



Northern Ireland
Assembly

**COMMITTEE FOR THE
ENVIRONMENT**

**OFFICIAL REPORT
(Hansard)**

**Local Government Finance
Bill: clause-by-clause
consideration**

25 November 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 Thomas Buchanan
Mr Willie Clarke
Mr John Dallat
Mr Danny Kinahan
Mr Peter Weir
Mr Brian Wilson

Witnesses:

Ms Julie Broadway)
Mr Dickson Holliday) Department of the Environment
Ms Lizanne Kennedy)
Mr John Small)

The Chairperson (Mr Boylan)

I welcome Julie Broadway, John Small, Lizanne Kennedy and Dickson Holliday from the Department. We will now go through clauses 1 to 48 and schedules 1 and 2 and seek the Committee's position on each. A clause-by-clause table with the issues raised and the

Department's responses is in members' packs.

This is the last opportunity that members will have to discuss the Bill, and all decisions are final. On the odd occasion, the Committee has got to Consideration Stage and had to make changes; therefore, we will try to iron out all the issues today. Julie and her team are here in case we need to ask questions.

I apologise for being late, as I know that the witnesses were in time. Ignore our earlier conversation in the corridor just in case.

Mr Weir:

You are raising suspicions.

The Chairperson:

Do not record that. *[Laughter.]*

Clause 1 (Duty to make arrangements)

The Chairperson:

I remind members that they deferred a decision on clause 1 until they saw the research paper by NILGA on the role of the chief financial officer, councils' capacity to appoint an existing officer as the chief financial officer, and the status quo in councils. Of the 17 councils that responded to NILGA, 16 advised that they could re-designate an existing officer as a chief financial officer, two already operate a separate system, three have qualified accountants as chief executives and one indicated that it would need to recruit externally for a chief financial officer.

A letter from the Society of Local Authority Chief Executives (SOLACE) states that although

it has no strong opinion on the separation of the chief executive and chief financial roles, it believes that it is important not to undermine the chief executive's role as chief accounting officer.

I remind members that the Department intends to issue a local government circular to councils supporting the Chartered Institute of Public Finance and Accountancy (CIPFA) statement, which includes recommendations that the chief financial officer should hold membership of a recognised professional accountancy organisation and be a key member of the council's leadership team. It also implies there should be a separation of the two roles. The Department plans to include a legislative provision to separate the roles in the proposed local government (reorganisation) Bill.

The clause will allow for a designated officer to be appointed and it will be up to councils to decide whether it will be one or two roles. Julie, do you wish to make any comments?

Ms Julie Broadway (Department of the Environment):

What you said is clear, Chairperson. The clause does not deal with a separation of roles; it just ensures that someone is designated as chief financial officer.

The Chairperson:

Is the Committee content with the clause?

Question, That the Committee is content with the clause, put and agreed to.

Clause 1 agreed to.

Clause 2 (Accounting practices)

The Chairperson:

I remind members that no issues were raised about clause 2 and that members were previously content with it.

Question, That the Committee is content with the clause, put and agreed to.

Clause 2 agreed to.

Clause 3 (Annual budget)

The Chairperson:

I remind members that no issues were raised about clause 3 and that members were previously content with it.

Question, That the Committee is content with the clause, put and agreed to.

Clause 3 agreed to.

Clause 3 (Annual budget)

The Chairperson:

I remind members that no issues were raised under clause 3 and that members were previously content with it.

Question, That the Committee is content with the clause, put and agreed to.

Clause 3 agreed to

Clause 4 (Report by chief financial officer on estimates)

The Chairperson:

Clause 4 is the report by the chief financial officer on estimates. The Department provided clarification that robustness should derive from roles' separation, which ensures that there is a chief financial officer dedicated to, and responsible for, the preparation of the estimates and who can follow through on guidance issued by the Department, accounting standards and the CIPFA Prudential Code.

Members previously indicated that they were content with the Department's response on the matter.

Question, That the Committee is content with the clause, put and agreed to.

Clause 4 agreed to.

Clause 5 (In-year review)

The Chairperson:

I remind members that the Committee had no issues with clause 5 and that members were previously content with the clause.

Mr Dallat:

Are we happy that the clause is sufficient to compel councils to keep their financial positions under review? I ask that because you could either look at the file every morning or have a mechanism to do it.

Mr John Small (Department of the Environment):

The local government audit mechanism is our key method of control.

Mr Dallat:

I do not know; I am just asking the question.

The Chairperson:

Therefore there is already a mechanism.

Mr Small:

Yes.

Mr Buchanan:

Is the role of the local government auditor robust enough? Does the way that the auditor keep an eye on council finances, how those finances are spent and how councils are run need to be tightened? Is the provision robust enough to ensure that nothing goes awry in councils' finances?

