

Department for  
**Social  
Development**

**From: The Minister**

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**Chief Executive**

**Our ref: SUB/498/2014**

**16 June 2014**

**Dear Chief Executive**

Thank you for your response in relation to my Department's Budget Allocation Model. As you might have expected responses from across the Local Government sector were comprehensive and diverse.

I have attached for your information at Appendix 1; a summary of the main issues raised during the consultation process and my Department's response. Of the twelve main issues, the biggest concern was the application of a 4% reduction to the allocation in anticipation of expected efficiency savings in the next Budget period. The reduction to the indicative allocation was made in order to ensure a prudent approach to planning. Ultimately, the final budget to transfer will be decided in the context of final decisions by the Executive as part of its 2015/16 Budget process.

Having taken into consideration all of comments and concerns about elements of the methodology and reflected on the feedback provided, in my view the proposed methodology with some small modification provides the most objective basis for the distribution of my Department's Urban Regeneration and Community Development funds going forward. I attach at Appendix 2, the revised model amended to reflect the availability of revised population statistics and the removal of the Laganside functions for the purposes of distributing salary costs across the 11 clusters.

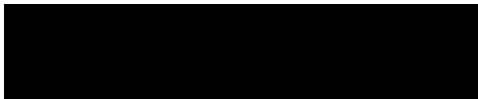
In addition, a recent due diligence exercise uncovered approximately £3.6m of baseline costs that potentially should not have been included in the model for distribution to Councils. Further analysis has confirmed that £2.4m of that £3.6m should be retained by my Department as it relates to commitments that will not transfer to local government. The model has also been revised to reflect these and for your information the £2.4m is broken down as a footnote in Appendix 2. You will be aware that the due diligence work is on-going and further amendments may be made to the allocation model to reflect this work and the Executive's final decisions.



I trust now that you have your indicative allocation for 2015, you will work proactively with my officials on the myriad of decisions to be taken over the next number of months on continuity arrangements, staffing and capital projects, as they stand ready to work in partnership with you both in the run up to April 2015 and beyond.

I am copying this letter to Chief Executives, Local Government representatives, SOLACE, NILGA and Ministers Durkan and Hamilton and would be grateful if you would ensure Presiding Councillors and deputy Presiding Councillors are made aware of its content as and when they are appointed.

Yours sincerely



**NELSON McCAUSLAND MLA**  
**Minister for Social Development**

## **A SUMMARY OF THE MAIN ISSUES RAISED IN RELATION TO THE BUDGET ALLOCATION MODEL AND THE DEPARTMENT'S RESPONSE**

### **1. Discontent with the application of a 4% cut to budgets:**

The reduction to the indicative allocation was made in order to ensure a prudent approach to planning, recognising that the Executive will apply spending reductions in the next Budget period. Ultimately the final budget to transfer will be decided in the context of final decisions by the Executive as part of its 2015/16 Budget process.

### **2. Issues with urban/rural definition:**

The allocation model has been developed by the Department as a mechanism for calculating the distribution of the regeneration and community development budget to the new Councils. The Department has sought to strike a balance between the fact that it is DSD's current remit for urban regeneration which is transferring to local government and the reality that the new Councils will chose to direct regeneration activity to smaller settlements than those which DSD has been active in. Therefore, in keeping with the principle that it should be forward looking, the model brings in large villages and intermediate settlements with populations between 1,000 and 4,500 to achieve this balance. This acknowledgement of the future scope of the new Councils remit should not be interpreted as a change to any existing definition and does not in any way place any obligations on the new Councils in terms of where they choose to direct their regeneration activities in the future. It will be for each new Council to decide its own priorities.

### **3. Lack of clarity on DARD funding:**

The assumption made in the allocation model does not imply any commitment on the part of DARD to provide funding to the new Councils. The availability of future rural development funding is a matter for DARD and at this stage it is not known what budget will be available for the next Rural Development Programme. DSD's allocation model does not provide for any amounts of DARD funding in its calculation. The allocation model is simply a mechanism for calculating the distribution of funds to the new Council

areas and whilst it uses population sizes and income deprivation as a measure, this does not in any way restrict Councils future funding aspirations.

#### **4. Request for clarification on historical spend:**

Historic spend figures have now been provided to all Councils

#### **5. Historic spend a better basis for allocating funds:**

One of the principles set by the Department is that the allocation formula should be forward looking and not designed either to perpetuate current patterns or to balance out or compensate for perceptions of imbalance in historical spending patterns; therefore historic patterns were not used to determine future funding allocations. This is an important principle as the formula will set the budget for this area of work for a significant period of time and it would not be appropriate to skew it to reflect short term patterns of expenditure in the 3 to 5 years either side of the transfer date.

#### **6. A call for transitional funding for projects which were started but not finished at handover date:**

The Executive has decided that responsibility for regeneration and community development at a local level will transfer to local government on 1 April 2015. As the Department is transferring its entire budget for regeneration and community development to local government in 2015, there will be no regeneration budget remaining to be allocated as a transitional fund. Councils have more flexible financing arrangements than central government, and in the short term this should be the mechanism used to overcome any transitional issues rather than a series of complex and potentially contentious adjustments to the allocation mechanism.

