



Belfast City Council

Report to:	Strategic Policy and Resources Committee
Subject:	DSD Funding Model
Date:	24 January 2014
Reporting Officer:	Peter McNaney, Chief Executive
Contact Officer:	Ronan Cregan, Director of Finance and Resources

1	Relevant Background Information
1.1	As part of the Local Government Reform programme a number of new functions and powers will transfer from central government departments to local government in April 2015 including spatial planning and regeneration related functions. Councils will be given operational responsibility for the delivery of local urban regeneration and community development activities currently under the remit of the Department for Social Development.
2	Key Issues
2.1	Regionally work is currently underway to assess and define the actual baseline resources (e.g. budget, staffing, assets and liabilities) attached to those functions and powers transferring to local government. Each relevant central government department are currently working on establishing this baseline information and are also giving consideration to the potential allocation model(s) through which the resources could be apportioned to each of the new 11 Councils.
2.2	Accordingly, correspondence has been recently received, dated 18 December 2013, from the Minister for Social Development, Nelson McCausland, MLA, setting out proposals on a Budget Allocation Model for the break-up of the Department's resources currently attached to the delivery of urban regeneration and community development when transferred to 11 Councils in April 2015.
2.3	A copy of the Budget Allocation Model proposals put forward by the Department is attached at Appendix 1. Whilst feedback had been originally sought by Friday 24 January 2014, subsequent correspondence has been received stating that the consultation period has been extended to 28 February 2014 (Appendix 2)
2.4	The following provides a regional high-level summary of the key proposals contained within the paper: (i) Budget - £70.9m (based on 2014/15 projections) comprising of the following elements:- (a) £29 million in the baseline for tackling disadvantage (£21 million other resource; £8 million capital); (b) £25.7 million in the baseline for physical regeneration; (c) £2.7 million for Laganside (this is the average annual cost of maintaining the Laganside assets; actual expenditure varies widely between years); (d) £7.2 million in the baseline for the Community Support Programme and Community Investment Fund; and (e) £5.6 million in staff costs and £0.7 million in general administrative expenditure (GAE) costs connected to the transferring activities.

- (ii) **Efficiency** – Members should note, however, that the paper states that a 4% efficiency saving on budgets has been included in the Allocation Model and therefore it is proposed that budget to transfer would be £68.127m
- (iii) **Budget Allocation Model** – whilst the report sets out a number of possible models, Option 4 ‘Combination Model’ has been proposed for the allocation of funding. This model is based on the following:
- (a) tackling disadvantage on basis of needs weighted urban population;
 - (b) budget for physical regeneration on basis of urban population;
 - (c) budget for Laganside transferred to Belfast City Council;
 - (d) budget for the community development (e.g. Community Support Programme and Community Investment Fund on basis of socio-economic needs weighted population);
 - (e) staffing budget in proportion to the programme allocations.
- (iv) **Belfast Budget Allocation** – whilst Annex 3 of the DSD report provides a full breakdown of the resource allocations across the 11 new council areas, the following table provides a summary of the proposed allocations to Belfast City Council i.e. £20.418m budget allocation.

Belfast City Council Budget Allocation Proposals			
		Belfast	All councils combined
Tackling Disadvantage Component	Income Deprived Population Settlement bands A – G	107,505	344,027
	% of total	31.25%	
	Indicative allocation (£,000)	8,700	27,840
Physical Regeneration Component	Total Population Settlement bands A - G	319,375	1,411,836
	% of total	22.62%	
	Indicative allocation (£,000)	5,585	24,690
Laganside	Average Annual Cost	2,592	2,592
Community Development Component	Income deprived population of District	109,900	442,900
	% of total	24.81%	
	Indicative allocation (£,000)	1,715	6,912
Total Programme	Indicative allocation (£,000)	18,592	62,034
	% of total	29.97%	
Salary & General administrative expenditure allocation		1,826	6,093
Total Allocation	Indicative allocation (£,000)	20,418	68,127
	% of total	29.97%	

Belfast City Council Response

2.5 Officers have reviewed the proposed funding model and would suggest that the following issues be included in the draft response the DSD Minister.

(i) Overall Level of Funding

The paper advises that funding will transfer through the rates system and will form the basis of an on-going allocation. This would be an acceptable approach to the Council as the level of future income will be based on the decision of the Council in setting the district rate.

However the paper also suggests that the 2014/15 level of funding for these services may be cut by at least 4% at the point of transfer to the new councils on 1 April 2015.

Two of the fundamental principles of RPA are that transferring services should be fit for purpose and rates neutral at the point of transfer. A 4% cut to the budget would be contrary to these principles. The Council will therefore be seeking assurances from the Minister that the fundamental principles will be maintained and that there will be no reduction to existing budgets.

(ii) Proposed Allocation Method

The Council notes the following aspects of the recommended allocation model (Option 4).

- **Tackling Disadvantage:** The department has recommended an allocation model based on a calculation which weights the population of a Council area by a measure of socio-economic need. The measure chosen is the income deprived population in a Council cluster. This measure is viewed as a reliable indicator of the level of multiple deprivation in a Council area and is already collected by NISRA. The urban population will be based on settlements with populations greater than 1,000.
- **Physical Regeneration:** The allocation of funds on the basis of urban population based on settlements with populations greater than 1,000.
- **Community Development:** The use of income deprived total population rather than urban population has been used on the basis of DSD's view that community development expenditures have not been limited to urban areas but have focused in the areas of greatest economic and social need.

It is recommended that the Council accepts the proposed allocation model as it fairly reflects the need to apportion budgets on both urban population and socio-economic need. There are, however, a number of issues which Members may wish to bring to the attention of the Minister. These are outlined below.