Mr Small:

That is a subjective question, because it is very difficult to measure whether the role is robust enough; it would be very difficult to decide who would make that decision.

When the local government auditor was here, he said that he had enough powers. Moreover, we are bringing in additional powers in the Bill to assist him, which he did not mention because they were not relevant to him. If things went wrong, those powers would enable us to reduce the borrowing limit of a council and to hold reserves. That would be quite an transmission of power, which would arise in the course of the auditor's investigations. After the auditor had consulted with and advised the Department, we would take a decision on whether to use those powers. That would be unusual; nonetheless, we would have the powers at our disposal.

Mr Buchanan:

Sometimes the audit commission only steps in when something has happened that has caused alarm and when money has been spent in a way that it should not have been. The issue is earlier intervention to ensure that finances are protected and not spent in the wrong way.

Mr Small:

That is our stable-door discussion. We talked about that issue, and there is no way of preventing something before you know that it will happen. That will always be the position. If there is an alert, the best that we can do is have a system that allows the local government auditor to go in at very short notice to see what is happening and provide the Department with a report. After that, any action will be subsequent to the event.

Mr McGlone:

You are quite right about the stable-door discussion. Thank you for raising that point. However, I do not accept your view that there is no way to prevent something happening; of course there is.

Mr Small:

I meant that it is difficult to act before you know that something will happen.

Mr McGlone:

If the local government auditor or the Department are alerted to a problem, there is a mechanism for dealing with it. Mr Buchanan's point is the same as mine: intervention needs to happen much earlier. We cannot wait until the local government auditor comes down, possibly 11 months later, to review the books, because if he highlights a problem it will take another six or eight months before any action is concluded by which time the issue is out the door. The big question is how to get earlier intervention to prevent something like that happening.

Mr Small:

We have that power.

Mr McGlone:

You may have it; the issue is whether it is used. Anecdotal and evidential information has been drawn to my attention that that power is rarely, if ever, used. There are some issues with individual councils, which I do not want to get into at the moment, but it is clear that any mechanism that could be introduced would provide much earlier intervention. It is not good enough to say that the power is there to do it; there must be the will to do it and more of a get-up-and-go attitude when attention is drawn to problems.

The Chairperson:

I remind members that the Committee was generally content with the previous response.

Mr W Clarke:

I declare an interest as a local councillor.

Mr Dallat:

I no longer need to declare an interest; I stopped double-jobbing. *[Laughter.]* The contributions by Tom and Patsy are very valid. There is no system in place to stop things going wrong, and local councils do not have internal committees like the Assembly's Public Accounts Committee. Some have, but, to be honest, they are scratching around to find out what they should do. Is there something in legislation that will compel councils to have audit committees and mechanisms so that they do not spend all the money and that problems are only discovered by the local government auditor during his annual visit? There have been some outrageous scandals involving ratepayers' money being spent wrongly.

Ms Broadway:

As part of the policy proposals for the reorganisation of local government it was considered whether the larger councils should have audit committees.

Mr Dallat:

That is a good point. I wonder why on earth we are considering a Bill that will probably not apply until the review of public administration (RPA) comes round again — if it does; it may not. Should we have a laissez-faire system, or no system at all, while someone decides whether we should have RPA? There is no point in wasting our time if we do not get the legislation right. There is a big gap here, Chairman, and you know it. There are still cheque-book payments from councils shifting out of hip pockets, and it must stop.

The Chairperson:

I totally agree in part with some of those comments. However, councillors have a role to challenge. I sat on a council —

Mr Dallat:

I sat on a council for 33 years.

The Chairperson:

There are executive committees in some councils. There needs to be a mechanism to check for problems, and bad practices in some councils have been highlighted.

Mr Dallat:

Councillors will be the last to hear about —

The Chairperson:

In some cases that is true. However, in corporate councils the challenge function is in the council chamber, and it is up to councillors to ask questions. Clause 6(2) states that:

“The chief financial officer of a council shall submit to the council a report on the adequacy of any proposed financial reserves”

That provision may help in the process.

Mr Dallat:

Barings Bank.

Ms Broadway:

Would you like us to take the issues of the audit powers back to the Minister and look again at the powers of the local government auditor?

Mr Dallat:

No; we are discussing the Bill.

Mr Weir:

No one has raised any issue about this in the Bill, and I am mindful of that when we are talking about making changes. Some things have been done better in some councils than in others, and, when it has not been done well, the failing is not through any lack of power. Ultimately, it is councillors who should run a council by setting its policies and ensuring that things happen. The buck stops with them. Sometimes officers overstep the mark, but only because councillors allow them to do so. Councillors must take ultimate responsibility. We may not be perfect in North Down Borough Council, but the way that we conduct our business there is pretty thorough.

