

Transfer of Functions and Powers  
to Local Government  
**Due Diligence Review**  
Final Report

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# 1 Introduction

## 1.1 Background

The Northern Ireland Assembly Executive launched the Review of Public Administration (RPA) in June 2002 with the final outcome announced by the Secretary of State in November 2005. Its purpose was to review Northern Ireland's system of public administration with a view to putting in place modern, accountable and effective arrangements for public service delivery in Northern Ireland. Following the reestablishment of the devolved government, the Executive set up a Sub-Committee to prepare for the process. This was chaired by the then Environment Minister, Arlene Foster MLA, with membership consisting of the Minister for Finance and Personnel, Minister for Social Development, Minister for Regional Development and the Minister of Health, Social Services and Public Safety. In 2008 the Sub-Committee made recommendations in relation to local government structures, functions, resources, operational arrangements and governance which included:

- Reducing the number of Councils from 26 to 11; and
- Transferring functions from Central Government to Local Government.

As part of the local government reform programme, the Executive agreed that the following functions will be transferred to local government on 1 April 2015:

### **Planning**

- Local development plan functions
- Development control and enforcement

### **Roads**

- Off street parking (except Park and Ride and Park and Share)

### **Urban regeneration and community development**

- Functions associated with physical development (e.g. environmental improvement schemes)
- Area based regeneration (such as Neighbourhood Renewal)
- Some community development programmes for the voluntary and community sectors

### **Housing**

- Registration of houses in multiple occupation
- Housing unfitness responsibilities, including repair and demolition notices

### **Local Economic Development (transfer from Invest NI)**

- Start a Business Programme and Enterprise Shows
- Youth Entrepreneurship (such as Prince's Trust and Shell Livewire)
- Social Entrepreneurship
- Investing for Women
- Neighbourhood Renewal funding relating to enterprises initiatives

## Local Tourism

- Small scale tourism accommodation development
- Providing business support including business start-up advice along with training and delivery of customer care schemes
- Providing advice to developers on tourism policies and related issues

## Other

- Some elements of the delivery of the EU Rural Development Programme
- Authority to Spot List to enable Councils to add a building to the statutory list on a temporary basis, subject to ratification by the Department of the Environment (DOE)
- Authority to draw up local lists of buildings that are of architectural and/or historic interest
- Armagh County Museum
- Local water recreational facilities
- Local sports (greater involvement of local government in local sports decisions)
- Donaghadee Harbour

## 1.2 Scope of Work

To assist with the transfer of functions and powers to Local Government, Deloitte has been commissioned by the Transfer of Functions Working Group to perform a review of the resources proposed to accompany the transfer of functions to Local Government. The scope of our work included the following:

- Defining the scope of the functions and powers to transfer to Local Government and the associated legislative and policy frameworks which underpin them;
- Definition of the existing operational arrangements for delivering the functions and powers transferring from Central Government;
- Estimating the direct and indirect financial costs, staffing and other resources deployed in support of these functions and powers (including central support costs);
- Estimating the assets and potential liabilities which will transfer to Local Government;
- Assessing the number, type and designation of staff currently deployed in the delivery/direct support of those functions and powers to transfer to Local Government. Where staff budgets are allocated or apportioned to functions transferring then verification of the reasonableness of the allocation/apportionment method needs to be undertaken;
- Assessing the current operational arrangements for delivery of the functions transferring from Central Government to Local Government, including resource allocation models or other mechanism for resource prioritisation;

The transfer of some of the elements of the delivery of the EU Rural Development plan is outside the scope of this report.

# 2 Transfer Principles and Assumptions

## 2.1 Transfer Principles

Whilst the Executive has been clear in naming the functions and powers that are to transfer to Local Government, it does not define the mechanism and methods required to complete the transfers fairly and effectively. It is essential that a set of guiding principles are agreed upon by Central and Local Government which will underpin the transfer of functions and powers. Through our investigations and discussions with the relevant Departments and our analysis of the functions transferring, we have developed a set of guiding principles which will allow Local Government to receive the appropriate level of funding to discharge the new responsibilities bestowed upon it through the transfer of functions. The principles were discussed and agreed at a meeting of the Transfer of Functions Working Group held on 28 January 2014 at Belfast City Hall. The principles are:

### **1. The transfer of functions and powers must be 'rates neutral' at the point of transfer**

The definition of rates neutral so far has focused on 'rates neutral' to the rate payer. The DFP has stated that the transfer of functions in totality will be rates neutral not just to Local Government as a whole, but also on an individual Council basis. However, as decisions have yet to be reached on the future operational arrangements of many of the transferring functions, this report has focused on the impact of the transfers on Local Government as a whole. Therefore, the guiding principle that has been used for the purposes of this report is that the transfer will be rates neutral to Local Government as a whole. Further work will be required to assess the funding allocation provided to individual Councils.

### **2. Funding will include the total cost of discharging the responsibility, providing the service and/or maintaining the asset**

For costs which are incurred annually but are not budgeted for (e.g. maintenance), the Councils must be provided with the resources to fund this expenditure.

### **3. Funding will be provided by Central Government to make good any financial deficit associated with the delivery of the function/service based on its current delivery model**

Where the transferring function requires a subsidy from government to operate, this subsidy will be transferred to the Councils.

### **4. Funding will be provided by Central Government for notional costs**

Notional costs are non-monetary charges for services received from Government Agencies and Departments (e.g. IT, Finance, Procurement, Accommodation, HR, and Legal). Upon transfer, some of these services will become hard charges for Councils. For those that will become hard charges, funding will be provided to Local Government for these costs.

### **5. No budget will transfer where a financial surplus is made by the transferring function**

Where the cost of administering a function is less than the income received, no budget for expenditure should transfer. Local Government will instead fund the costs of service delivery from income received.

Moreover, the income received which exceeds the costs of service delivery will be netted against the funding provided for other transferring functions.

## 2.2 Assumptions

We have produced this report using a number of key assumptions:

1. Operating costs are exclusive of staff costs. Staff costs are analysed separately for each transferring function;
2. Notional costs which will not become hard charges for the Council (i.e. depreciation and interest on capital employed) will not transfer;
3. Notional costs where the number of staff positions transferring is less than 10 (per function) are considered immaterial and no budget will transfer;
4. Staff costs include salary related costs including pension and employers NIC;
5. The asset valuations provided are accurate.
6. Maintenance costs are the average annualised cost over a 3 year period unless stated otherwise.

# 3 Off Street Parking

## 3.1 Existing Operational Arrangements

Transport NI as part of the Department for Regional Development (DRD) is currently responsible for car parking in Northern Ireland. This relates to a range of responsibilities including ticketing, enforcement, maintenance and tariff setting. From April 2015, off-street parking will become the responsibility of Local Government whilst on-street parking will remain the responsibility of the DRD.

## 3.2 Assets

The off-street car parking assets owned by the DRD (including land, buildings, parking machines and other equipment, but excluding Park and Ride and Park and Share car parks) will be transferred to local Councils on 1 April 2015. The 359 Transport NI car parks were valued at £64.4m at 31 March 2013 after a revaluation was undertaken by Land and Property Services (LPS). 15 of these car parks are leased, 3 of which are leased from Councils in Carrickfergus, Newtownabbey and Belfast. The terms and lengths of the leases are currently being investigated by the DRD.

The DRD is currently performing an exercise to identify the total non-property assets associated with each car park. These include car park meters, lighting units, e-charging facilities (for electric cars) etc. The exercise will identify the quantity of assets and the associated costs.

## 3.3 Liabilities

As a Government Department, the DRD is uninsured and instead makes a provision against specific claims made against the Department. The Transport NI Service Claims Unit provided information on claims relating to off-street car parks for the last 3 financial years. An average of 15 claims was made per year with an average of six being successful. The average annual cost of claims was £38k. The DRD has indicated that it will be responsible for all claims where the incident occurred prior to 1 April 2015. All claims where the incident occurred on or after this date will be the responsibility of the relevant Council. Councils will have to factor this into their budget preparation post transfer however the average annual cost has been included within the miscellaneous costs to transfer.

## 3.4 Income

The DRD currently receives income from off-street parking from two sources:

- Car park ticketing; and
- Penalty Charge Notices (PCNs).

In 2012/13, car park ticketing revenue was £8.4m. We estimated the penalty charge notices income for off-street parking on the basis of PCNs issued. In 2012/13, 34,774 of the 108,354 PCNs issued related to off-street parking. We therefore estimate that approximately £1.7m of the £5.3m of PCN income relates to off-street parking. This gives a total figure for off-street car parking income of £10.1m. This includes a small amount relating to Park & Ride and Park and Share car parks, which is outside the scope of the transfer. To date it has not been possible to split this income.



The DRD also receives income through the rental of billboard advertising space in car parks. As part of the exercise examining non-property assets situated in off-street car parks, the DRD will identify the income received and the length of leases provided to advertisers.

### 3.5 Operating Costs

The DRD currently does not distinguish between on and off-street car parking for the allocation of operating costs. In order to examine the operating costs of managing and maintaining off-street car parks, we have obtained Memorandum Trading Accounts prepared by the DRD for car-parking for the 2012/13 year. As these are not split for on & off-street parking, we have used several bases for allocation of costs as explained below and in Table 3.1.

Table 3.1 – Off-Street Parking Operating Costs

Running Costs		Total ('000)
NSL Contract Cost	£	2,802
Spur Contract Cost	£	73
Car Park Premises Costs	£	1,603
Miscellaneous	£	211
Car Park Maintenance Costs	£	304
<b>Total</b>	<b>£</b>	<b>4,993</b>

- NSL contract costs (see 3.6 Contracts) have been split for on and off-street based on the number of PCNs issued. The DRD is currently devising another method of apportionment based on time spent on on & off-street parking by traffic wardens. It is not known how this apportionment method will change the current split;
- Spur contract costs (see 3.6 Contracts) have been split for on and off-street based on the number of PCNs issued;
- Car park premises costs consist of rates with a small rental cost (£290k) for the 15 car parks that are leased by the DRD. The total car park premises costs include rent paid to Councils by the DRD for the leasing of off-street car parks (3 car parks in Carrickfergus, Newtownabbey & Belfast). These have been included in order for the transfer to remain rates neutral. See 3.8 Key Issues;
- Miscellaneous costs relate to expenditure on lighting, general maintenance and legal claims (i.e. cleaning and small repairs). We have adjusted the total car park miscellaneous costs by £100k as these costs relate to Park and Ride and Park and Share;
- Car park maintenance costs relate only to off-street car parks. Through examination of the MTAs for the previous 3 financial years, we have calculated an annualised maintenance cost of £304k.

### 3.6 Contracts

The DRD currently holds a contract with NSL for the provision of services including on & off street enforcement, staff deployment, car park maintenance and cleaning, cash collection and clamping. This contract will expire in September 2016 but contains extension options until 2022.

The DRD also holds a contract with Spur Information Solutions Ltd for programme software for managing parking enforcement, including ticketing, parking permits and wheel clamping. It also provides statistical and financial reports used by the DRD for analysis of car parking enforcement. The contract began in 2006 and ends in October 2016. Procurement will begin for a new IT software contract in April 2014. Local Government must be involved in the procurement process in order to ensure that the software will meet their requirements, including interfacing with the financial systems of each Council.

### 3.7 Staffing

The Parking Enforcement Unit (PEU) within the DRD is responsible for the administration of on & off-street car parking enforcement in Northern Ireland. Its role includes PCN payment processing, challenges and appeals administration and debt management. In 2012/13 there were 52 staff operating from offices in Belfast, Craigavon, Omagh and Coleraine.

The DRD has indicated that the same staff are responsible for on and off-street car parking and as such, they do not propose the transfer of any staff members. However, as an element of the staff costs incurred by PEU relate to off-street parking, this budget will transfer. The DRD has informed us that of the 52 staff employed, the equivalent of approximately 15 are responsible for off-street parking. We have used this to estimate the staff costs attributable to off-street parking for 2012/13, with the approximate cost calculated as £482k.

### 3.8 Key Issues

#### Notional Costs

Car parking receives notional cost allocations from the DRD and from Transport NI. The notional charge from the DRD relates to services such as internal audit and the use of the Accounting Services Branch. The notional charge from Transport NI for car parks includes an allocation for accommodation, finance (Account NI) and IT services (IT Assist). We have apportioned notional costs for off-street parking based on head count using the approximate distribution of staff provided by the DRD. The total notional cost for 2012/13 was £410k. Applying a headcount percentage 28.8% (15/52 staff), the total notional cost for off-street parking is £118k.

Depreciation and interest on capital employed are also notional costs. Depreciation is an accounting journal entry and will not form part of the funding to transfer. Interest on capital employed is designed to provide an incentive for the efficient use of capital resources. It requires government bodies to earn a return of 3.5% on net assets to minimise opportunity cost. This is an accounting journal entry based on government policy that is not applicable to Councils and so funding for this will also not transfer.

#### Rates

Rates are currently paid by the DRD to Land and Property Services (LPS) for the assets which will transfer to the Councils. LPS then redistributes this money received to the Councils and to Central Government. Following the transfer, the distribution percentages will remain the same. The Councils therefore currently receive rates payments in relation to off-street car parks. In order to maintain rates neutrality at the point of transfer, the Councils will have to be provided for the full costs currently paid by the DRD to LPS.

#### Maintenance costs

General car parking maintenance is provided by NSL under the terms of the enforcement contract. Car park refurbishments such as tarmacing and line-painting are paid for by the DRD. Although no budget is allocated for refurbishments, expenditure is incurred annually. It is important that this is factored into the final budget allocation to transfer to Councils.