(iii) Definition of Urban Areas

DSD have advised that in developing the funding allocation model, the Department has assumed that there will be EU funding for rural development provided to the new Councils through DARD. There is a risk, however, of double funding, as the DSD model changes the definition for "urban" areas from settlements with populations of 4,500 or above to those with 1,000 and above. The Council would therefore seek assurances from DSD that engagement has taken place with DARD to ensure that both departments' definitions of urban and rural are aligned.

(iv) Rural Development Funding

It is also important to note that the £68m to be allocated to Councils from DSD does not present the total amount of money which will be available for regeneration purposes. From 2007-2013, £100m was available to Council clusters from the Rural Development Programme which supports a diverse range of activities in rural communities including diversification into non-agricultural activities; business creation and development; encouragement of tourism activities; basic services for the economy and rural population; village renewal and development; and conservation and upgrading of the rural heritage. Axis 3 funding is administered through 7 Local Action Groups (clusters of councils). Attached at **Appendix 3** is a breakdown of the allocation of the £100m Axis 3 Rural Development Programme funding across the 7 council cluster areas.

DARD has recently consulted on the next round of Rural Development Programme for 2014-2020; however, the amount of funding available is unknown at this stage.

(v) Current DSD Funding and Future Project Plans

The Council has received schedules of potential schemes under consideration by DSD which could have financial implications for capital financing post April 2015. The Council is undertaking due diligence on the potential schemes in conjunction with the Department to assess the impact of such schemes within the context of future resource availability, including any revenue and capital commitments in place at the point of transfer.

To ensure the continued regeneration investment in Belfast and the wider region there may be a need for a transitional funding package to be put in place to enable schemes which bridge the transition period to be completed.

(vi) Neighbourhood Renewal Revenue Funding

An analysis of the information provided by DSD indicates that in 2013/14 the level of funding for the new Belfast City Council area relating to Neighbourhood Renewal Revenue equates to £11.1m as compared to the proposed allocation model of £8.7m creating a shortfall in funding of approximately £2.4m. This expenditure supports established structures such as the Belfast Area Partnerships and associated programmes of work within the City.

The Council would highlight that any consideration being given to the potential extension of existing neighbourhood renewal contracts or programmes during the transition period should be considered within the parameters of the funding model.

While the Council would agree with the recommended approach of the funding model for tackling disadvantage, there is the need to explore the totality of the funding available for neighbourhood development through the due diligence process given the funding shortfall identified above.

(vi) Laganside including the Weir

The funding model proposes the calculation of an annual budget using actual expenditure levels over the past three years with the removal of expenditure for major works. The result provides an average base level of annual expenditure to which DSD has added the annual costs of physical works to dredge the river, refurbish the weir and maintain revetments.

The Council would wish to continue its discussions with DSD regarding the funding and operation of the weir to include the timing and funding implications for future major works.

The Council would seek clarification from the Department as to whether or not the weir is considered to be a flood defence system and therefore this would have significant liabilities attached to it when transferred. If so, the Council would commend that the weir be considered as "regional infrastructure" rather than purely a Belfast City Council urban regeneration asset and therefore appropriate contingency resources made available within the Department and/or NI Executive. There are also issues of reputational and financial risk associated with the weir should the flood defences fail and these are also issues which the Council will seek to resolve with DSD before the transfer date.

(vii) Other Transferring Assets and Liabilities

Over 160 physical assets will transfer to the Council from DSD in April 2015. The Council notes the proposed arrangements to cover the annual maintenance costs at the Weir, but would be concerned there appears to be no allowance in the transfer model for the annual maintenance of other transferring assets. The Council is currently assessing the potential financial implications of such assets and would welcome further engagement with the Department on this.

	<p>The Council is also aware that the Department holds a significant budget to cover site acquisitions (vesting of land) in circumstances whereby the site owner is not known at point of vesting. The Council would seek clarification as to whether the Department would retain this budget and make payment to any owners who may come forward regarding land vested pre transfer, or alternatively that any such budget would transfer with the assets to the Council.</p> <p>(viii) Regional Due Diligence Exercise Belfast City Council has commissioned Deloitte on behalf of the LGR Transfer of Functions Group to undertake a due diligence exercise on the total DSD funding to be transferred to local government. Although the scope of the exercise is to agree the overall allocation to local government, the Council will ensure that the shortfall of funding identified in paragraph (iv) above is referred to the consultant for consideration.</p>
2.6	Members shall note that the draft response, as considered by the SP&R Committee, will be submitted to the Belfast Statutory Transition Committee on 12 February 2014 for consideration and submission to the Social Development Minister by 28 February 2014.
3	Recommendation
3.1	<p>The Committee is asked to:</p> <ul style="list-style-type: none"> (i) note the contents of this report and appendices attached; (ii) outline any initial observations and/or comments on the proposals put forward for inclusion in the draft response to be submitted to the Social Development Minister; (iii) agree that a response be submitted to the Social Development Minister based on para 2.5 above and taking account of any comments raised at Committee and Statutory Transition Committee

4.0 Resource Implications
There is no Human Resource or financial implications contained within this report.

5.0 Equality and Good Relations Considerations
Equality and good relations implications in relation to this policy are still under consideration. Further updates will be sent to the Equality and Diversity Officer in due course.

6.0 Appendices
Appendix 1 Correspondence from Social Development Minister re: Budget Allocation Model
Appendix 2 DSD Correspondence re: extended consultation period
Appendix 3 Breakdown of Axis 3 Rural Development Programme