that will give consideration to the roles being separated, and we need to look at that in more detail.

Mr Beggs:

Is there anything in local government legislation to stop an individual being given a title in two councils so that they could carry out the function across a number of councils?

Mr J Campbell:

That is possible through collaboration. The intention is that councils should collaborate much more closely in the next few years. Governance models on collaboration have been looked at, and that could be considered as part of that.

Mr Beggs:

A written submission from NILGA indicates that it wants changes to the treatment of creditors and liabilities. You argue that trade creditors with that right should be excluded from the definition of a credit arrangement. I have a limited knowledge of accountancy, but I would have thought that a creditor was a creditor. Why do you want a different definition? I am lost. Will you explain?

Mr J Campbell:

The submission reflects all the views received from the association. That point relates to short-term as opposed to long-term creditors. We all have short-term creditors. We buy materials and supplies and pay for them within 30 days. Therefore, when it comes to an affordable borrowing limit, that normal credit period of up to 30 days for trade creditors should not be included in the affordable borrowing limit.

Mr Beggs:

What happens in individual or private accounting principles?

Mr J Campbell:

A clear distinction is made in private sector finances between short-term and long-term credit. The affordable borrowing limit has clearly been targeted at long-term borrowings.

Mr Beggs:

With regard to long-term liabilities, you indicate that you want to change the way that the aftercare costs of landfill sites are treated. I have some concern about that. Presumably a significant amount of money needs to be set aside to ensure that a council-owned landfill site can be closed up properly, and, if that money is earmarked against other aspects, it may not be there to do the job for which it was designed, so why do you want the treatment changed?

Mr J Campbell:

All that we are doing there is to try to clarify and make sure that the distinctions are made. There will be a need for landfill aftercare costs for evermore, and councils will have to discharge those responsibilities. That will be catered for as a separate provision, because councils must account for that expenditure in their accounts. Similar to arrangements for trade creditors, that expenditure should be set aside when it comes to working out the affordable borrowing limit. If it were taken into account over a 25-year period, it would be very significant. However, it will have been provided for already on a year-to-year basis in the rates estimates as a separate provision. It is a matter of making a distinction. We are not saying that there is no liability; we are saying that that liability should be treated slightly differently, but it will form part of the overall council's liability.

Mr Buchanan:

My question has been touched on by Mr Beggs. Surely we do not need a separate chief finance officer for each of the 26 councils? Through collaboration, and from your experience, are you confident that one chief finance officer for two or three councils could operate?

Mr J Campbell:

That would be very difficult under this Bill. Every council is responsible for its own finances. Every council will have to make a declaration on the robustness of its estimates, on its affordable borrowing limit and on the state of its reserves. Therefore, it would be very difficult to ask someone from one council to make that statement on behalf of another council. I think that it needs to be done at the 26-council level. The issue raised earlier was that, although that separation and the new Local Government (Finance) Bill is largely geared to the new 11-council model that would have made all the councils bigger, I accept that there is a point with regard to how it might work in the smaller councils.

Mr Dowey:

I think that we are missing one point. I have an analogy. The hospital trusts are headed up by a chief executive. There may be a few exceptions, but most of those chief executives are general managers: they are not doctors. Therefore, if you want someone to give you an opinion on some serious illness, you will go to the specialist in the hospital. For example, if there is something wrong with your brain, you will ask the brain surgeon; you will not go to the chief executive and tell him to make sure that the brain surgeon carries out the operation. The only person who can say whether it is possible to operate is the specialist.

With regard to the Bill, the specialist on finance would need to be a qualified accountant, although there are one or two exceptions where chief executives are also qualified accountants. The CIPFA recommendation that you will hear more about at a later stage makes it clear that the chief finance officer should be a qualified member of one of the six registered bodies in the UK and Ireland. That is why the chief finance officer, or whoever is signing off the accounts and saying that the reserves and the estimates are adequate, needs to have a specialist finance background. In fairness, most of that specialist knowledge is in the councils: it is only a re-designation. We are not talking about creating two jobs at the same level in each council. We are talking about the separation of duties where person A says that the estimates are robust. Political connotations could conflict with conservatism among accountants, and there may be some debate about that. However, it is a separation of roles and re-designation of existing roles in most cases. I suggest that there are probably as many as 17 qualified accountants in the 26 councils, although I do not know for sure. However, in most of the bigger councils the people are there and it would involve re-designation.

The Chairperson:
It is important to ensure value for money for the ratepayer. I take your points on board.

To recap, a question was asked about the issue of social clauses in the reorganisation Bill. The Chief Local Government Auditor is coming to the Committee with DOE officials on 21 October. Representatives from CIPFA will also come in the next couple of weeks.

If you can furnish us with any other information we would appreciate you sending it on to the Committee. Thank you for your presentation, and I wish you well in your year. All the best.