#### Allocation

Of the 345 transferring car parks, 227 charge no parking fee to users. Depending on the location of the free car parks, it could prove that off-street parking is profitable for some Councils and loss making for others. Further work is required to establish the implications of this at a Council level.

### 3.9 Summary Analysis

Table 3.2 – Off-Street Parking Summary Analysis

Income	Total ('000)	
Off Street Parking	£	8,427
PCNs	£	1,721
<b>Total Income</b>	<b>£</b>	<b>10,148</b>
Expenditure		
DSL Contract Costs	£	2,802
Spur Contract Costs	£	73
Car Park Premises Costs	£	1,603
Miscellaneous	£	211
Car Park Maintenance Costs	£	304
Staff Costs	£	482
Notional Costs	£	118
<b>Total Expenditure</b>	<b>£</b>	<b>5,593</b>
<b>Total Surplus</b>	<b>£</b>	<b>4,555</b>

Table 3.2 shows a summary analysis of the approximate costs of off-street parking in 2012/13. These figures must be considered in the context of the assumptions used and explained throughout this section of the report. The cost analysis shows a surplus of £4.6m. This means that off-street car parking is profit-making and therefore the surplus will be netted against the funding required for other transferring functions as part of the total budget to transfer to Local Government..

### 3.10 Conclusions and Next Steps

We have reviewed off-street car parking by analysing the key areas of assets, liabilities, income, operating costs, staffing and contracts. We have summarised below the key issues that must be addressed before 1 April 2015.

Table 3.3 – Conclusions and Next Steps

Transfer Area	Issue	Way Forward & Recommendations
Assets	<b>Lease terms:</b> The DRD act as lessees or lessors for a number of the transferring assets. The agreements in place have varying lengths, terms and conditions. At the date of this report, the lengths, terms and conditions were not available for all relevant assets. It is important for the Councils to be provided with this information to assist with transition planning and to allow them to make informed decisions about the future strategy for their asset base.	We recommend that an exercise is completed to collate information on all leased assets where the relevant Government Department acts as a lessor or a lessee. It is our understanding that the DOE is currently coordinating property information including title and the DRD is participating in this exercise.
	<b>Asset numbers:</b> A small number of the car parks currently listed to transfer have been considered for regeneration and as potential sites for development.	A budget revision exercise will be necessary to confirm the final list of car parks that will transfer to Local

Government from April 2015.

## Liabilities

**Legal action:** Councils will be responsible for any legal action relating to transferring functions that occurs after 1 April 2015. As the DRD is uninsured, a provision for claims is initiated where the outcome is expected to rule in favour of the claimant. Councils will have to choose whether to insure or whether to provide for claims in their financial accounts post transfer. An increase in insurance premiums for local Councils due to a growth in the asset base would impinge upon rates neutrality.

We recommend that agreement is reached between Local and Central Government as to whether funding for increased insurance premiums will be included in the final funding package.

## Operating Costs

**Budget vs. Cost Incurred:** From our review we have identified that for some of the transferring functions, costs are incurred for areas where no budget exists. The DRD currently incurs expenditure annually on refurbishments to car-parks for which they do not budget.

As included as one of our guiding principles in Section 2, we recommend that all costs of discharging the responsibilities associated with the transferring function must be provided to the Councils whether budgeted for or not.

**Costs incurred post transfer:** Whilst the Councils will be provided with the funds to discharge the responsibilities associated with each transferring function at the date of transfer, they will not be provided with the funding for the costs of administration changes post transfer. These include IT set-up costs and the cost of updating current government-used software to interface with Council finance systems. This has particular relevance to off-street parking and the specialist software used for enforcement.

Identification and quantification of these costs will depend on the future operational arrangements for the transferring functions decided upon by the Councils. We recommend therefore that no funding is transferred in this area.

**Staff not transferring to Local Government:** No staff are proposed to transfer from the DRD. Whilst the budget will transfer to Councils, the Councils will have to consider how to effectively resource the function to ensure continuity of service.

We recommend that Councils agree the operational arrangements for the functions post transfer. This could involve services continuing to be provided by the DRD with a service charge paid by Councils.

## Contracts

**Future operational arrangements:** Responsibility for car parking enforcement and IT software are outsourced to a third party through contracts held by DRD.

Whilst it is expected that the current operational arrangements will continue post 1 April 2015, we recommend that the DRD and Local Government plan for the conclusion of these contracts and define future operational arrangements.

## Other

**Allocation:** We have indicated in Section 2 that a key guiding principle of transfer must be rates neutrality for Local Government at the point of transfer. However the decision on the future operational

We recommend that Councils decide on an operating model which is sustainable post transfer. The Transfer of Functions Sub Group

arrangements of the functions post transfer could impact upon some Councils positively and others negatively.

has considered the option of continuing the current operational arrangements through an SLA with the DRD immediately post transfer. The DRD are currently exploring the options for future operational arrangements.

We recommend that further work is conducted on off-street car parking to determine the impact of the transfer on an individual Council basis.

**Rates** – Rates are currently paid by the DRD to LPS for the assets which will transfer to the Councils. LPS then redistributes this money received to the Councils and to Central Government. The Councils therefore currently receive rates payments in relation to the DRD assets. Following the transfer, the distribution percentages will remain the same.

In order to maintain rates neutrality at the point of transfer, the Councils will have to be provided with the full costs currently paid by the DRD to LPS.

**Budget transfer** – The figures used in the summary analysis in Table 3.2 are taken from the 2012/13 financial results. This is 2 years before the transfer and may not represent the economic conditions present at 1 April 2015.

For the transfer of off-street car parking, changes in the economy and the availability of new information could materially impact the figures detailed in this report. We recommend that a judgement is made as to whether a budget revision exercise is required to a future date, in order to base the funding transfer on more current financial information.

# 4 Local Development Plan Functions, Development Control and Enforcement

## 4.1 Existing Operational Arrangements

The Department of the Environment's planning functions are currently the responsibility of the Planning and Local Government Group (PLGG). The functions transferring from PLGG are as follows:

### Local Planning Division

Local Planning Division (LPD) has operational responsibility for the majority of planning functions that will transfer to Councils through Local Government reform. This includes development management (including enforcement), development planning, conservation and tree preservation orders. Local Planning Division has 8 local area planning offices located in Belfast, Ballymena, Coleraine, Craigavon, Downpatrick, Enniskillen, Derry and Omagh.

### Strategic Planning Division

The Strategic Planning Division (SPD) is responsible for processing planning applications from across NI for large scale investment proposals. It also provides advice and guidance on design policy and practice. In addition, the Division handles specialist planning proposals which could have significant effects on the environment and everyday living. Such proposals include renewable energy, energy from waste, waste disposal, recycling, landfill, minerals extraction and major infrastructure proposals such as cross border gas pipelines, large scale electricity connectors and power stations. The Division is also responsible for waste and minerals enforcement.

It is expected that the majority of the role of the LPD will transfer to Local Government and that only a small amount of the responsibilities currently undertaken by the SPD will transfer. This considered, our financial analysis focuses on historic information (2012/13 financial year) and uses the following assumptions provided to us by the DOE:

- 80% of Local Planning Division will transfer
- 20% of Strategic Planning Division will transfer

These assumptions are a best estimate by DOE based on current transfer expectations. Although the functions to transfer are agreed, the details and practicalities are yet to be finalised. The PLGG is currently accessing the precise implications of the transfer which will result in more robust estimates.

An example of a current LPD responsibility that may stay within DOE is planning applications for wind farms over a certain size, which could be deemed 'Regionally Significant'. A current responsibility of the SPD that may be granted to the councils includes minor works around 'mining sites' such as erecting fences. Currently all work relating to a mine regardless of size or significance of the application is undertaken by SDP. The assumptions used are based on the information available to us at the time of this report. The funding to transfer on 1 April 2015 may differ once confirmation is received on which responsibilities will stay within the Department and which will move to Councils.

## 4.2 Assets

A small amount of assets are expected to transfer from the Department of the Environment. These assets are largely office utilities such as franking machines, photocopiers and computers. It is yet to be finalised which of the assets will be required by the Councils and therefore transfer. The main asset relevant to planning is the IT system, the Planning Portal (See 4.8 Key issues).

## 4.3 Liabilities

Deferred income relates to planning applications fees paid in advance where the work has not yet been completed. At 1 April 2015, Councils will receive the deferred income balance, held on the balance sheet of the DOE relating to those planning applications transferring to the councils.. At 2012/13 year end, deferred income relating to LPD applications totalled £2.6m. The liability of performing the work will transfer to the Council along with the associated deferred income on 1 April 2015.

## 4.4 Income

Table 4.1 – Planning Income

Local			Strategic		
<b>Income</b>		(‘000)		(‘000)	(‘000)
Development management	£	10,800	£	1,300	
<b>Total Income (*80%)</b>	£	<b>10,800</b>	£	<b>8,640</b>	<b>260</b>

Planning applications received have been reducing since 2007/08 (27,500 in 2007/08 to 11,947 in 2012/13). This is reflected in planning revenue figures. Annual planning revenues peaked in 2007/8 at £22.5m and reduced significantly to £11m in 2011/12 with some gradual improvement to £12.1 million (£1.3m by the SPD, £10.8m by the LPD) in 2012/13 as shown in Table 4.1. Following the transfer of functions, we have assumed that the Councils will receive 80% of the revenues and costs related to the LPD and 20% of the revenues and costs relating to the SPD. Based on this assumption, the Councils can expect to receive income of approximately £8.64m from the LPD and £0.26m from the SPD, a total of £8.9m. However, the actual income figure will be influenced by decisions which have yet to be taken, such as who will have responsibility for property certificates and the definition of ‘regionally significant’.

## 4.5 Operating Costs

Staff costs are the main expense for the LPD, making up 74% of costs in the 2012/13 financial year (See 4.7 Staffing). Other costs can be separated in to admin costs (e.g. travel expenses, office costs) and programme costs (e.g. advertising, legal fees). Expenditure on admin costs in 2012/13 was £1.3m. Expenditure on programme costs was £1.17m.

Staff costs are also the main expense for the SPD, making up 87% of costs in the 2012/13 financial year (See 4.7 Staffing). Expenditure on program costs was £318k. Expenditure on admin costs was £211k.

## 4.6 Contracts

The LPD and the SPD hold a small number of contracts with companies in the private sector. These relate to services that DOE supplies such as strategic environmental assessments, review of issues related to major planning applications and aboricultural services. Six contracts are currently held with a total value to DOE of approximately £378k over the life of the contracts, all of which are likely to cease before the April 2015 transfer date. A review should be held closer to the transfer date to gain a better understanding of the contracts which will become the responsibility of Councils.

## 4.7 Staffing

At the 2012/13 year end, the LPD employed Full Time Equivalent (FTE) 366.52 staff. The total cost of remuneration to these staff was £13.49m.

As the SPD will remain as part of the DOE, a small number of staff are expected to transfer. At the 2012/13 year end, the SPD employed FTE 73.36 staff. The total cost of remuneration packages to these staff was £2.96m.

The DOE has stated that approximately 20% of the total amount of staff employed in the LPD at 31 March 2015 will not be transferring to Councils. The LPD in Belfast currently has a small coordination team who organise the function across Northern Ireland. It is expected that they will remain within the Department. Only a small number of staff will transfer from the SPD to fulfil the transferring responsibilities. Based on the percentage assumptions stated in Section 4.1, the estimated number of staff to transfer from LPD is 293.22, with 14.67 expected to transfer from SPD. The total estimated number of staff transferring is therefore 307.89. Table 4.2 shows the staff headcount for 2012/13 split by grade.

Table 4.2 – Planning Staff Headcount

Staff Headcount 2012/13		
	LPD	SPD
AA	26.50	2.00
AO	51.40	6.60
EOII	15.86	1.62
EOI	5.95	3.00
SO	0.00	1.00
DP	5.88	2.00
G7	0.00	1.00
HPTO	116.36	21.00
PPTO	18.00	7.30
PTO	68.40	5.86
SPTO	47.63	20.98
G6* Planning Officer	6.54	1.00
G5* Planning Officer	1.00	0.00
Support Grade Band 2	2.00	0.00
Technical Grade 1	1.00	0.00
<b>Total</b>	<b>366.52</b>	<b>73.36</b>
Estimated % to transfer	80%	20%
<b>Estimated staff to transfer</b>	<b>293.22</b>	<b>14.67</b>

The DOE has completed a Workforce Planning Model populated with data on workloads during 2012-13. The current model will be populated with data for 2013-14 and used to inform decisions about staffing allocations to the new Councils. We understand that talks will take place between the DOE and the shadow Councils once formed in May 2014 to establish the actual staff compliment transferring on a Council by Council basis. This will be influenced by issues still yet to be agreed, such as the definition of regionally significant as well as the confirmation of the future operational arrangements for Planning.

## 4.8 Key Issues

### Planning Portal

The NI Planning Portal is a web based portal encompassing a suite of applications which collectively deliver a range of planning services to the public, applicants, planning agents, consultees and Councillors. The current



contract for the Planning Portal is delivered by Hewlett Packard and runs until September 2014. The Central Procurement Directorate (CPD) has given an initial indication that there may be scope to extend the existing contract to September 2017. The DOE has indicated that their preference would be for this system to remain within the Department. It has been assumed therefore that in the period immediately post-transfer, that the DOE will provide the Planning Portal's services to the new Councils. The notional cost for the Planning Portal in 2012/13 attributable to the transferring elements (based on the percentage assumptions) was £504k. A system for charging individual Councils for use of this service has yet to be finalised (however, if hard charging was enforced then the Councils would have to be provided with funding for this expense).

