

FINANCING LOCAL GOVERNMENT PRE AND POST REFORM



25th May 2012

This summary briefly sets out the issues affecting local government reform and the ongoing development of the sector.

Reform - protecting the ratepayer - who pays the bill?

The Review of Public Administration, including local government reform, originated with central government. As such, it is vital that the Executive resources the project to ensure its success, particularly regarding upfront costs. Councils want to participate in and fund investment to secure initiatives at a local level, but reform of this magnitude places a huge financial burden on councils. We need to make best use of resources, but a creative push is required to open up financial opportunities.

We need to work together across government to ensure we deliver in advance of the new boundaries, we need to guarantee through legislation that the public sector funds over which councils continue to have no control are working harder for our citizens at local level, with councils at the hub.

Is Local Government prepared to co-invest?

Given current pressures on public finances and the wider economy, local government accepts it must develop innovative solutions to assist funding reform and delivering efficiencies. The solutions however, must be set in the context of robust principles, taking into consideration the full range of costs to which councils will be exposed as a result of reform implementation. Many councils have real concerns about the capacity to take on more debt.

Can ICE fund Reform?

It is not practicable to use the Improvement, Collaboration & Efficiency (ICE) programme as a source of income for reform. Savings made through ICE will be made over time and on a voluntary basis, it is therefore an unsuitable source of funding for pump-priming or to bring up-front costs. There is no mechanism for pooling such resources existing in statute which is legally defensible, therefore new mechanisms are necessary. Councils are hampered by the current financial processes made available to them. If reform is to succeed and is to be part funded by councils, flexible and innovative approaches are required. This will necessitate new finance legislation as a matter of urgency.

Delivering Reform, what do we NEED?

If the NI Executive expects Reform, it needs to work dynamically with local government as a partner. It is in everyone's interest to develop a strong sector, with the capacity to assist in the delivery of the Programme for Government (PfG).

To enable local government to deliver on the objectives of reform and to prepare for the future, there will need to be a shift in current policy and legislation, introduce flexibility and innovative mechanisms for councils on funding, reducing the impact on the ratepayer. If local government is to take its rightful place as a partner in a contemporary two tier government system, we need the Executive to develop innovative local government funding mechanisms, considering the potential benefits to the region by enabling better local government.

The NI Executive must co-invest with local government. If transition costs alone (moving from 26 to 11 Councils in three years) will produce a bill in excess of £6 million, can the Executive part fund this?

Will it enable Reform in real partnership, or as a forceful non investor?

A strong effective partnership between local and central government will benefit citizens, local business AND our stature within the wider economy.

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