There are statements of accounts, which an audit committee deals with. However, I have seen other councils where I think that that process is not done as well. The buck stops with councillors, who have allowed others to get away with it. I do not think that the situation has been caused by any lack of formal regulation, because, to be perfectly honest, it has been caused by lack of action on the part of councillors. That is difficult to legislate for.

Mr W Clarke:

Following on from what the Chairperson and Mr Weir said, there is an onus on councillors to act. They are elected, and they sit on committees to look at budgets and financial statements. I declared an interest as a councillor, and, from my own experience, I know that if I see any wrongdoing or money going into an area that it should not, I make sure that that issue is raised with the local government auditor for it to investigate. I think that there is an onus on every councillor from every party to ensure that there are audit committees in every council. That is up to elected members. Therefore, I agree with the two members who spoke previously.

Mr Buchanan:

I should have declared an interest.

Mr McGlone:

As an auditor?

Mr Buchanan:

No, as a councillor.

The Chairperson:

Given your previous comment, I will allow you to declare that interest, Mr Buchanan.

Mr McGlone:

There is a need for a further point of clarity. I listened carefully to Peter's points. We all know that councillors have a responsibility and a role to play. However, we also know that, on some occasions, when the chips were down at councils, block votes were used to decide whether something should or should not be an issue. We do not need to go into which councils did that.

Mr W Clarke:

Those councils could be brought to the auditor.

Mr McGlone:

That brings me to the very point that I was making, Willie. The effectiveness of the audit process and the kick-in should be almost instantaneous where there is power. That seems to be missing, and there is a weakness in the system that is not allowing for that type of process to kick in.

The Chairperson:

We are going through the Bill, and this discussion is outside its remit. The Committee has discussed these provisions already and is content with them. Some very valid points have been raised, but clause 3(2) states:

“A council, before the prescribed date in each year –

(a) shall consider the estimates for the next financial year;

(b) may revise the estimates in such manner as the council thinks fit;”

Enough mechanisms are in that subsection, and the reports should be made to local councils.

I know that there have been bad practices in the past, but, as a result of the Bill, councillors and financial officers will need to hold people to account and bring proper budgets and budget statements to councils. That is what is behind the idea of someone's being a financial officer.

We have all sat on councils and know how the processes work. Mr Clarke made a valid point; although councils do not have accounts committees, they have scrutiny committees. Questions need to be asked.

The Committee was content with this clause a couple of weeks ago. I am going to put the Question, and members can decide whether they want to make a decision, come back to the clause or ask Julie and her team for more detail. Perhaps we could ask the Department to find out whether there is any way in which the audit process could be strengthened.

Ms Broadway:

We can take that point to the Minister and tell him that the Committee has recommended that a review of the audit process be carried out to see whether we need to make changes to the audit provisions.

The Chairperson:

Are members happy enough to go down that route?

Members indicated assent.

Question, That the Committee is content with the clause, put and agreed to.

Clause 5 agreed to.

Clause 6 (Reserves – general)

The Chairperson:

I remind members that the Department was asked to clarify whether regulations would provide sufficient flexibility for councils to accumulate reserves for medium and long-term objectives. The Department advised that it does not plan to impose any control on reserves and that it will be for each council to decide its level of reserves. Members indicated previously that they were content with the Department's response to that matter.

Question, That the Committee is content with the clause, put and agreed to.

Clause 6 agreed to.

Clause 7 (Controlled reserves)

The Chairperson:

I remind members that several respondents were not in favour of designation of any reserves as controlled reserves. They considered that the departmental guidance of maintaining a minimum district fund balance equating to between 5% and 7.5% of the net operating expenditure to be a sufficient control.

The Department advised that it does not plan to impose any control on reserves. That power would be used only if the Department became aware that a council was deemed to be acting improperly, and the creation of regulations under the clause would be subject to negative resolution.

I remind members that concerns were expressed that the Department would be able to act only retrospectively should irregular and improper expenditure be undertaken by a council and that the legislation would not prevent irregular actions occurring but would deal only with the consequences after such actions. The Department advised that it regards the current system of

governance, along with the new controls proposed in the Bill, as sufficient.

Basically, councils have that 5% to 7.5% reserve at present, and the proposal is that that should be retained. Is that correct?

Mr Small:

We are not changing that position, and it was purely voluntary anyway. It would be contrary to the whole concept of the Bill if we were to impose things. It is purely guidance.

The Chairperson:

Thank you. Is the Committee therefore content?

Mr Weir:

If the indication is that, if a voluntary scheme were being followed and advice could be given on that, is the issue not about whether clause 7 is actually unnecessary?

Mr Small:

For information, the provisions would apply in a serious situation where problems arise. They would be used only in an extreme situation.

The Chairperson:

Peter, did you want to come back on that?

Mr Weir:

No.