Discussions must take place between the DOE and Local Government to understand if additional requirements from the Planning Portal are needed by the Councils, for example the ability to interface with their financial systems. Any such changes to the current Planning Portal required by the Councils would not be funded by the DOE.

### Judicial Reviews

A stakeholder can seek a Judicial Review when they feel that due process has not been followed during a planning application. Live judicial reviews at the date of transfer, as well as judicial reviews initiated after the date of transfer but which relate to applications dated before the transfer, will remain a liability for the DOE. During 2012/13 financial year, the cost for judicial reviews was approximately £0.28m for the LPD. The cost in 2011/12 was similar at £0.25m. After April 2015, the Councils will be responsible for local planning applications and will be liable for the costs of judicial reviews for planning applications after this date. The DOE currently has no budget allocated to judicial reviews and provide for judicial reviews on a per-case basis. The 2012/13 costs are included within the operating costs to transfer.

### Notional Costs

The DOE has provided notional costs split by activity and an estimation of the percentage of each activity which relates to Local Planning and Strategic Planning. Table 4.3 shows the calculation of notional costs split for Local Planning and Strategic Planning, taking into account the assumption that 80% of the LPD will transfer and 20% of the SPD will transfer.

Table 4.3 – Planning Notional Costs

Notional Cost	Total £'000	
	Local	Strategic
Accommodation	£ 2,029	£ 594
Departmental Solicitor's Office-DSO	£ 100	£ 30
Land & Property Services - LPS	£ 9	£ 3
NI Statistics and Research Agency-NIRSA	£ 28	£ 8
IT Assist	£ 634	£ 186
Information Strategy & Innovation Division	£ 32	£ 9
Account NI	£ 451	£ 132
Internal Audit	£ 31	£ 9
North/South Equality and Policy Co-ord Directorate	£ 9	£ 3
Graphics Design Unit- GDU	£ 5	£ 2
Economics Branch	£ 7	£ 2
Roads Service	£ 2,524	£ 592
NIEA	£ 522	£ 126
Countryside Management	£ 32	£ 9
Health & Safety Executive	£ 9	£ 9
Trim	£ 24	£ 24
Planning Appeals Committee	£ 92	£ 27
DOE Finance	£ 128	£ 128
DOE HR	£ 155	£ 155
DOE IT Support - Planning Portal	£ 252	£ 252
Freedom Of Information	£ 60	£ 60
Communication	£ 136	£ 136
Carbon Reduction	£ 9	£ 9
Equality Unit	£ 6	£ 6
CAL Training	£ 81	£ 24
HR Connect	£ 151	£ 44
<b>TOTAL</b>	<b>£ 7,512</b>	<b>£ 2,577</b>

The key notional costs are explained below:

Accommodation: A notional charge is made to each department by DFP for accommodation based on staff headcount. In April 2015, the Councils will inherit staff from the DOE. The Councils will then have to make a decision on where to house these staff. Whilst the Councils will receive the resources needed to house the staff, they must negotiate any relocation with the DFP. We understand that the DFP is in the process of reviewing the ownership structure of their buildings across Northern Ireland. This will help to inform future accommodation decisions. However, there is potential for contractual breaches with lessors to arise if Councils decide to vacate DFP buildings. Costs incurred by DFP for empty buildings could possibly impact the funding available to the Councils.

IT Assist: IT Assist provides the DOE with IT hardware, software and services. It is assumed that the Councils will be provided with funding to meet these costs, although the mechanism for how this will occur has yet to be agreed.

Consultees: A number of NICS bodies operate as consultees on planning applications including the DRD, the Northern Ireland Environment Agency (NIEA) and the Department of Agriculture and Rural Development (DARD). Consultees are stakeholder organizations that have a statutory right for their views to be incorporated into the planning process. Currently the work performed by these stakeholders on planning applications is charged notionally to the DOE. Two options are available to fund this work from April 2015. The first option would require the consultees to perform their role in the planning process without any charge being levied to the Councils. The second option would be for the consultees to hard charge with funding provided to the Councils to meet the cost. A decision has yet to be taken on the future arrangements for consultation on planning applications.

Notional costs are allocated to each department by the DFP using allocation methods dependent on the nature of the cost. The notional costs include some which will not become hard charges to the Councils, such as depreciation. Initial discussions have taken place between the DOE, the DFP, Central Government Departments and Local Government to agree an approach for quantifying notional costs and to determine a fair allocation model which is consistent across the Departments.

### Property Certificates

When a property is being bought or re-mortgaged it is standard practice that the conveyancing solicitor will contact either the local Council or the NICS to obtain full details of the property condition and history. A decision has yet to be taken on whether the responsibility for property certificates will transfer to Councils. However for the purposes of this report it has been assumed that they will transfer. The revenue brought in from NICS Property Certificates in 2012/13 was £0.6m. The NICS property certificate returns, which include input from Planning, Transport NI and other public bodies are coordinated by the Enniskillen Planning office. Consideration should be given to how best to minimise the diseconomies of scale associated with moving to an 11 council model, should the responsibility for property certificates pass to the Councils

## 4.9 Summary Analysis

Table 4.4 – Planning Summary Analysis

Local			Strategic			Total	
<b>Income</b>	('000)	('000)	<b>Income</b>	('000)	('000)	<b>Total Income</b>	£ 8,900
Property Certificates	£ 600		Property Certificates	£ -		<b>Total Costs</b>	£ 20,012
Applications	£ 10,200		Applications	£ 1,300		<b>Total Deficit</b>	£ 11,112
<b>Total Income (*80%)</b>	£ 10,800	£ 8,640	<b>Total Income (*20%)</b>	£ 1,300	£ 260		
<b>Costs</b>			<b>Costs</b>				
Running Costs (exc staff)	£ 2,496		Running Costs (exc staff)	£ 529			
Staff Costs	£ 13,486		Staff Costs	£ 2,964			
Notional Costs	£ 7,516		Notional Costs	£ 2,579			
<b>Total Cost (*80%)</b>	£ 23,498	£ 18,798	<b>Total Cost (*20%)</b>	£ 6,072	£ 1,214		
<b>Total Deficit</b>		£ 10,158	<b>Total Deficit</b>		£ 954		

\*Assumption that 80% of LPD and 20% of SPD income and costs will transfer

Table 4.4 shows a summary financial analysis of LPD and SPD. We have estimated that there was a deficit of approximately £10.16m for the LPD in 2012/13. We have estimated that there was a deficit of approximately £0.95m for the SPD in 2012/13. This means that based on our assumptions, a total deficit for the element of the Planning function transferring exists of approximately £11.11m. However as noted throughout Section 4, the final funds to transfer will be impacted by a number of decisions yet to be taken in relation to issues such as notional costs, the responsibility for property certificates and the definition of 'regionally significant'.

In the case of 'regionally significant' planning applications, the DOE will continue to hold responsibility. Therefore planning applications received which are deemed to be in the greater interest of Northern Ireland will be processed by the DOE rather than by Councils. The definition of 'regionally significant' has yet to be confirmed. This is an

important definition for understanding the remit and extent of the work of the Planning function within Councils and relates directly to the percentage factors used in calculating both costs and income.

## 4.10 Conclusions and Next Steps

We have reviewed the Planning function by analysing the key areas of assets, liabilities, income, operating costs, staffing and contracts. We have summarised below the key issues that must be addressed before 1 April 2015.

Table 4.5 Conclusions and Next Steps

Transfer Area	Issue	Way Forward & Recommendations
Liabilities	<b>Legal action:</b> Councils will be responsible for any legal action relating to transferring functions that occurs after 1 April 2015. As the DOE is uninsured, a provision for claims is initiated where the outcome is expected to rule in favour of the claimant. Councils will have to choose whether to insure or whether to provide for claims in their financial accounts post transfer. .	We recommend that agreement is reached between Local Government and the DOE as to whether funding for increased insurance premiums will be included in the final funding package.
Operating costs	<b>Costs incurred post transfer:</b> Whilst the Councils will be provided with the funds to discharge the responsibilities associated with each transferring function at the date of transfer, they will not be provided with the funding for the costs of administration changes post transfer. These include IT set-up costs and the cost of updating the Planning Portal to interface with Council finance systems.	Identification and quantification of these costs will depend on the future operational arrangements for the transferring functions decided upon by the Councils. We recommend that no funding is transferred in this area.
	<b>Notional Costs:</b> This is particularly relevant in the areas of HR and Finance, where the Councils will incur increased costs due to the additional demand placed on HR and Finance resources following the transfer of staff. We have identified two other key areas where this has logistical and practical issues:	We recommend that the Councils, the DOE and the DFP work together to plan the logistics of the transfer to ensure a smooth transition in April 2015 covering accommodation, IT and other services.
	<u>Accommodation:</u> The Councils will have to make a decision on where to house the DOE staff they will receive as part of the transfer.  <u>IT:</u> It is expected that for operational efficiency, IT assets and services will transfer as-is to Councils. A mechanism for transferring these assets to Councils has yet to be finalised.	Initial discussions have taken place between the DOE, the DFP, Central Government Departments and Local Government to agree an approach for quantifying notional costs and to determine a fair allocation model which is consistent across the Departments.
Staffing	<b>Staff numbers:</b> The current staff numbers expected to transfer are based on information at 31 March	We recommend that a budget revision exercise is undertaken at a

	<p>2013. Staff figures will change with retirements, resignations, redundancies and the hiring of new staff depending on economic activity.</p>	<p>future date to take account of changes to staff headcount and salary increases and promotions. We recommend that the budget revision date is 31 March 2014, as this will provide a more accurate indication of staff costs, whilst also leaving time to focus on the details of transfer and operational arrangements.</p>
	<p><b>Economies/Diseconomies of Scale:</b> By splitting the planning function into an 11 Council model, there is a possibility that diseconomies of scale will occur due to duplication of services and inefficient resource allocation. For practical purposes, this report assumes the total cost of the new 11 Council model remains the same.</p>	<p>We recommend that consideration is given to minimising the diseconomies of scale associated with operating the function as an 11 Council model.</p>
<p><b>Contracts</b></p>	<p><b>Future operational arrangements:</b> The NI Planning Portal, an essential tool for Councils post transfer is currently provided by a third party through a contract held by the DOE.</p> <p>The DOE also hold a number of contracts with third parties for service provision.</p>	<p>Whilst it is expected that the current operational arrangements will continue post 1 April 2015, we recommend that a decision is made on the future operational arrangements before the relevant contracts come to an end.</p>
<p><b>Other</b></p>	<p><b>Allocation:</b> A key guiding principle of transfer must be rates neutrality for Local Government at the point of transfer. However the decision on the future operational arrangements of the functions post transfer could impact upon some Councils positively and others negatively.</p> <p><b>Regional Significance:</b> The DOE has stated that it will maintain responsibility for decisions which are 'regionally significant'. A definition of what is regionally significant has yet to be confirmed by the DOE.</p> <p><b>Budget transfer –</b> The figures used in the summary analysis in Table 4.2 are taken from the 2012/13 financial results. This is 2 years before the transfer and will not represent the economic conditions present at 1 April 2015.</p>	<p>We recommend that the Councils decide on an operating model which is sustainable post transfer.</p> <p>We recommend that a definition of what is regionally significant is confirmed. This is essential in order to define the remit and extent of Local Government's responsibilities for Planning.</p> <p>For the transfer of Planning, changes in the economy and the availability of new information could materially impact the figures detailed in this report. We recommend that a judgement is made as to whether a budget revision exercise is required to a future date, in order to base the funding transfer on more current financial information.</p>

# 5 Local Economic Development

## 5.1 Existing Operational Arrangements

Responsibility for local economic development currently lies with Invest NI and the Department of Enterprise, Trade and Investment (DETI). The powers transferring to Local Government are currently exercised by Invest NI through the following programmes and activities:

- **Regional Start Initiative (RSI)** – This programme replaced the Enterprise Development Programme (EDP) in 2012 to plan ahead for RPA. The enterprise growth aspect of EDP was accommodated through the Local Economic Development (LED) measure and the business start-up aspect became RSI. This recognised sub-regional development activity and allows Councils access to funding for programmes for enterprise growth (see 5.8 - Key Issues). The enterprise budget for this area changed significantly with RSI being a narrower programme meaning the budget was allocated to the LED measure. RSI is delivered by Enterprise NI.
- **Social Entrepreneurship Programme** - Enterprise NI was awarded the contract to deliver a work programme for Social Enterprises in Northern Ireland in 2012. The aims of the work programme are to:
  - Promote and raise awareness of the social economy sector across Northern Ireland and provide the impetus for collaboration to ensure the collective weight and capacity of the social economy sector and broader third sector are realized
  - Represent the collective interests of the social economy sector
  - Promote best practice both within the sector and about the sector
  - Communicate and promote the full breadth of existing support programmes/initiatives
  - Develop new products to support the sustainable development of the social economy sector and pilot test product/service delivery to develop the social economy sector
- **Youth & Female Entrepreneurship** – Support is provided to women and young people as specific target groups under RSI. Additional funding is available to support these target groups on a per-case basis.
- **Enterprise Awareness** – Responsibility for the various marketing, PR and advertising activities relating to transferring programmes.

## 5.2 Assets

No assets are expected to transfer.

## 5.3 Liabilities

No pertinent liabilities were identified.

## 5.4 Income

No income is associated with the transferring function.