#### **7. Need to finalise budget and personnel issues as quickly as possible:**

The model is being driven by a need to have a methodology agreed by summer 2014 to enable DFP to put in place the necessary arrangements for the transfer. In addition DSD Change managers are working with Council change managers on the detail of projects currently supported by DSD and to enable new Councils to make an informed choice on how they might distribute their new budgets whilst having regard for the outcomes

contained within the Urban Regeneration and Community Development Framework. All of this work will culminate in the need for Councils to provide DSD with information on the staff resources they will need to support them post April 2015. The Department would welcome early decisions from the Shadow Councils on these issues to enable appropriate arrangements to be put in place.

#### **8. Clarity on the definition of a regionally significant development scheme;**

This refers only to the Department's powers to take forward Development Schemes. The Department has carried out very few formal comprehensive development schemes over the last 10 years. This situation does not compare with the position in planning where thousands of applications are received annually and Councils need clarity on which type of applications may need to be considered by the Department (as potentially of significance to the whole or a substantial part of Northern Ireland) rather than by the Councils themselves.

On that basis DSD does not consider it appropriate to be prescriptive in legislation around the circumstances when a development scheme might be of significance to the whole or a substantial part of Northern Ireland. This can be covered in guidance from the Department as appropriate

#### **9. Need to review formula in the future:**

There are no plans for DSD to revisit the funding allocated to Councils in 2015. Any review of the financial support to local government will be undertaken by DOE.

#### **10. Need to consider a new model/ different metrics:**

The model uses income deprivation as a proxy because there is a high correlation between the spatial distribution of income deprivation and the spatial distribution of multiple deprivation. Unlike many other measures of deprivation, the use of the income deprived population of a district in the model allows for a straightforward calculation to be made as it provides a measure of the proportion of the total Council population who have that characteristic.

The Department's concern around developing a new Option 5 is that no objective measures currently exist for many of the factors which might be considered. Furthermore, the Department considers that it would be very difficult, if not impossible to achieve consensus on the factors that should be taken into consideration since each choice would impact on the result of the formula. This is borne out by the wide variety of issues and factors suggested by local government in response to this model. The approach adopted by the Department has the advantage of correlating highly with an agreed measure of the main characteristics of deprivation whilst also allowing for the quantification of such across the 11 new Council areas.

**11. Clarification on assets/liabilities:**

The costs of maintaining the Department's assets are included within the physical regeneration component of the allocation model.

**12. Comments on impact of specific issues such as Laganside costs.**

The Department is happy to engage with Belfast City Council on issues associated with Laganside. A number of Councils commented on the allocation model unfairly including the budget for Laganside in the distribution of total salaries therefore Laganside has been removed from the model for the purposes of distributing salaries and for confirmation, its inclusion in the model does not affect the distribution of the other funds available.

**Appendix 2**

	Tackling Disadvantage Component			Physical Regeneration Component			Laganside Average annual cost	Community Development Component			Total Programme		Salary & GAE costs in proportion to Programme allocation	Total Allocation	
	Income Deprived Population Settlement Bands A-G	% of total	Indicative allocation (£,000)	Total Population Settlement Bands A-G	% of total	Indicative allocation (£,000)		Income Deprived Population of District	% of total	Indicative allocation (£,000)	Indicative allocation (£,000)	% of total		Indicative allocation (£,000)	% of total
Antrim and Newtownabbey	22,959	6.47%	1,801	113,820	8.73%	2,156	25,511	5.65%	391	4,347	7.01%	423	4,602	7.00%	
Armagh, Banbridge and Craigavon	32,921	9.27%	2,582	127,658	9.79%	2,418	44,882	9.94%	687	5,687	9.17%	622	6,087	9.26%	
Belfast	114,141	32.16%	8,952	332,905	25.54%	6,306	114,361	25.33%	1,751	19,601	31.60%	1,640	20,493	31.18%	
Causeway Coast and Glens	23,546	6.63%	1,847	86,806	6.66%	1,644	35,125	7.78%	538	4,029	6.49%	456	4,327	6.58%	
Derry and Strabane	46,699	13.16%	3,663	116,067	8.90%	2,199	55,684	12.33%	853	6,714	10.82%	696	7,149	10.88%	
Fermanagh and Omagh	12,476	3.51%	978	42,688	3.27%	809	27,357	6.06%	419	2,206	3.56%	240	2,360	3.59%	
Lisburn and Castlereagh	16,352	4.61%	1,283	101,797	7.81%	1,928	19,406	4.30%	297	3,508	5.65%	326	3,699	5.63%	
Mid and East Antrim	20,737	5.84%	1,626	99,272	7.62%	1,880	25,001	5.54%	383	3,890	6.27%	430	4,168	6.34%	
Mid Ulster	15,423	4.34%	1,210	55,707	4.27%	1,055	33,923	7.51%	519	2,784	4.49%	324	2,999	4.56%	
Newry & Mourne and Down	26,753	7.54%	2,098	91,735	7.04%	1,738	44,655	9.89%	684	4,520	7.29%	466	4,810	7.32%	
North Down and Ards	22,954	6.47%	1,800	135,007	10.36%	2,557	25,540	5.66%	391	4,749	7.65%	470	5,035	7.66%	
	<b>354,960</b>		<b>27,840</b>	<b>1,303,462</b>		<b>24,690</b>	<b>451,447</b>		<b>6,912</b>	<b>62,034</b>		<b>6,093</b>	<b>65,728</b>		

\*Total allocation reduced by £2.4m iro Women's Centre Childcare Funds (£850k), Integrated Services for Children and Young People (£125k), the Innovation Fund (£650k), Land Assembly services (£250k), the Boys Model school (£350k) and £175k Analytical Services Unit services.