The Chairperson:

The question is whether the Committee feels that the clause is needed. After hearing that clarification, do you feel that it is needed?

Mr Weir:

Yes, I can live with it. I am just saying that I know that concerns were raised.

The Committee Clerk:

We looked into this further, and we asked about what happens in England where a similar provision is in place. That has never been enacted, but it is there in case of an emergency.

Question, That the Committee is content with the clause, put and agreed to.

Clause 7 agreed to.

Clause 8 (The general fund)

The Chairperson:

No issues were raised on this clause.

Question, That the Committee is content with the clause, put and agreed to.

Clause 8 agreed to.

Clause 9 (Power to establish other funds)

The Chairperson:

I remind members that clarification was sought from the Department that funds established under this clause would not be treated as controlled reserves. The Department has confirmed that it does not plan to impose any control on the reserves. Members were previously content with the Department's response on the matter.

Question, That the Committee is content with the clause, put and agreed to.

Clause 9 agreed to.

Clause 10 (Limitation on application of funds)

The Chairperson:

I remind members that no issues were raised about clause 10.

Question, That the Committee is content with the clause, put and agreed to.

Clause 10 agreed to.

Clause 11 (Power to borrow)

The Chairperson:

I remind members that guidance was sought from the Department on borrowing. The Department advised that subordinate legislation under this Bill, that is, the proposed capital finance and accounting regulations, would impose a duty on councils to have regard to the CIPFA prudential code for capital finance in local authorities. That code sets out clear governance procedures for the production of capital investment plans that are affordable, prudent and sustainable. A copy of these draft regulations has been provided to members. I remind members that they previously indicated that they were content with the Department's response.

Question, That the Committee is content with the clause, put and agreed to.

Clause 11 agreed to.

Clause 12 (Control of borrowing)

The Chairperson:

I remind members that clarification was sought from the Department as to whether there would be a stated requirement for the chief financial officer to report to the council on the review of the borrowing limit. The Department confirmed that adherence to the prudential code requires a chief financial officer to review the council's borrowing limit and to report to the council. Clause 13 also addresses that concern. I remind members that they previously indicated that they were content with the Department's response on the matter.

Question, That the Committee is content with the clause, put and agreed to.

Clause 12 agreed to.

Clause 13 (Duty to determine affordable borrowing limit)

The Chairperson:

I remind members that no issues were raised on the clause and that members were previously content with it.

Question, That the Committee is content with the clause, put and agreed to.

Clause 13 agreed to.

Clause 14 (Imposition of borrowing limits)

The Chairperson:

I remind members that there were two issues with this clause. First, clarification was sought from the Department that borrowing limits would be imposed only if a council had disregarded its duty under clause 13. The Department confirmed that that power would be used only if it became aware that a council had been deemed to be acting imprudently.

Secondly, some respondents sought a definition of the term “national economic reasons”. The Department contended that providing such a fixed definition would be impracticable and that such a power was intended to be used as a last resort and would require the consent of the Department of Finance and Personnel (DFP). The Department advised that there would be no requirement for regulations under that power to be consulted on. A copy of the Department’s response has been provided for members in a letter dated 8 November 2010.

I remind members that they previously indicated that they were content with the Department's response to both those issues.

Question, That the Committee is content with the clause, put and agreed to.

Clause 14 agreed to.

Clause 15 (Temporary borrowing)

The Chairperson:

No issues were raised about the clause.

Question, That the Committee is content with the clause, put and agreed to.

Clause 15 agreed to.

Clause 16 (Protection of lenders)

The Chairperson:

I remind members that no issues were raised about the clause and that members were previously content with it.

Question, That the Committee is content with the clause, put and agreed to.

Clause 16 agreed to.

Clause 17 (“Credit arrangements”)

The Chairperson:

I remind members that two issues were raised about this clause. First, clarification was sought from the Department that trade creditors would be excluded from the definition of a credit arrangement. The Department confirmed that trade creditors would be excluded in relation to long-term finance, presuming that they are paid within a 12-month calendar period.

Secondly, clarification was sought from the Department on whether the long-term liabilities connected to the closure and aftercare costs associated with landfill sites would be treated as credit arrangements. The Department advised that those costs would need to be provided for within the annual budget. The costs would be divided between capital costs, which are for putting in the infrastructure that is needed to treat the products of a landfill site after it has been closed, as well as the revenue costs for operating and maintaining that.

A credit arrangement could be entered into for capital costs. That would be for installing the equipment that is required, and the council would need to take that into account as part of its overall implementation expenditure.

I remind members that that they were content with the departmental response to both those issues.

Question, That the Committee is content with the clause, put and agreed to.

Clause 17 agreed to.

Clause 18 (Control of credit arrangements)

The Chairperson:

I remind members that there were no issues with clause 18.