## 5.5 Operating Costs

Table 5.1 shows the proposed budget to transfer for each programme/activity:

Table 5.1 Local Economic Development Historic Costs and Future Budget Estimates

DETI Programme	Projected				Proposed budget transfer
	2011/12	2012/13	2013/14	2014/15	
Regional Start Initiative		£ 449,400	£ 754,488	unknown	£ 2,000,000
Social Entrepreneurship Programme	£ 560,000	£ 154,119	£ 588,794	unknown	£ 700,000
Youth & Female Programmes	£ 243,310	£ 203,394	£ 517,878	unknown	£ 100,000
Enterprise Awareness	£ 559,619	£ 303,631	£ 662,190	unknown	£ 600,000
<b>TOTAL</b>	<b>£ 1,362,929</b>	<b>£ 1,110,544</b>	<b>£ 2,523,350</b>	<b>£ -</b>	<b>£ 3,400,000</b>

Projected transfer funding for Youth & Female Programmes is significantly less than current funding as Invest NI may retain responsibility for Step n Zones and Business Launch Pad, two programmes funded under this initiative.

The reason for the RSI and SEP proposed budget transfers being higher than the actual is due to the competitive market prices that were secured by Invest NI. The proposed budget transfer therefore factors in the potential for a price rise coming from the future procurement of new programme provider.

## 5.6 Contracts

The current contract for the RSI is held by Enterprise NI with the contract ending in October 2014, with an option to extend for a period of up to 1 year subject to additional Invest NI approvals.

The current contract for the SEP is also held by Enterprise NI and ends in June 2015.

Assuming that the RSI contract is extended, both contracts will come to an end within 6 months of transfer. Negotiations will need to take place between DETI, Invest NI and the Councils to ensure the smooth transition of the programmes with minimal interruption to service delivery.

## 5.7 Staffing

No staff are proposed to transfer to Councils from DETI or Invest NI as part of the transfer. Invest NI has proposed to transfer a budget of £155k for staffing. This annual cost of staffing for RSI and SEP was £77k and £64k respectively in the economic appraisals produced for each programme. This was calculated using the staff costs relating to each grade involved in RSI and SEP apportioned for the expected time each grade will spend administering the function. Invest NI expect the remaining £14k to cover the costs of staffing the activities associated with Youth & Female programmes and Enterprise Awareness.

## 5.8 Key Issues

### LED Measure

The LED measure administered by Invest NI provides funding to Council-run projects which fit with Invest NI objectives. The projects are part funded by Councils (25%), part funded by Invest NI (25%) and part funded by the European Union (50%). Funding for LED projects post-2015 in line with the European Regional Development Fund Growth and Jobs Programme has yet to be finalised. Although it is anticipated that there will be an LED measure within the new programme, Invest NI will continue to be the Intermediary Body for the LED Measure and it is likely that Invest NI will continue to provide match funding directly within the new programme.

## Evaluations

The main costs incurred (other than those fees paid to Enterprise NI for service delivery) relate to economic appraisals and programme evaluations. The cost of the economic appraisals for RSI and SEP was £10k and £7.8k respectively. Post programme evaluation costs which (assuming extension of RSI contract) will be incurred by the Councils are estimated at £12k and £18k respectively. Budget for these costs are included within the proposed funding transfer for each programme.

## 5.9 Summary Analysis

Table 5.2 – Local Economic Development Summary Analysis

DETI Programme	Proposed budget to transfer
Regional Start Initiative	£2m
Social Entrepreneurship Programme	£0.7m
Youth & Female Programmes	£0.1m
Enterprise Awareness	£0.6m
Staff costs	£0.15m
<b>Total</b>	<b>£3.55m</b>

Table 5.2 shows the budget proposed to transfer to the Councils from Invest NI at 1 April 2015.

## 5.10 Conclusions and Next Steps

We have reviewed the area of Local Economic Development by analysing the key areas of assets, liabilities, income, operating costs, staffing and contracts. We have summarised below the key issues that must be addressed before 1 April 2015.

Table 5.3 – Conclusions and Next Steps

Transfer Area	Issue	Way Forward & Recommendations
Staffing	<b>Staff not transferring to Local Government:</b> No staff are proposed to transfer. Whilst the budget will transfer to Councils, the Councils will have to consider how to effectively resource the function to ensure continuity of service.	We recommend that the Councils agree the operational arrangements for the functions post transfer.
Contracts	<b>Future operational arrangements:</b> The key programmes that are transferring are currently provided by a third party through contracts held by Invest NI.	As the contract end dates arrive soon after 1 April 2015, we recommend that the Councils agree medium-term operational arrangements <b>in advance</b> of the transfer.
Other	<b>Allocation:</b> We have indicated in Section 2 that a key guiding principle of transfer is rates neutrality for Local Government at the point of transfer. However the decision on the future operational arrangements of the functions post transfer could impact upon some Councils positively and others negatively.	It is assumed that the programmes will be delivered through an 11 Council model. It is important that further work to allocate the transferring budget takes place urgently so that the Councils have time to put in place operational



arrangements to begin following the end of the current contracts.

**Budget transfer** – The figures used in the summary analysis in Table 5.2 are based on a best estimate by Invest NI at the time of this report and may not represent the economic conditions present at 1 April 2015.

For the areas of Local Economic Development transferring, changes in the economy and the availability of new information could materially impact the figures detailed in this report. We recommend that a judgement is made as to whether a budget revision exercise is required to a future date, in order to base the funding transfer on more current financial information.

# 6 Tourism Development

## 6.1 Small Scale Tourism Development

Small scale tourism development focuses on support for small businesses operating self-catering accommodation or B&Bs. Invest NI provides support and advice to this sector on an ad hoc basis. Activity has been minimal in this sector in recent years and no budget is specifically allocated to this by Invest NI.

No budget is proposed to transfer for this activity.

## 6.2 Providing Advice to Developers on Tourism Policies and Related Issues

PPS16 was published in June 2013 and sets out DETI's planning policies for tourism development and the safeguarding of tourism assets. Prior to this, the Northern Ireland Tourist Board (NITB) received approximately 25 developer advice requests annually in relation to tourism projects. The majority of requests arose because applicants/ developers were struggling to satisfy the 'tourism need test' in the previous policy, TOU3 of the Planning Strategy for Rural Northern Ireland. NITB regularly received requests for meetings/ assistance from potential developers seeking advice in completing their application form.

Between 2009 and 2012, NITB and DETI worked closely with the DOE in order to change the planning policy for tourism development, resulting in the publication of PPS16. It replaced the undefined 'tourism need test' with specific criteria based policies. As a result, the number of developer advice requests has fallen significantly (five received since July 2013). Requests received now are of a different nature and largely consist of applicants seeking clarification on how PPS16 applies to their specific proposal.

As this service is provided on an ad hoc basis, with varying staff levels liaising with the proposed developers, no budget is allocated for its provision. Due to the amount of requests and the short time period taken to respond to the typical type of advice sought, the cost is likely to be an immaterial amount.

No budget is proposed to transfer for this activity.

# 7 Urban Regeneration & Community Development

## 7.1 Existing Operational Arrangements

Responsibility for town and city regeneration, area-based regeneration and support for the voluntary and community sectors at local level will transfer to Local Government from 1 April 2015. This is currently delivered through a number of programmes and activities detailed in Section 7.5.

## 7.2 Assets

### 7.2.1 Property Assets

Assets owned by the Department for Social Development (DSD) will transfer to Councils as part of Local Government Reform. The volume and net book value (NBV) of assets transferring to each Council is listed in Table 7.1 (excluding Laganside assets). The DSD has indicated that work is currently ongoing to identify any Urban Regeneration assets which will not transfer to Councils.

Table 7.1 – Urban Regeneration Assets (Volume and Value)

Council	Number of Assets	NBV (£)
Antrim & Newtownabbey	7	4,253,259
Armagh Banbridge Craigavon	1	1
Belfast	159	30,493,652
Derry & Strabane	18	12,320,815
Fermanagh & Omagh	6	2,060,940
Mid Ulster	9	281,489
Newry, Mourne & Down	2	760,575
<b>Total</b>	<b>202</b>	<b>50,170,731</b>

Table 7.1 excludes schemes under constructions. These are assessed in Section 7.2.2.

Table 7.2 – Urban Regeneration Assets (Ownership)

Based on the information provided by the DSD in relation to assets, we have interpreted the ownership structure of the assets as follows:

Asset Title	Number of Assets
Owned	146
Lessee agreements	17
Lessor agreements	35
Unknown	4
<b>Total</b>	<b>202</b>

The DSD holds the freehold title for 146 assets and leasehold for 17 assets. They also have 35 assets for which they hold the freehold but which are on long term leases to other parties.

For a small number of assets the ownership is either unknown or the land is unregistered. It will be important for the Councils and the DSD to consult their legal advisors on the implications of transferring assets where ownership is unknown or where land is unregistered.

### **7.2.2 Schemes in Progress**

As part of the transfer, Councils will inherit regeneration schemes not yet completed. The transferring schemes will be at varying stages from pre-economic appraisal stage to mid-construction. Understanding the stage of completion and expected completion dates for all schemes is essential in determining the cost implications for the Councils post transfer. For analysis purposes, we have grouped the schemes into three categories:

- Category 1: Those schemes which will be completed by 31 March 2015;
- Category 2: Those schemes which will be started but not completed by 31 March 2015;
- Category 3: Those schemes which will not be started by 31 March 2015.

There are currently 119 schemes which DSD has stated fall within Categories 1-3. There are 48 Category 1 schemes. Councils will fund the operating costs for these assets from the budget proposed to transfer.

The completion of Category 2 schemes will become the responsibility of the Councils at the transfer date. There are currently nine Category 2 schemes. It is essential that the Councils work closely with the DSD in relation to Category 2 schemes to ensure that the appropriate level of funding transfers at the date of transfer. For these schemes, the current best-estimate projection for the cost to completion in the post-transfer period is £7.3m. A transition plan should be put in place to manage this asset category.

Category 3 schemes will be solely the responsibility of the Council and therefore should cause less logistical issues. There are currently 62 Category 3 schemes. The funding provided for these schemes will require negotiation between the DSD and the Councils as to which schemes are to be taken forward to economic appraisal and construction phases.

### **7.2.3 Masterplans**

The DSD will transfer a number of proposed schemes which have either a masterplan completed, is in the development stage or those for which a masterplan is proposed. These schemes include the retail-led regeneration of Belfast City Centre's North-East Quarter and the review of the regeneration needs of the Greater Clarendon area at Belfast docks. As these schemes are at the masterplan phase, there is no budget allocation for their completion. However, some masterplans may become Category 2 or Category 3 schemes under construction before the transfer date. It is important for the Councils to be kept abreast of any developments in this area and to be consulted on any decisions taken to progress masterplans to economic appraisal before the transfer date.

### **7.2.4 Non-Property Assets**

The DSD will transfer non-property assets to Belfast City Council. These will include the Spirit of Belfast monument at Corn Market, the masts in Donegall Place and a number of bollards and pillars in and around the city centre. The value of these assets is estimated at approximately £715k, with annual maintenance costs of approximately £16k. Funding for these costs is included in the budget to transfer.

Amounts owed to the DSD from land sales made prior to transfer will remain with the responsibility of the DSD and the debt will not pass to the Councils.

## 7.3 Liabilities

### Public Liability Claims

There are currently 3 outstanding public liability claims in relation to the transferring assets, with legal costs and payments to claimants estimated at £50k. Any public liability claims made relating to events that take place pre-transfer will be the responsibility of the DSD, while any claims relating to events post transfer will be the responsibility of the Councils. As the DSD is uninsured, a provision for claims initiated where the outcome is expected to rule in favour of the claimant is made when the outcome can be reliably estimated. A consistent approach to the provision of funding for public liability claims has yet to be agreed among all Government Departments.

### Vested Land Creditors

The liability for vested land creditors (ie. amounts owed to land owners for vested land where no settlement has been reached) will remain with the DSD.

## 7.4 Income

The DSD received income in 2012/13 from a number of assets transferring to Belfast City Council. The income relates to rent for the managed workspace buildings in Royal Avenue, Cotton Court and Donegall Street/Exchange Place.. The DSD also receives rent payments for the use of land by various tenants in Belfast City Centre. The net income received from these assets in 2012/13 was approximately £139k.

## 7.5 Operating Costs

### Assets

Table 7.3 shows an approximation of the operating costs for the transferring assets split by Council. In certain instances, the DSD pays a flat fee for the maintenance, cleaning and security of a number of assets and as such this is not separable on a 'per asset' basis. The costs provided are a best estimate by management in the DSD.

Table 7.3 – Urban Regeneration Assets (Operating Costs)

<b>Council</b>	<b>Number of Assets</b>	<b>Estimated Running Costs (£)</b>
Antrim & Newtownabbey	7	91,250
Armagh Banbridge Craigavon	1	-
Belfast	159	756,589
Derry & Strabane	18	336,669
Fermanagh & Omagh	6	880
Mid Ulster	9	-
Newry, Mourne & Down	2	3,464
<b>Total</b>	<b>202</b>	<b>1,188,852</b>

Included in the above costs are estimates provided by the DSD in relation to annual expenditure incurred in maintaining a number of Belfast City Centre streets including Royal Avenue, Waring Street and Donegall Street (£50k). The have also estimated that they spend £240k per annum on maintenance of public realm throughout Northern Ireland. The DSD also holds shares (which they will relinquish before the transfer) in Lanyon Place Management Company. £70k from the DSD, plus contributions from other Lanyon Place business owners is used to maintain the public space in Lanyon Place. The DSD has also indicated that they have spent approximately £1.7m on one-off expenditure on refurbishments, upgrades and condition surveys on public realm in the last 5 years. Funding for these costs is included in the physical regeneration budget to transfer.

In December 2013, the DSD produced a report entitled 'Transfer of Urban Regeneration and Community Development Budgets to Local Government' (Budget Allocation Model). This outlined the programme budgets to transfer along with staff costs and costs associated with the cyclical maintenance of the Lagan Weir. The programme budgets relate to Tackling Disadvantage, Physical Regeneration and Community Development. These are set out below, however the DSD has indicated that work is ongoing to identify any programme expenditure included within these budgets that relates to programmes which will remain the responsibility of the DSD and will therefore not transfer.

### Regeneration and Community Development

**Tackling disadvantage:** The Regeneration and Community Development Policy Framework includes tackling area-based deprivation as one of four strategic priorities. Neighbourhood Renewal is a cross government strategy and Councils will be in a position to use local knowledge to target areas of highest deprivation within their district. Table 7.4 shows the historic budgets and actual spend on tackling disadvantage since 2010/11, as well as the budget for 2014/15. The proposed budget for 2014/15 for Tackling Disadvantage is in line with previous years at £29m, albeit with a slight decrease. However, the DSD has stated that it may be required to deliver a minimum 4% efficiency saving on its budgets in 2015/16.

Table 7.4 – Tackling Disadvantage

Tackling Disadvantage	2010-11		2011-12		2012-13		2013-14		2014-15
	Budget (£'000)	Outturn (£'000)	Budget (£'000)	Outturn (£'000)	Budget (£'000)	Outturn (£'000)	Budget (£'000)	Outturn (£'000)	Budget (£'000)
New Neighbourhood									
Renewal Fund	18,033	17,752	18,152	18,274	19,312	19,313	20,923	20,923	20,000
Neighbourhood Renewal	3,514	3,516	7,241	7,193	8,738	8,562	7,708	7,771	8,000
Areas at Risk	773	729	720	719	506	314	445	445	1,000
<b>TOTAL</b>	<b>22,320</b>	<b>21,997</b>	<b>26,113</b>	<b>26,186</b>	<b>28,556</b>	<b>28,189</b>	<b>29,076</b>	<b>29,139</b>	<b>29,000</b>

**Physical Regeneration:** Two objectives in the Urban Regeneration and Community Development Policy Framework relate to physical regeneration. These are:

- To strengthen the competitiveness of towns and cities; and
- To improve linkages between areas of need and areas of opportunity.

Councils are ideally placed to assess the growth potential and community needs in the towns and cities within their district. Councils will be responsible for urban development and the improvement of public realm in towns and cities across Northern Ireland. Table 7.5 shows the historic and actual spend on physical regeneration since 2010/11 along with the budget for 2014/15. The budget for 2014/15 has fallen by 5%, largely due to a cut on regional public realm spending. The DSD has also stated that it may be required to deliver a minimum 4% efficiency saving on its budgets in 2015/16.

**Table 7.5 – Physical Regeneration**

Physical Regeneration	2010-11		2011-12		2012-13		2013-14		2014-15
	Budget (£'000)	Outturn (£'000)	Budget (£'000)	Outturn (£'000)	Budget (£'000)	Outturn (£'000)	Budget (£'000)	Outturn (£'000)	Budget (£'000)
Urban Development Grant	508	489	892	732	1,651	1,269	1,715	1,608	3,000
Urban Affairs Land Reg. Costs	8	8	12	14	18	20	16	16	8
Urban Affairs P&T Costs	663	802	667	732	1,031	902	887	887	205
Property Maintenance	678	668	717	748	745	689	762	762	592
Urban Reg,Ent. Zones-Promotion Expenses	669	653	1,033	1,056	857	894	569	469	453
CD Land Acquisition	835	815	1,355	812	6,838	6,352	2,063	2,063	2,000
CD Maintenance	2,552	2,323	1,607	1,480	530	774	434	434	1,944
Public Realm - Belfast	8,262	8,262	4,668	4,687	4,845	5,133	6,282	6,282	8,000
Land Assembly Staff (Non-Pay)	100	2	65	2	70	3	100	100	100
Land Assembly Staff (Pay)	1,523	1,821	1,385	1,366	1,450	1,478	1,716	1,716	1,400
Urban Affairs-Consultants Fees	1,263	1,031	666	595	751	529	993	613	962
Public Realm - North West	429	586	131	99	0	0	1,249	1,249	2,000
Public Realm - Regional Towns	4,886	4,929	4,768	4,772	8,168	8,065	10,910	10,910	5,000
NWDO One Plan							71	71	
<b>Total</b>	<b>22,376</b>	<b>22,389</b>	<b>17,966</b>	<b>17,095</b>	<b>26,954</b>	<b>26,108</b>	<b>27,767</b>	<b>27,180</b>	<b>25,664</b>

**Community Development:** The fourth objective of the Urban Regeneration and Community Development Policy Framework is 'to develop more cohesive and engaged communities'. The DSD works in collaboration with a number of groups including Councils, local community and voluntary groups and local advice organisations. The DSD provides funding to voluntary bodies particularly those involved in cross-interface schemes. They also support the development of networks within communities to empower local people to contribute to improving neighbourhoods and town centres.

Table 7.6 shows the historic and actual spend on community development since 2010/11 along with the budget for 2014/15. The budget for 2014/15 is broadly in line with those in previous years. The DSD has also stated that it may be required to deliver a minimum 4% efficiency saving on its budgets in 2015/16.

**Table 7.6 – Community Development**

Community Development	2010-11		2011-12		2012-13		2013-14		2014-15
	Budget (£'000)	Outturn (£'000)	Budget (£'000)	Outturn (£'000)	Budget (£'000)	Outturn (£'000)	Budget (£'000)	Outturn (£'000)	Budget (£'000)
Grants to Vol. Bodies	7,748	7,671	7,055	7,055	7,046	7,078	7,275	7,275	7,200
<b>Total</b>	<b>7,748</b>	<b>7,671</b>	<b>7,055</b>	<b>7,055</b>	<b>7,046</b>	<b>7,078</b>	<b>7,275</b>	<b>7,275</b>	<b>7,200</b>

The total outturns in Tables 7.4, 7.5 and 7.6 represents the final position for the DSD after all in year movements including bids, surrenders, departmental realignments and technical transfers to/from other Departments.

## 7.6 Contracts

The DSD has a number of service level agreements in place with Councils. These relate largely to street cleaning, ground maintenance, gardening and waste removal. Service Level Agreements (SLAs) are in place with Belfast City Council, Derry City Council and Strabane District Council. The DSD has provided us with approximate annual costs for these services of £356k. As the Councils provide these services to the DSD they should have capacity to continue doing so, however the DSD will have to provide funding for this to ensure rates neutrality.

The DSD also has a number of contracts in place with organisations/bodies to provide them with funding to assist with community development. An example of this is the Cathedral Quarter Trust which is due to receive £81k in 2014/15. The total funding provided by these contracts is projected at £1.6m for 2014/15. This is included within the budget to transfer. From April 2015, Belfast City Council will have to decide whether to continue to provide this funding.

## 7.7 Staffing

A decision has yet to be taken on whether as to whether and DSD staff will become Council employees as part of the transfer of Urban Regeneration and Community Development activities. This will depend on the future operational arrangements of the functions. However, staff costs have been identified to allow the Councils to manage the function. There were 188.21 FTE employees working in this area in 7 locations across Northern Ireland (Belfast, Omagh, Portadown, Derry, Banbridge, Newry and Ballymena) at the time of issue of the DSD's Budget Allocation Model report. The cost for these employees totals £8.2m (£7.5m salaries; £0.7m other staff costs). £1.8m of this relates to land assembly staff and is included within the budget for Physical Regeneration. Table 7.7 below shows the breakdown by grade level of the staff responsible for Urban Renewal and Community Development at the 2012/13 year end.

Table 7.7 – DSD staff headcount

<b>Staff Headcount 2012/13</b>	
<b>Grade</b>	<b>FTE</b>
AA	5.4
AA (Cas)	2
AO	27.79
AO (Cas)	1
DP	28.68
EOI	25.14
EOII	17.12
G5	4
G6	1
G7	18
G7 (Acct)	0.92
HPTO	2
PS	2.86
SO	52.3
<b>Total</b>	<b>188.21</b>



## 7.8 Key Issues

### Notional Costs

Table 7.8 – DSD Notional Costs

Department	Estimated Notional Cost (£'000)
DSO	92
IT Group	137
Accommodation & Construction	613
NIAO	22
LPS	132
Government Accounts Branch	3
DHSSPS - Library Services	5
Account NI	79
CAL	4
IT Assist	495
ISID	18
<b>TOTAL</b>	<b>1,600</b>

Notional costs are allocated to each department by the DFP using allocation methods dependent on the nature of the cost. The notional costs detailed in Table 7.8 are for the whole Department. Further work is therefore required in order to determine the level of funding to be provided to the Councils for notional costs. Initial discussions have taken place between DOE, DFP, Central Government Departments and Local Government to agree an approach for quantifying notional costs and to determine a fair allocation model which is consistent across the Departments. The DFP has indicated that additional work will be commissioned to identify those notional costs which will become hard charges to the Councils. The amount of funding provided for notional costs will also depend on the future operational arrangements of the transferring functions. Decisions on the future operational arrangements for Urban Regeneration and Community development have yet to be confirmed.

## 7.9 Summary Analysis

Table 7.9 – Urban Regeneration and Community Development Summary Analysis

Income	Total ('000)
Income	£ 139
<b>Expenditure</b>	
Tackling Disadvantage	£ 29,000
Physical Regeneration	£ 25,664
Community Development	£ 7,200
Notional Costs	£ 1,600
Staff Costs	£ 6,400
<b>Total Funding</b>	<b>£ 69,725</b>

Table 7.9 shows that based on the estimations given through section 7, the transferring function will require £69.7m to transfer to the Councils on 1 April 2015. It should be noted that this figure will change once further work is conducted on the allocation of notional costs by the DFP. The DSD has also indicated that work is ongoing to identify any programme expenditure included within these budgets that relates to programmes which will remain the responsibility of the DSD and will therefore not transfer.

## 7.10 Conclusions and Next Steps

We have reviewed the area of Urban Regeneration and Community Development by analysing the key areas of assets, liabilities, income, operating costs, staffing and contracts. We have summarised below the key issues that must be addressed before 1 April 2015.

Table 7.10 – Conclusions and Next Steps

Transfer Area	Issue	Way Forward & Recommendations
Assets	<p><b>Lease terms:</b> The DSD act as lessees or lessors for a number of the transferring assets. The agreements in place have varying lengths, terms and conditions. At the date of this report, the lengths, terms and conditions were not available for all relevant assets. It is important for the Councils to be provided with this information to assist with transition planning and to allow them to make informed decisions about the future strategy for their asset base.</p>	<p>We recommend that an exercise is performed to collate information on all leased assets where the relevant Government Department acts as a lessor or a lessee.</p>
	<p><b>Asset title:</b> On 1 April 2015, Councils will receive from DSD some assets where no title deeds exist.</p>	<p>We recommend that Local and Central Government liaise with their legal representatives to understand the implications of the transfer of these assets.</p>
	<p><b>Schemes in progress:</b> The completion of these schemes will require agreements between the Councils and DSD prior to transfer.</p>	<p>We recommend that the estimated completion dates are reassessed closer to transfer. We recommend that this date be 30 September 2014 as this will provide more accurate costs and completion dates.</p>
Liabilities	<p><b>Legal action:</b> Councils will be responsible for any legal action relating to transferring functions that occurs after 1 April 2015. As the DSD is uninsured, a provision for claims is initiated where the outcome is expected to rule in favour of the claimant. Councils will have to choose whether to insure or whether to provide for claims in their financial accounts post transfer. An increase in insurance premiums for local Councils due to a growth in asset base would impinge upon rates neutrality.</p>	<p>We recommend that agreement is reached between Local and Central Government as to whether funding for increased insurance premiums will be included in the final funding package.</p>
	<p><b>Notional Costs:</b> Further work is therefore required in order to determine the level of funding to be provided to the Councils for notional costs. The amount of funding provided for notional costs will also depend on the future operational arrangements of the transferring functions. Decisions on the future operational arrangements for Urban Regeneration and Community development have yet to be</p>	<p>We recommend that the Councils, the DOE and the DFP work together to plan the logistics of the transfer to ensure a smooth transition in April 2015 covering accommodation, IT and other services.</p> <p>Initial discussions have taken place</p>

	confirmed.	between the DOE, the DFP, Central Government Departments and Local Government to agree an approach for quantifying notional costs and to determine a fair allocation model which is consistent across the Departments.
Staffing	<b>Staff not transferring to Local Government:</b> For the transferring function of Urban Renewal/Community Development, no staff are currently proposed to transfer as Local Government has yet to confirm the future operational arrangements for the functions and the staff requirements post April 2015.	We recommend that the Councils agree the operational arrangements for the functions post transfer. This could involve services continuing to be provided by DSD staff through secondments.
Contracts	<b>Future operational arrangements:</b> There are a number of contractual arrangements attached to the transfer of functions from the DSD. These include lease agreements, service contracts and revenue contracts.	Whilst it is expected that the current operational arrangements will continue immediately post 1 April 2015, we recommend that a decision is made on the future operational arrangements before the relevant contracts come to an end. Further work is required to understand the nature of these contracts and the associated obligations that will pass to the councils. The contract lengths and costs/revenues must also be identified as soon as possible, as the Councils will require sufficient time to make arrangements for contracts coming to an end at (and soon after) the transfer date.
Other	<p><b>Allocation:</b> A key guiding principle of transfer is rates neutrality for Local Government at the point of transfer. However the decision on the future operational arrangements of the functions post transfer could impact upon some Councils positively and others negatively.</p> <p><b>Regional Significance:</b> The DSD has stated that they will maintain responsibility for decisions which are 'regionally significant'. A definition of what is regionally significant has yet to be confirmed.</p>	<p>We recommend that the Councils decide on an operating model which is sustainable post transfer.</p> <p>A definition of what is regionally significant is important in order to understand which schemes will be the responsibility of Local Government and those where responsibility will remain with Central Government. This is an important definition not just for current and proposed schemes at present, but also for schemes which</p>

are developed post transfer. We recommend that a definition is confirmed before 1 April 2015.