Question, That the Committee is content with the clause, put and agreed to.

Clause 18 agreed to.

Clause 19 (“Capital expenditure”)

The Chairperson:

No issues were raised with clause 19.

Question, That the Committee is content with the clause, put and agreed to.

Clause 19 agreed to.

Clause 20 (“Capital receipt”)

The Chairperson:

No issues were raised about the clause.

Question, That the Committee is content with the clause, put and agreed to.

Clause 20 agreed to.

Clause 21 (Non-money receipts)

The Chairperson:

No issues were raised about the clause.

Question, That the Committee is content with the clause, put and agreed to.

Clause 21 agreed to.

Clause 22 (Use of capital receipts)

The Chairperson:

I remind members that clarification was sought from the Department that there should not be a requirement for capital receipts to be applied in the first instance against any money borrowed by the council for the purposes of acquiring the asset in question. The Department confirmed that there will be no such requirement and advised that subordinate legislation that will be made under the Bill, that is, the capital financing and accounting regulations, will provide detail on the use of capital receipts.

A copy of the draft regulations has been provided. However, I remind members that they previously indicated that they were content with the Department's response to this matter. Is the

Committee content with clause 22?

Question, That the Committee is content with the clause, put and agreed to.

Clause 22 agreed to.

Clause 23 (Power to invest)

The Chairperson:

I remind members that guidance was sought from the Department about investments. In response, the Department compiled draft guidance on investments for the councils, which will be issued under this Bill.

The Department also referred to the investment guidance in the CIPFA prudential code, which will apply to all local councils once the Bill is enacted. Members have been provided with a copy of the draft guidance. I remind members that they previously indicated that they were content with the Department's response.

Question, That the Committee is content with the clause, put and agreed to.

Clause 23 agreed to.

Clause 24 (Security for money borrowed, etc.)

The Chairperson:

I remind members that the Committee, on the advice of the Assembly's Examiner of Statutory Rules, sought an amendment to clause 24 about the appointment of a receiver where unpaid council borrowings are concerned. The clause states that a receiver can be appointed if the borrowings are not less than £10,000. It also states that the Department can amend that amount. The Committee sought that any amendment to this amount should be subject to draft affirmative procedure so that this Committee can subject it to a higher degree of Assembly scrutiny. The Department's draft amendment has been provided in a letter dated 8 November 2010. I refer that to members before I put the Question.

Is the Committee content with clause 24, subject to the amendment proposed by the Department to make orders under subsection 9 subject to draft affirmative procedure, which gives the Committee a higher level of scrutiny?

Question, That the Committee is content with the clause, subject to the Department's proposed amendment, put and agreed to.

Clause 24, subject to the Department's proposed amendment, agreed to.

Clause 25 (Guidance)

The Chairperson:

I remind members that there are no issues with clause 25.

Question, That the Committee is content with the clause, put and agreed to.

Clause 25 agreed to.

Clause 26 (De-rating grant)

The Chairperson:

I remind members that there are no issues with clause 26.

Question, That the Committee is content with the clause, put and agreed to.

Clause 26 agreed to.

Clause 27 (Rates support grant)

The Chairperson:

There are some issues with this clause. I advise members that the Department intends to table two amendments to clause 27 at Consideration Stage. The first amendment will give the Department power to request the necessary information by determination, rather than by statutory pro forma. The other amendment is consequential to a proposed amendment to clause 43, which relates to incidental, supplementary, consequential, transitory or saving provisions. However, we will deal with that later.

I inform members that a copy of the Department's first proposed amendment has been provided in a letter dated 22 November 2010. The second of the Department's proposed amendments has also been provided in a letter dated 8 November.

I remind members that stakeholders raised two issues under this clause. First, clarification is sought from the Department that the formula for the allocation of the rates support grant, formerly the resources grant, would be reviewed after the review of public administration. The Department confirmed that the central statistics and research branch carries out an equality monitoring exercise every year. Secondly, it was considered that the rates support grant should be ring-fenced to prevent in-year cuts. The Department advises that such cuts, as occurred previously, were unique and exceptional and that future similar in-year cuts could not be ruled out due to greater budgetary pressures.

I inform members that correspondence from the Association of Local Government Finance Officers regarding the need to ring-fence the rates support grant is provided. A draft Committee amendment to the clause is also provided. That amendment will ensure that rates support grants, once set, will not be cut within a financial year.

I advise members that I will put the Question on the clause. There will be an opportunity to discuss clause 43, which requires a consequential amendment. One of the two amendments is a request to ring-fence money, which the Committee agreed, and the other is a departmental amendment.