**Rates** – Rates are currently paid by the DSD to LPS for the assets which will transfer to the Councils. LPS then redistributes this money received to the Councils and to Central Government. The Councils therefore currently receive rates payments in relation to the DSD assets. Following the transfer, the distribution percentages will remain the same.

In order to maintain rates neutrality at the point of transfer, the Councils will have to be provided with the full costs currently paid by the DSD to LPS.

# 8 Responsibility for the Lagan Weir

## 8.1 Existing Operational Arrangements

The paper issued by the DSD in December 2013 entitled, “Transfer of Urban Regeneration and Community Development Budgets to Local Government”, sets out how the transfer will operate. The Laganside assets will transfer to Belfast City Council along with the responsibility for their maintenance and management. The Laganside assets (except the Weir and assets associate with the Weir) are analysed within Section 7 as part of the 159 assets transferring to Belfast. This Section focuses on the transfer of the Lagan Weir and assets associated with the Weir.

## 8.2 Assets

Table 8.1 shows the number and NBV of the Lagan Weir and associated assets. These assets include the Lagan Weir, pontoons and the Lagan Lookout. The Weir is by far the most valuable item transferring at a value of £18.4m.

Table 8.1 – Lagan Weir Assets (Volume and Value)

Council	Number of assets	NBV (£)
Belfast	17	18,789,163

## 8.3 Liabilities

See 8.5 Operating costs.

## 8.4 Income

No income is generated directly from the Lagan Weir. However there are various indirect revenue streams for the DSD from events held in and around the river such as the Belfast Tall Ships Races, which returns to Belfast in July 2015.

## 8.5 Operating costs

The DSD has estimated an average annual operating cost for the Lagan Weir based on the following assumptions:

- The cost of dredging is £3.5m and will be required on a 7 year cycle (subject to hydrographic surveys);
- The cost of refurbishing the rams is £2.5m and will be required on a 10 year cycle;
- The average annual cost of work to revetments is £150k per annum;
- The average cost for general maintenance is £1.8m per annum.

The total annualised cost to transfer to Belfast City Council based on the above assumptions is £2.7m. Table 8.2 has been prepared to show the actual cost per year, taking into account when the costs will be incurred post transfer.

Table 8.2 – Lagan Weir Projected Maintenance and Repair Expenditure

Lagan Weir Cashflow Analysis							Transfer					
	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Dredging	£ 3,500,000							£ 3,500,000				
RAMS		£ 2,500,000										£ 2,500,000
Revetments	£ 150,000	£ 150,000	£ 150,000	£ 150,000	£ 150,000	£ 150,000	£ 150,000	£ 150,000	£ 150,000	£ 150,000	£ 150,000	£ 150,000
Other maintenance	£ 1,800,000	£ 1,800,000	£ 1,800,000	£ 1,800,000	£ 1,800,000	£ 1,800,000	£ 1,800,000	£ 1,800,000	£ 1,800,000	£ 1,800,000	£ 1,800,000	£ 1,800,000
<b>TOTAL</b>	<b>£ 5,450,000</b>	<b>£ 4,450,000</b>	<b>£ 1,950,000</b>	<b>£ 1,950,000</b>	<b>£ 1,950,000</b>	<b>£ 1,950,000</b>	<b>£ 1,950,000</b>	<b>£ 5,450,000</b>	<b>£ 1,950,000</b>	<b>£ 1,950,000</b>	<b>£ 1,950,000</b>	<b>£ 4,450,000</b>

DSD Suggested Transfer Schedule						
Budget transfer	£ 2,700,000	£ 2,700,000	£ 2,700,000	£ 2,700,000	£ 2,700,000	£ 2,700,000
Budget b/f	£ 750,000	£ 2,000,000	£ -	£ 1,250,000	£ -	£ 250,000
Surplus/Deficit	£ 750,000	£ 2,000,000	£ -	£ 1,250,000	£ -	£ 250,000
Budget c/d	£ 750,000	£ -	£ 2,000,000	£ -	£ 1,250,000	£ -

Deloitte Suggested Transfer Schedule						
Budget transfer	£ 4,700,000	£ 2,700,000	£ 2,200,000	£ 2,700,000	£ 2,700,000	£ 2,700,000
Budget b/f	£ 2,750,000	£ -	£ -	£ 250,000	£ 1,000,000	£ 1,750,000
Surplus/Deficit	£ 2,750,000	£ -	£ 250,000	£ 1,000,000	£ 1,750,000	£ -
Budget c/d	£ 2,750,000	£ -	£ 250,000	£ 1,000,000	£ 1,750,000	£ -

BCC Suggested Transfer Schedule						
Budget transfer	£ 6,200,000	£ 2,700,000	£ 2,700,000	£ 2,700,000	£ 2,700,000	£ 2,700,000
Budget b/f	£ -	£ 4,250,000	£ 1,500,000	£ 2,250,000	£ 3,000,000	£ 3,750,000
Surplus/Deficit	£ 4,250,000	£ 1,500,000	£ 2,250,000	£ 3,000,000	£ 3,750,000	£ 2,000,000
Budget c/d	£ 4,250,000	£ 1,500,000	£ 2,250,000	£ 3,000,000	£ 3,750,000	£ 2,000,000

Table 8.2 shows the financial impact on Belfast City Council in the six years following the transfer. We have selected this period for analysis as it includes the first refurbishments/replacement of the rams and the first dredging exercise that will be the responsibility of the Council.

The DSD has proposed an annual budget transfer of £2.7m to cover the costs of annual maintenance and maintenance carried out at intervals. Our analysis in Table 8.2, shows that the transfer would have a negative cash flow impact in four of the first six years under the current proposal. An extrapolation of this table shows that the transfer would have a negative cash flow impact for most of the next 30 years.

To counter this, we recommend implementing a front-loaded funding transfer which would see £4.7m transfer to Belfast City Council in 2015/16, but only £2.2m transferring in 2017/18. This phased funding structure means that the Councils will be adequately supported to fund the first major refurbishments which they will not have had sufficient time to budget for post transfer. These include liabilities for dredging in 2016/17 and liabilities for ram maintenance in 2020/21. This funding structure would mean that the Council would be in a rates neutral position following the first round of major refurbishments under their responsibility.

Belfast City Council has proposed an alternative funding structure, which would see £6.2m transfer in year 1, with the DSD proposal of £2.7m provided annually thereafter. This funding method would ensure that the transfer would not have a negative cash flow impact on the Council in any year for the next 30 years. However, this funding structure means that the Councils will regularly be in a net benefit position which is not in keeping with the rates neutrality principle. As such, we recommend that the Council is adequately provided with funding to meet the initial refurbishments which it will not have budgeted for (ie. first six years).

## 8.6 Staffing

Two staff are responsible for the Lagan Weir. They are a River Warden and the River Manager. The River Warden is employed by the DSD. The River Manager is employed by the CPD and a fee is paid by the DSD for his services. The DSD has confirmed that the cost of the River Manager has been included within the annual 'other maintenance' costs noted in Table 8.2. The salary costs of the River Warden are included in the DSD staff costs detailed in Section 7.7. The position is also included in the DSD headcount (Table 7.7) as a HPTO grade.

The River Warden in post at April 2015 will transfer to Belfast City Council. However the River Manager, as a staff member of the CPD, will not transfer as Belfast City Council is not eligible to acquire the services of CPD. The Council will therefore have to put in place new arrangements for the River Manager post 2015 as a matter of urgency.

## 8.7 Key Issues

The key issue of funding is discussed in Section 8.5 Operating Costs.

## 8.8 Conclusions and Next Steps

We have reviewed the transfer of the Lagan Weir by analysing the key areas of assets, liabilities, income, operating costs, staffing and contracts. We have summarised below the key issues that must be addressed before 1 April 2015.

Table 8.3 – Conclusions and Next Steps

Transfer Area	Issue	Way Forward & Recommendations
<b>Funding Schedule</b>	Belfast City Council will not have received enough funding from the DSD by 2016/17 to fund the dredging works based on current proposed annual budget transfer of £2.7m. However it shows that by 2019/20, Belfast City Council would be in a favourable position based on the current proposed annual funding transfer of £2.7m	We recommend implementing a front-loaded funding transfer which would see £4.7m transfer to Belfast City Council in 2015/16, but only £2.2m transferring in 2017/18. A mechanism which would allow this front-loaded transfer to occur should be agreed between Local and Central Government.
<b>Staffing</b>	Whilst the Councils should be provided with the funding for staffing currently responsible for the operation of the Lagan Weir, the future operational arrangements have yet to be defined.	It is essential that the Councils take urgent action to put in place operational arrangements for the Lagan Weir post April 2015.
<b>Contingency Budget</b>	Belfast City Council has suggested that due to the regional significance of the Weir for Northern Ireland and the importance of its continuing operational effectiveness, an indemnity should be provided by the DFP for any liabilities arising from the catastrophic failure of the Lagan Weir.	We recommend that agreement is reached between the DFP and Belfast City Council on arrangements to support Belfast City Council post transfer in the event of catastrophic failure to the Lagan Weir.

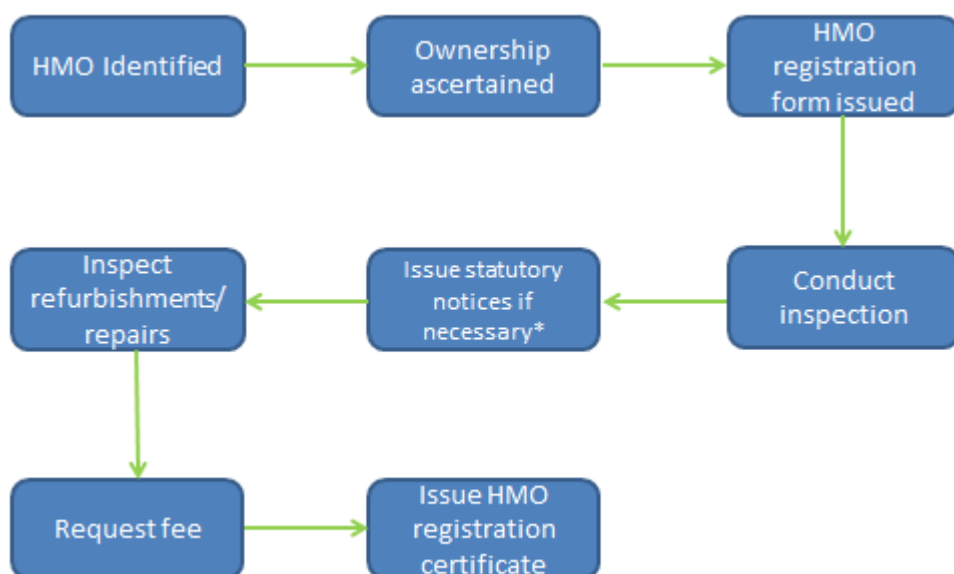
# 9 Regulation of Houses of Multiple Occupation

## 9.1 Existing Operational Arrangements

Responsibility for the registration, renewal, inspection and the issue of notices of application for Houses of Multiple Occupation (HMOs) currently lie with the Northern Ireland Housing Executive (NIHE). There are two HMO offices in Northern Ireland, located in Belfast and Coleraine. The Belfast office is charged with HMO administration within the current Belfast City Council boundary, whilst the Coleraine office is responsible for the rest of Northern Ireland.

The HMO registration process is summarised in Figure 9.1 below:

Figure 9.1 – HMO Process Diagram



\* The relevant statutory notices are Articles 79 and 80 of the Housing (NI) Order 1992. Article 79 currently provides the Executive with the power to serve a notice on the manager of a property specifying the works required to make good any neglect. Article 80 provides the Executive with the power to require the execution of works to render a property fit for the number of occupants.

The latest figures available (dated November 2013) provided by NIHE show that of the 5,980 HMOs they have identified, 4,561 have been registered and 1,419 remain to be registered. The NIHE has indicated that the workload of the HMO function will have lessened by 1 April 2015 and is proposing that the resources currently used by the function will be reduced prior to transfer.



## Key Assumption

The forecasts for registrations, renewals, inspections and notices are predicted by management within the NIHE. Registration, inspections and notices are predicted based on a number of factors including movements in the sector, knowledge of particular HMO hotspots and capacity within the department to conduct each activity in a given year. Renewals are processed on a 5 year cycle, with a non-reregistration rate of approximately 12% (See Table 9.1 below).

Table 9.1 – HMO Forecasted Activity by Activity Area

FinancialYear	Registrations	Renewals	Inspections	Notices
2004/05	209			
2005/06	567			
2006/07	276			
2007/08	398			
2008/09	516			
2009/10	961	159		
2010/11	950	466	2422	1204
2011/12	215	197	3564	1159
2012/13	417	285	7416	1204
Projected 2013/14	720	454	3708	1236
Projected 2014/15	700	985	3508	1161
Projected 2015/16	320	1246	3508	1161
Projected 2016/17	320	362	3508	1161

Any fluctuations in the number of registrations and renewals will directly impact upon the revenue received and the costs incurred by the Councils post transfer. We recommend that the registration forecasts are reviewed up until the point of transfer with adjustments made for new information as it becomes available.

## 9.2 Assets

No assets are expected to transfer. Assets relating to IT and accommodation are discussed in 9.8 Key Issues

## 9.3 Liabilities

No pertinent liabilities were identified.

## 9.4 Income

The NIHE receives a fee from the property owner for registrations and renewals of HMOs. Table 9.2 shows a projection of income post transfer.

Table 9.2 – HMO Projected Income

Projected Income 2015/16	Registration	Renewal
Av. Fee Income	£ 375	£ 250
Av. Occupant number	3	4
Projected registrations/renewals	320	1246
<b>TOTAL</b>	<b>£ 120,000</b>	<b>£ 311,500</b>

The income projected in Table 9.2 is based on the following assumptions:

- Fees for HMOs will remain at current levels (Fees for registrations and renewals is dependent upon the number of occupants in a HMO, with prices rising per occupant);

- The average number of occupants for registration and renewal properties has been projected by NIHE as three and four respectively;
- Registrations and renewals occur at the rates projected in Table 9.2.

## 9.5 Operating Costs

Table 9.3 below shows the NIHE provided operating costs for HMOs for 2012/13. These are split between those related to the Belfast HMO office and those related to the Regional HMO office (Coleraine). We have used the projected headcount figures (see 9.7 Staffing) to estimate the operating costs for 2015/16.

Table 9.3 – HMO Operating Costs

Running costs		2012/2013	Projected 2015/16
BELFAST H M O	Travel	£7,210	£5,117
REGIONAL H M O	Travel	£45,825	£32,522
BELFAST H M O	Direct Expenses	£372	£264
REGIONAL H M O	Direct Expenses	£51	£36
BELFAST H M O	Office Expenses	£1,527	£1,084
REGIONAL H M O	Office Expenses	£9,690	£6,877
BELFAST H M O	Accommodation	£163,164	£115,798
REGIONAL H M O	Accommodation	£78,805	£55,928
BELFAST H M O	Training Expenses	£2,658	£1,886
REGIONAL H M O	Training Expenses	£1,184	£840
<b>TOTAL</b>		<b>£310,486</b>	<b>£220,352</b>

Table 9.3 shows that the largest costs for the Belfast and Regional offices are accommodation, with allocations made based on headcount. The Belfast HMO office is situated in Laganview House, Ann Street, Belfast. This building is currently leased. The Regional HMO office is located in Abbey Street, Coleraine. This building is owned by the NIHE and the accommodation costs above relate largely to mortgage repayments. The asset will not transfer to the Councils as part of the HMO function as the building houses other NIHE staff, performing a number of other non-HMO functions. The budget for accommodation however will transfer to Councils for the regional HMO office. How this budget is spent will depend on the decision made by Local Government on the future operational arrangements of the Regional HMO office (see 9.8 Key issues – Allocation).

## 9.6 Contracts

See 9.8 Key Issues for information on the two IT contracts held.

## 9.7 Staffing

Based on the current operating model and the projection of registrations to 2015/16, the NIHE has proposed to transfer the following FTE staff numbers:

- Belfast HMO Office: 14.96 FTE (currently 23.9 FTE);
- Regional HMO Office: 11.37 FTE (currently 13.20 FTE).

The figure for transferring staff is lower than the current staffing level as NIHE believe that the majority of HMOs will have been registered through the HMO registration scheme at the point of transfer.

Table 9.4 – HMO Staff Headcount

Staff Headcount		
Grade	Current	Post transfer
LV7	2	2
Sen Tech Off	3	3.75
Tech Off	14.2	10.07
LV5	2	1.86
LV4	2	1.72
LV3	12.9	5.75
LV2	1	1.18
<b>TOTAL</b>	<b>37.1</b>	<b>26.33</b>

Table 9.4 shows the breakdown by grade level of the current staff and the projected staff to transfer in 2015. The NIHE has calculated these figures using a staffing model spreadsheet created in-house. The staffing model estimates the time taken to perform a HMO activity (e.g. inspection, notice issuing) and makes an assumption on the grade level of the person performing the task. The model estimates how many times this activity will occur during the year and produces a figure for staff required. The model hinges on the number of registrations predicted for 2015/16.

We have estimated the total staff costs post transfer using the total staff costs in 2012/13 adjusted for the reduction in staff numbers projected for 2015/16 (See Table 9.5 below).

Table 9.5 – HMO Staff Costs

	Running costs	2012/2013	Projected 2015/16
BELFAST H M O	Staff costs	£753,126	£534,496
REGIONAL H M O	Staff costs	£481,434	£341,675
	<b>TOTAL</b>	<b>£1,234,560</b>	<b>£876,171</b>

It is important to note that the estimate above does not take into account the grade levels of staff to transfer or the salaries paid to individuals. This should be considered when calculating the funding package to transfer in 2015.

## 9.8 Key issues

### Concerns over the transfer of HMO responsibility

From our discussion with Local Government, there are concerns over the transfer of HMO responsibility, specifically in relation to:

- The number of HMOs in Northern Ireland suggested by the NIHE is inaccurate and that more HMOs exist;
- The number of staff to transfer is not sufficient to discharge all of the responsibilities associated with the function

### Policy change to HMOs

Government policy on HMOs is expected to change from a registration scheme to a licensing scheme. The policy change is expected to take place post transfer (2016-18). This will change the way in which the Councils will administer the function. If the change in policy results in increased costs to the Councils, then Local Government will need to discuss the requirement for additional funding with the DSD.

The DSD's expectation is that there will be no increased costs as part of the new HMO regime. However, any policy changes occurring post transfer and impacting upon the responsibilities of the Councils for HMOs will require funding to be provided by the DSD at the point when the policy change will effect a resource impact.

### Internal Service Charges

The Belfast and Regional HMO offices receive an allocation of NIHE overheads. These are based on headcount. These costs include services such as IT, finance and HR. Based on staff headcount expected for 2015/16, we have estimated the funding that will be required by Councils to provide these services to the HMO offices using their own internal functions. See Table 9.6 below.

Table 9.6 – HMO Internal Service Charges

	<b>Running costs</b>	<b>2012/2013</b>	<b>Projected 2015/16</b>
BELFAST H M O	Personnel & training	£13,508	£9,587
BELFAST H M O	Facilities	£7,859	£5,578
BELFAST H M O	IT services	£49,488	£35,122
BELFAST H M O	Corporate services	£3,804	£2,700
BELFAST H M O	Corporate finance	£7,596	£5,391
BELFAST H M O	Finance support	£3,646	£2,588
REGIONAL H M O	Personnel & training	£10,028	£7,117
REGIONAL H M O	Facilities	£8,076	£5,732
REGIONAL H M O	IT services	£52,545	£37,291
REGIONAL H M O	Corporate services	£996	£707
REGIONAL H M O	Corporate finance	£5,782	£4,104
REGIONAL H M O	Finance support	£2,718	£1,929
	<b>TOTAL</b>	<b>£166,046</b>	<b>£117,846</b>

### Allocation

The regional office in Coleraine administers the HMO function for all areas outside of Belfast. Local Government will have to decide on a mechanism for allocating this resource to the new 11 Council structure. The options available to the Councils are:

- Maintain the current regional office with an apportionment charged to each new Council;
- An 11 Council approach allocating the resources to each Council;
- Multiple regional offices administering the function for neighbouring Councils as a shared service.

This is an area that will require specific review following the appointment of the shadow Councils in May 2014.

### IT

BT holds the contract for IT hardware supply to the NIHE. The assets will transfer to the NIHE at the end of the contract in September 2015. It is expected that at the point of transfer, the staff will continue to use these assets until the cessation of the contract. A decision on extension of the BT contract or procurement of a new IT supplier requires first a decision on the structure of the HMO function regionally post transfer. NIHE has estimated the cost per device as £600, which is approximately £16,200 based on projected staff numbers to transfer.

The APP system is used by the NIHE to maintain a database of properties for Belfast and regional areas. The system is used to track and schedule inspections and issue notices. Belfast City Council use this system in the housing unit of the Environmental Health Service. Other Councils use various other systems for this purpose. A

decision on the future use of this system will be required once a decision is made on the operational arrangements of the HMO function post transfer.

## 9.9 Summary Analysis

Table 9.7 – HMO Summary Analysis

Projections 2015/16	('000)	
<b>Income</b>		
Renewals	£	312
Registrations	£	120
<b>Expenditure</b>		
Operating Costs	£	220
Staff Costs	£	876
Internal Service Charges	£	118
<b>Total Deficit</b>	<b>£</b>	<b>782</b>

Table 9.7 shows that based on the assumptions and projected figures provided by the NIHE, there will be a deficit of £782k for which the Councils will be funded.

## 9.10 Conclusions and Next Steps

We have reviewed the transferring HMO function by analysing the key areas of assets, liabilities, income, operating costs, staffing and contracts. We have summarised below the key issues that must be addressed before 1 April 2015.

Table 9.8 – Conclusions and Next Steps

Transfer Area	Issue	Way Forward & Recommendations
Operating Costs	<b>Costs incurred post transfer:</b> Whilst the Councils will be provided with the funds to discharge the responsibilities associated with each transferring function at the date of transfer, they will not be provided with the funding for the costs of administration changes post transfer. These include IT set-up costs and the cost of updating current software such as APP to interface with Council finance systems.	Identification and quantification of these costs will depend on the future operational arrangements for the transferring functions decided upon by the Councils. We recommend that the Councils decide upon the future operational arrangements for HMOs.
	<b>Internal Service Charges:</b> This is particularly relevant in the areas of HR and Finance, where the Councils will incur increased costs due to the additional demand placed on HR and Finance resources following the transfer of staff. We have identified two other key areas where this has logistical and practical issues:	We recommend that the Councils, the DOE and the DFP work together to plan the logistics of the transfer to ensure a smooth transition in April 2015 covering accommodation, IT and other services.
	<b>Accommodation:</b> The Councils will have to make a decision on where to house the staff they will receive	

as part of the transfer.

IT: It is expected that for operational efficiency, IT assets and services will transfer as-is to Councils. A mechanism for transferring these assets to Councils has yet to be finalised

## Staffing

**Staff numbers:** Where Departmental staff will transfer with a function, the current staff numbers expected to transfer are based on best estimates at a point in time. Staff figures will change with retirements, resignations, redundancies and the hiring of new staff depending on economic activity.

We recommend that a budget revision exercise is undertaken at a future date to take account of changes to staff headcount and salary increases and promotions. It will also need to be updated for changes in forecasted registration numbers by the NIHE. We recommend that the budget revision date is 31 March 2014, as this will provide a more accurate indication of staff costs, whilst also leaving 12 months to focus on the details of transfer and operational arrangements.

**Economies/Diseconomies of Scale:** By splitting the HMO function from a 2 office model into an 11 Council model, there is a possibility that diseconomies of scale will occur due to duplication of services and inefficient resource allocation.

The Councils must agree the operational arrangements for the function post transfer. We recommend that consideration is given to minimising diseconomies of scale. We also recommend that further work is undertaken to decide on the optimal model for the HMO function post 1 April 2015.

## Contracts

**Future operational arrangements:** IT hardware and programs important to the HMO function are provided through contracts with third parties.

Whilst the contract with BT is expected to continue post 2015 until its cessation, we recommend that the Councils agree the operational arrangements for the function post transfer before a decision is taken on future IT requirements.

## Other

**Allocation:** A key guiding principle of transfer must be rates neutrality for Local Government at the point of transfer. However the decision on the future operational arrangements of the functions post transfer could impact upon some Councils positively and others negatively.

We recommend that the Councils decide on an operating model which is sustainable post transfer.

**Concerns:** From our discussion with Local Government, there are concerns over the transfer of HMO responsibility, specifically in relation to:

- The number of HMOs in Northern Ireland

We recommend that Local Government and the NIHE discuss and agree the budget to transfer based upon a set of agreed parameters relating to the HMO

suggested by NIHE is inaccurate and that more HMOs exist; stock in Northern Ireland.

- The number of staff to transfer is not sufficient to discharge all of the responsibilities associated with the function

**Budget transfer** – The figures used in the summary analysis in Table 9.7 are based on current best estimates by the NIHE.

For the Regulation of HMOs, changes in the economy and the availability of new information could materially impact the figures detailed in this report. We recommend that a judgement is made as to whether a budget revision exercise is required to a future date, in order to base the funding transfer on more current financial information.

# 10 Housing Unfitness

## 10.1 Existing Operational Arrangements

Housing unfitness is currently the responsibility of the NIHE. The fitness inspections are performed by an Environmental Health expert within the relevant local Council on behalf of the NIHE. If a tenant/landlord feels that the property they rent/own is in disrepair or unfit to live in, they can contact NIHE or their local Council to arrange an inspection. An assessment will be made during an inspection of the property and if necessary one or more of the following notices may be issued:

- A nuisance abatement notice - if the disrepair could lead to health problems;
- A notice of disrepair - if repair works are necessary, the landlord is given a specific time frame for repairs to be carried out;
- A closing order/demolition order – if the property is unfit for habitation.

The Department is currently reviewing the statutory fitness standard with a view to updating and modernising the minimum standard and intends that council representatives will be closely involved in the development of the updated standard

The NIHE has proposed to transfer £100k of funding in relation to this function.

## 10.2 Assets

No assets will transfer with this function.