Ms Broadway:

There are two departmental amendments. One amendment will omit clause 27(5)(c) and add in a subsection (9A) after clause 27(9). That is being done for administrative reasons. The current regulations on rates support grant require councils to provide information to allow for the calculation of the grant to be provided by a pro forma. However, at times, the pro forma can change as a result of purely technical accounting issues. Those issues do not affect the calculation of the grant or the formula, but they may relate to categories such as depreciation, for example. The information is currently provided in a pro forma table.

It would mean that, if we wanted to make those technical amendments, we would have to bring draft affirmative legislation to the Assembly to get it to debate issues that are basically administrative. Therefore, the proposed amendment would allow us to seek that information by departmental determination whereby we would write to councils to tell them the information that we need to allow us to make the calculation. That would be done rather than their having to fill in a pro forma.

Mr Small:

Those matters are largely outwith our control. We would have to make CIPFA-type accounting practice changes to make the whole process fit in with the latest accounting procedures. It is not something that we would wish to do; it is something that would be forced upon us.

Ms Broadway:

I reiterate that it does not change the elements or the calculation of the formula. If any amendments were needed, draft affirmative legislation would be required to be brought before the Committee and the Assembly.

The Chairperson:

If members are happy with that explanation, I will ask whether you agree with the departmental amendments to give the Department powers to request the necessary information for calculating the rates support grant from councils by determination rather than by pro forma.

Members indicated assent.

The Chairperson:

I beg to move

That the Committee recommend to the Assembly that the clause be amended as follows: In page 9, line 26, at end insert

“and shall not be reduced during the financial year in question”

Question, That the Committee is content with the clause, subject to the Department’s proposed amendments and the Committee’s proposed amendment, *put and agreed to*.

Mr Weir:

I thought that the departmental officials would want to say something at this stage.

Mr Small:

I appreciate that, Mr Weir. We had a discussion about the matter, and we were uncomfortable with it. The Committee will be aware of the Department’s lack of flexibility, despite the fact that the budget is reasonable. Eighteen million pounds is a big element of that. That amendment would restrict the Department’s position for this year and next year. That is not something that will be taken lightly, and the Minister was very reluctant to make such a cut. He understands the difficulties that a negative adjustment or, as you might say, a reduction, during the year, will mean to councils. We are uncomfortable with that amendment, but the Committee has a decision to make.

The Chairperson:

I think that the Committee has made its decision. However, we have not agreed the consequential amendment, because, before we do, we have to go to clause 43. In principle, members are saying yes. Are you happy with that, Mr Weir?

Mr Weir:

I understand the logic of the amendment, but I also understand the Department's position.

The Chairperson:

I will come back to that clause.

Clause 28 (Reductions in grants under section 26 or 27)

The Chairperson:

I remind members that there are no issues with clause 28.

Question, That the Committee is content with the clause, put and agreed to.

Clause 28 agreed to.

Clause 29 (Other grants to councils)

The Chairperson:

I remind members that there are no issues with clause 29.

Question, That the Committee is content with the clause, put and agreed to.

Clause 29 agreed to.

Clause 30 (Payments due by councils to departments, etc.)

The Chairperson:

I remind members that it was suggested that an early warning system for payments due by councils to Departments be introduced. The Department advised that it will undertake to provide notification as early as possible to any council affected by the invoking of clause 30. Members have a copy of the Department's response in a letter dated 8 November.

Question, That the Committee is content with the clause, put and agreed to.

Clause 30 agreed to.

Clause 31 (Allowances, etc. for councillors)

The Chairperson:

I remind members that clarification was sought from the Department that payments must be flexible to accommodate those who wish to make a career from local government and for those who wish to take a position on a part-time basis. The Department confirmed that the basic allowance will be the same for all councils, but councils will have flexibility on payments of special responsibility allowances. I remind members that they previously indicated that they were content with the Department's response.

Question, That the Committee is content with the clause, put and agreed to.

Clause 31 agreed to.

Clause 32 (Allowances for chairman and vice-chairman)

The Chairperson:

I remind members that clarification was sought from the Department on the financial transparency of officers in councils. The Department confirmed that the remuneration of senior officers of council should be reported in a council's annual statement of accounts. Members previously indicated that they were content with the Department's response, and I remind them that they raised the issue of the gender of the terms that are used in this clause. The Department indicated that such terms are used in clauses 32 and 39 because they refer to the offices of chairman and vice-chairman, established under section 11 and 13 of the Local Government Act (NI) 1972. The Department has provided a letter dated 22 November. The letter contains draft amendments to make clause 32 gender neutral.

Should the clause be amended with the general neutral terms "chairperson" and "vice-chairperson"?

Members indicated assent.

Question, That the Committee is content with the clause, subject to the Department's proposed amendment, put and agreed to.

Clause 32, subject to the Department's proposed amendment, agreed to.

Clause 33 (Expenses of official and courtesy visits, etc.)

The Chairperson:

I remind members that no issues were raised under clause 33.

Question, That the Committee is content with the clause, put and agreed to.

Clause 33 agreed to.

Clause 34 (Expenses incurred in attending conferences and meetings)

The Chairperson:

I remind members that the Department has removed some of the restrictions on the payment of expenses to councils under this clause in response to the concerns of the National Association of Councillors (NAC) that attendance at meetings of its organisation would not be covered. It will now largely be a matter for each council to decide whether attendance at a conference relates to the interests of the district. Members have been provided with copies of the comments from the NAC.

Question, That the Committee is content with the clause, put and agreed to.

Clause 34 agreed to.

Clause 35 (Panel to advise on payments to councillors)

The Chairperson:

I remind members that concerns were expressed regarding the cost associated with the establishment and running of the independent panel to establish councillor payments. The Department advised that those costs will be met by the Department and will not necessarily be incurred every year. Department has provided further detail on the estimated costs of the remuneration panel, which has been provided for members in a letter dated 8 November. The Committee had issue with the costs and, therefore, we need to be very careful. We understand the reason for the panel; however, there are concerns about the cost.

Ms Broadway:

The Minister will set up the panel only when he requires a review to be carried out. It is not the case that as soon as the Bill becomes an Act we will be setting up the panel. It will be set up only when the Minister decides that he wishes a review to be carried out. Furthermore, the panel will do only that which the Minister asks it to do. For instance, if the Minister wanted a full review of councillors' remuneration, the panel would be set up to do that. However, the Minister may choose to carry out a targeted review on certain aspects of remuneration. The panel would be paid only for the days on which it sat. A panel set up for 12 months would not be paid for the whole 12 months; it would be paid only for the days on which it sat.

The Chairperson:

Therefore discussions are not likely to take place in the south of France. *[Laughter.]*

Mr Weir:

If they did, we would have to go there to give evidence. *[Laughter.]*

The Chairperson:

Is the Committee content with the clause?

Question, That the Committee is content with the clause, put and agreed to.

Clause 35 agreed to.

Clause 36 (Interpretation)

The Chairperson:

Further detail was sought from the Department on a non-councillor receiving expenses. The

Department advised that such expenses may be authorised by the council to cover attendance by non-councillors at conferences or meetings that relate to the interests of the district, where such non-councillors would attend on account of their professional expertise or as representatives of external stakeholders.

Ms Broadway:

That will mostly be used in town-twinning cases.

The Chairperson:

Is the Committee content with the clause?

Question, That the Committee is content with the clause, put and agreed to.

Clause 36 agreed to.

Clause 37 (Payments for special purposes)

The Chairperson:

Clarification was sought from the Department on the review of the current limits of expenditure for special purposes. The Department advised that, if necessary, it can increase those limits under subordinate legislation. The Committee sought research on existing limits in councils and examples of expenditure made for special purposes. A copy of that research has been provided for members. I remind members that they previously indicated that they were content with the Department's response on the matter.

Question, That the Committee is content with the clause, put and agreed to.

Clause 37 agreed to.

Clause 38 (Restrictions on power to make payments under section 37)

The Chairperson:

I remind members that some respondents to the Committee sought an amendment to the clause so that it would read:

“a council shall not make payments under section 37 unless, in its opinion, the direct benefit accruing”.

The Department advised that that amendment is unnecessary, as clause 38 is subject to clause 37, which already gives councils discretion as to whether a payment is for a purpose that would bring direct benefit to the council. Are we happy with that clarification? Members previously indicated that they were content with the Department’s response.

Question, That the Committee is content with the clause, put and agreed to.

Clause 38 agreed to.

Clause 39 (public appeals)

The Chairperson:

I remind members that some respondents to the Committee sought an amendment to the clause to replace the words “particular event” with the word “circumstances”. The Department is not minded to amend the clause, as the provision is to allow councils to make one-off payments associated with particular events rather than regular payment to causes in general. Members previously indicated that they were content with the Department’s response. I also remind members that, as in clause 32, gender-specific language has been used. Members have been provided with a draft departmental amendment in a letter dated 22 November, which introduces gender-neutral language to the clause. Do members feel that the clause should be amended with the gender-neutral terms “chairperson” and “vice-chairperson”?

Members indicated assent.

Question, That the Committee is content with the clause, subject to the Department's proposed amendment, put and agreed to.

Clause 39, subject to the Department's proposed amendment, agreed to.

Clause 40 (Limit on expenditure under sections 37 and 39)

The Chairperson:

No issues were raised with clause 40.

Question, That the Committee is content with the clause, put and agreed to.

Clause 40 agreed to.

Clause 41 (Subscriptions to certain local government associations and other bodies)

The Chairperson:

I remind members that concerns were expressed that public funds would be used to pay for an officer of a council to be a member of a professional body associated with their job, where membership of that body was a requirement to attain the post at the outset. The Committee sought research on existing practices in councils. That research has been provided. The Department also contacted councils, 10 of which responded with a composite list of 91 bodies of which council officials are members. A copy of that information is provided in a letter dated 8 November. We did not see that information until today. Are members content with the departmental response?

Mr McGlone:

What information has only been seen today?

The Committee Clerk:

The research indicating the bodies that councils pay for their staff to be members of, and the letter from the Department dated 8 November.

The Chairperson:

Members have that information in tabs 4.9 and 4.4 of their packs?

Mr McGlone:

Which — 4.9 or 4.4?

The Committee Clerk:

Both. The research is at tab 4.9; the letter from the Department is at tab 4.4. It is the first of two letters in that tab.

The Chairperson:

Is the Committee content with the clause?

Question, That the Committee is content with the clause, put and agreed to.

Clause 41 agreed to.

Clause 42 (General interpretation)

The Chairperson:

No issues were raised with the clause.

Question, That the Committee is content with the clause, put and agreed to.

Clause 42 agreed to.

Clause 43 (Regulations)

The Chairperson:

I advise members that the Department intends to table an amendment to clause 43 to allow any regulations to be made under the Bill to include such incidental, supplementary, consequential, transitory or saving provisions as may be considered necessary. Such a power is usual in any Bill. A copy of the Department's draft amendment is in members' information packs. The Examiner of Statutory Rules is content with the amendment.

Is the Committee content with clause 43, subject to the amendment proposed by the Department to allow any regulations to be made under the Bill to include such incidental, supplementary, consequential, transitory or saving provisions as may be considered necessary?

Question, That the Committee is content with the clause subject to the Department's proposed amendment, put and agreed to.

Clause 43, subject to the Department's proposed amendment, agreed to.

The Chairperson:

Having considered clause 43, I ask members to reconsider formally clause 27, which the Department proposes to amend as a consequence of the amendment to clause 43. The proposed departmental amendment would remove lines 40 and 41 from subsection 8, as they are no longer needed if the Department's amendment allows general provisions to apply to all regulations under the Bill.

Members agreed to a departmental amendment to give the Department powers to request the necessary information for determining the rates support grant by determination rather than by pro forma, and a Committee amendment to prevent the Department from making in-year cuts to the rates support grant.

Is the Committee content to accept the proposed departmental consequential amendment to clause 27 as a consequence of its amendment to clause 43?

Members indicated assent.

Is the Committee content with clause 27, subject to the amendment proposed by the Department as a consequence of its amendment to clause 43 to request information by determination and by the Committee to prevent in-year cuts to the rates support grant?

Question, That the Committee is content with the clause, subject to the Department's proposed amendments and the Committee's proposed amendment, put and agreed to.

Clause 27, subject to the Department's proposed amendments and the Committee's proposed amendment, agreed to.

Clause 44 (Consultation on regulations, orders and guidance)

The Chairperson:

No issues were raised under clause 44.

Question, That the Committee is content with the clause, put and agreed to.

Clause 44 agreed to.

Clause 45 (Minor and consequential amendments)

The Chairperson:

No issues were raised under clause 45.

Question, That the Committee is content with the clause, put and agreed to.

Clause 45 agreed to.

Clause 46 (Repeals)

The Chairperson:

No issues were raised under clause 46, and members were previously content with the clause.

Question, That the Committee is content with the clause, put and agreed to.

Clause 46 agreed to.

Clause 47 (Commencement)

The Chairperson:

No issues were raised under clause 47.

Question, That the Committee is content with the clause, put and agreed to.

Clause 47 agreed to.

Clause 48 (Short title)

The Chairperson:

No issues were raised under clause 48.

Question, That the Committee is content with the clause, *put and agreed to*.

Clause 48 agreed to.

Schedule 1 (Minor and consequential amendments)

The Chairperson:

No issues were raised under schedule 1, and members were previously content with the schedule. However, the Committee has been provided with a proposed departmental amendment to add an additional statutory instrument to the schedule of minor and consequential amendments.

Question, That the Committee is content with schedule 1, subject to the Department's proposed amendment, *put and agreed to*.

Schedule 1, subject to the Department's proposed amendment, agreed to.

Schedule 2 (Repeals)

The Chairperson:

No issues were raised under schedule 2.

Question, That the Committee is content with schedule 2, *put and agreed to*.

Schedule 2 agreed to.

Question, That the Committee is content with the long title of the Bill, put and agreed to.

Long title agreed to.

The Chairperson:

That concludes the formal clause-by-clause Consideration Stage of the Local Government (Finance) Bill. A Committee report will be brought to the Committee in the next couple of weeks.

Mr B Wilson:

I apologise for my lateness and declare an interest as a member of North Down Borough Council.

The Chairperson:

Accepted.