## 10.3 Liabilities

No pertinent liabilities were identified.

## 10.4 Income

There is no income associated with this function.

## 10.5 Operating Costs

In the 2012/13 financial year, 136 inspections were performed. The total charge to NIHE for these inspections was £25k and this was paid to the relevant Council whose environmental health expert conducted the inspection.

## 10.6 Contracts

No contracts were identified.



## 10.7 Staffing

There are 43 NIHE district offices throughout Northern Ireland. No staff are dedicated to housing unfitness. Inspections are performed only when a request is received from a tenant/landlord with only 136 performed in 2012/13. This equates to an average of 3 per NIHE district office and 12 per new super Council structure.

The NIHE has stated that a budget for 1 FTE member of staff will transfer to Councils. As a range of staff grades could respond to an unfitness inspection request, the NIHE has provided an estimate of £35k as the staff costs for administering this function.

## 10.8 Key issues

No key issues were noted.

## 10.9 Summary Analysis

Table 10.1 – Housing Unfitness Summary Analysis

Expenditure	Total ('000)	
Operating Costs	£	25
Overhead Allocation	£	10
Staff Costs	£	35
<b>Total Deficit</b>	<b>£</b>	<b>70</b>

The estimates provided to us by the NIHE and included in Table 10.1 show that the services is operating at a deficit of approximately £70k. NIHE have indicated that they will transfer a budget of £100k to cover other costs not included above such an allocation of internal service charges.

## 10.10 Conclusions and Next Steps

We have reviewed the area of Housing Unfitness by analysing the key areas of assets, liabilities, income, operating costs, staffing and contracts. We have summarised below the key issues that must be addressed before 1 April 2015.

Table 10.2 – Conclusions and Next Steps

Transfer Area	Issue	Way Forward & Recommendations
Staffing	<b>Staff not transferring to Local Government:</b> No staff are proposed to transfer. Whilst the budget will transfer to Councils, the Councils will have to consider the how to effectively resource the function to ensure continuity of service.	We recommend that the Councils agree the operational arrangements for the function post transfer. This should not create an issue as the Councils currently provide the service on behalf of the NIHE.
Other	<b>Allocation:</b> A key guiding principle of transfer must be rates neutrality for Local Government at the point of transfer. However the decision on the future operational arrangements of the functions post	We recommend that the Councils decide on an operating model which is sustainable post transfer.

transfer could impact upon some Councils positively and others negatively.

**Budget transfer** – The figures used in the summary analysis in Table 10.1 are based on current best estimate by the NIHE.

For Housing Unfitness, changes in the economy and the availability of new information could materially impact the figures detailed in this report. We recommend that a judgement is made as to whether a budget revision exercise is required to a future date, in order to base the funding transfer on more current financial information.

# 11 Armagh County Museum

## 11.1 Existing Operational Arrangements

Armagh County Museum is run by National Museums Northern Ireland (NMNI). NMNI is a non-departmental public body funded by the Department of Culture Arts & Leisure (DCAL). The museum contains centuries-old artefacts and relics relating to the people who lived, worked and had connections with Armagh City and County throughout the ages. The museum is a popular tourist attraction for the County and had 13,099 visitors in 2012. The museum will transfer to Armagh, Banbridge & Craigavon Council. Its collections capture centuries of stories relating to the people who lived, worked and had connections with the city and county. Admission is free to all visitors.

## 11.2 Assets

The museum premises in The Mall East, Armagh are leased from Armagh Natural History & Philosophical Society. The lease is for 1000 years and the NBV of the asset is £450k.

Other fixed assets which will transfer related to security, IT and fixtures and fittings with a total NBV of £9k.

The collections held in the museum belong to NMNI, who lease these to the museum free of charge. Although no formal agreement is in place, it is not expected that NMNI will seek to relocate the collections as they are of specific relevance to the Armagh area.

## 11.3 Liabilities

No pertinent liabilities were identified.

## 11.4 Income

The museum has no formal income streams as admittance is free to individual visitors. However a nominal fee for facilitating large visitor groups is sometimes charged. This income totalled £1.5k in 2012/13. The museum also received £700 for facilitating an art exhibition in 2012/13.

## 11.5 Operating Costs

Total operating costs for the 2012/13 year were £47k (excluding staff costs). The largest of these expenses was for rates (£18k). A nominal fee of £10 is raised for the rent of the building. The other main expenses relate to heating and lighting.

## 11.6 Contracts

The museum currently holds a contract for lift maintenance which runs until 1/1/2017. This costs £2,894 per annum.

## 11.7 Staffing

At the 2012/13 year end, there were 2 full time, 2 part time and 5 casual members of staff. This equates to 3.88 full time staff at AO grade and 1 full time staff at EOII grade. The annual salary related costs for those employees was £176k.

## 11.8 Key issues

### Curatorial Position

The museum previously had a full time curator, however due to budget constraints in 2013/14, NMNI reassessed its management structure. The curator (DP grade) now performs the role across a number of museums. However, a proportion of the DP position relates to the Armagh County Museum. This should be accounted for in the final budget transfer. A split of the DP's responsibilities should be assessed for the full 2013/14 year end for cost allocation purposes.

The staff costs relating to the curator are currently unknown. An assessment should be made as to whether the museum is fit for purpose without transferring this cost.

### Notional Costs/Shared Services

Armagh County Museum currently benefits from a number of shared services, such as marketing, maintenance, estate management and online presence via the NMNI website. These are used by all of NMNI museums. The apportionment of the cost of the shared services attributable to Armagh County Museum was not available. Armagh City and District Council has assessed the future maintenance requirements of the building and has estimated that the maintenance requirements for the next five years are approximately £370k and for the next 20 years approximately £573k.

The Collections Management System is the IT system used by NMNI to track and register its various museum collections and artefacts. The system is used by the Armagh County Museum.

A working group has been established for the museum transfer which will discuss maintenance issues and the future use of the Collections Management system by Local Government. It is expected that in terms of maintenance, that the group will consider what element of the NMNI maintenance budget should transfer to the new Council. It is expected that the Collections Management System will continue to be used by Armagh, Banbridge and Craigavon Council.

## 11.9 Summary Analysis

Table 11.1 – Armagh County Museum Summary Analysis

<b>Income</b>	<b>Total ('000)</b>	
Group Visits	£	2
<b>Expenditure</b>		
Running Costs	£	47
Staff Costs	£	176
<b>Total Deficit</b>	<b>£</b>	<b>221</b>

Table 11.1 shows the total deficit associated with operating Armagh County Museum in 2012/13. It should be noted that Table 11.1 does not take into account the notional costs or the staff costs related to the Curator position highlighted in 11.8 Key Issues.


To assist with the transfer of functions from DCAL to Local Government, DCAL has established a working group with representatives from the current Armagh City and District Council, NMNI and DCAL which will seek to (among other things) address the issues highlighted in this report.

## 11.10 Conclusions and Next Steps

We have reviewed the transfer of Armagh County Museum by analysing the key areas of assets, liabilities, income, operating costs, staffing and contracts. We have summarised below the key issues that must be addressed before 1 April 2015.

Table 11.2 – Conclusions and Next Steps

Transfer Area	Issue	Way Forward & Recommendations	
Operating Costs	<b>Notional costs:</b> Armagh County Museum currently benefits from a number of shared services, such as marketing, estate management and online presence via the NMNI website. These are used by all of NMNI museums. The apportionment of the cost of the shared services attributable to Armagh County Museum is not known.	We recommend that the new Armagh Banbridge & Craigavon Council should receive appropriate funding for the costs of the proportion of shared services attributable to Armagh County Museum.	
	<b>Staffing</b>	<b>Staff numbers:</b> The headcount figure is as at 31 March 2013. Staff figures will change with retirements, resignations, redundancies and the hiring of new staff depending on economic activity.	We recommend that a budget revision exercise is undertaken to take account of headcount change and salary increases. This will impact upon the total staff costs to transfer. We recommend that the date for undertaking this is 31 March 2014 which will allow 12 months to focus on the details of transfer and operational arrangements.
		<b>Curator Position:</b> The staff costs relating to the curator are currently unknown.	We recommend that further work is undertaken to assess the curator's proportion of working hours spent relating to Armagh County Museum activities. An assessment should be made as to whether the museum is fit for purpose without transferring this cost.
		<b>Budget transfer –</b> The figures used in the summary analysis in Table 11.1 are taken from the 2012/13 financial results. This is 2 years before the transfer and will not represent the economic conditions present at 1 April 2015.	For the transfer of Armagh County Museum, changes in the economy and the availability of new information could materially impact the figures detailed in this report. We recommend that a judgement is



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made as to whether a budget revision exercise is required to a future date, in order to base the funding transfer on more current financial information.

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# 12 Local Water Recreational Facilities

## 12.1 Existing Operational Arrangements

The ownership and operation of 21 water recreational facilities are currently the responsibility of DCAL. This will transfer to Local Government from April 2015. These assets are located at:

- Ballysaggart Lough, Dungannon
- Whitecoat Point, Newry
- Cashel Lough, Newry
- Glenmore, Ballycastle
- Knockarevan, Fermanagh
- Ardtea, Cookstown
- Bloody Bridge, Newcastle
- Drumsapar, Omagh
- Drumcahy, Fermanagh
- Crumlin Glen, Antrim
- Blackwatertown, Armagh
- Verner's Bridge, Armagh
- Maydown, Derry
- Keady Glen, Armagh
- Knocknacarry, Moyle
- Sloughan Glen, Omagh
- Coalisland Canal, Coalisland
- Omagh Town Centre
- Drumquin, Omagh
- Cranny Falls, Carnlough
- Oak Lough, Derry

## 12.2 Assets

Eight of the assets to transfer are currently owned by DCAL. Nine of the assets are leasehold, with some assets having multiple lease agreements in place. The termination/renewal dates for these vary, with the most imminent in December 2015 and the furthest being October 2050. Four of the assets have no title deeds.

All of the transferring assets have a NBV of zero. DCAL has decided not to perform a valuation exercise on these facilities as they believe that the cost of the exercise would outweigh the gains from a valuation report.

DCAL is retaining its Lagan navigation water recreation sites as these are of strategic value for future development of water navigation facilities in Northern Ireland.

## 12.3 Liabilities

See 12.8 Key issues.

## 12.4 Income

No income is generated by the transferring assets.

## 12.5 Operating Costs

The operating costs of assets relate solely to maintenance and rent. Total rent paid by DCAL to leaseholders in 2012/13 totalled £2k. For maintenance, we examined the average annual maintenance for the last 7 years. The average annual maintenance cost for all assets was £55k.

## 12.6 Contracts

The maintenance of the local water recreational facilities is provided by the Rivers Agency and managed by Inland Waterways with DCAL. The contract is administered through a Service Level Agreement which was initially agreed for the 2011/12 year and extended for a further three years. This means that the contract will come to an end at the date of transfer. From 1 April 2015, Local Government will be responsible for maintenance of these assets. Discussions should begin between the Councils and the Rivers Agency for maintaining the assets post transfer or the Councils should consider beginning a procurement process to find a new maintenance provider.

## 12.7 Staffing

No staff are directly involved in this transferring function.

## 12.8 Key issues

### Asset title

DCAL do not hold title deeds for four of the transferring assets. As DCAL is currently in possession of these assets, they hold 'possessory title'. This is a title given by LPS when they are not satisfied with the ownership of the land. The four assets in question are all located in Omagh. It will be important for the new Fermanagh and Omagh Council to seek legal advice to assess the potential liabilities associated with the possession of these assets without title deed.

## 12.9 Summary Analysis

Table 12.1 – Local Water Recreational Assets Summary Analysis

<b>Expenditure</b>	<b>Total ('000)</b>	
Rental payments	£	2
Maintenance	£	55
<b>Total Deficit</b>	<b>£</b>	<b>57</b>

Table 12.1 shows that the local recreational water facilities will require approximately £57k of funding to transfer to the Councils.



## 12.10 Conclusions and Next Steps

We have reviewed the area of Local Water Recreational Facilities analysing the key areas of assets, liabilities, income, operating costs, staffing and contracts. We have summarised below the key issues that must be addressed before 1 April 2015.

### 12.2 - Conclusions and Next Steps

Transfer Area	Issue	Way Forward & Recommendations
Assets	<b>Asset title:</b> On 1 April 2015, Councils will receive some assets where no title deeds exist. This has been identified as an issue by DCAL for four of the transferring local water recreational facilities	DCAL and the Councils must liaise with their legal representatives to understand the implications of the transfer of these assets. DCAL has written to all councils that will receive water recreation assets, offering to meet to discuss the transfers in the hope that such issues can be rectified prior to transfer.
Contracts	<b>Future operational arrangements:</b> Maintenance of the transferring assets is currently performed by the Rivers Agency through an SLA held with DCAL.	We recommend that the Councils agree medium-term operational arrangements for maintaining the assets in advance of the transfer.

# 13 Local Sports

## 13.1 Involvement in Local Sports Decision Making

The RPA recommendation relating to sport seeks to formalise the existing responsibility of District Councils statutorily for the development of sport and provision of sporting and leisure facilities and activities at the local community level. The transfer of function is therefore a confirmation in legislation of a closer collaboration between central government bodies such as Sport Northern Ireland and the new super Councils, with regard to the planning and provision of local sports and leisure facilities and sports development programmes.

No funding is transferring with this function.

# 14 Donaghadee Harbour

## 14.1 Existing Operational Arrangements

Donaghadee Harbour is a former commercial port that is today used mostly for recreational purposes, with a berth for visitors and moorings for local boat owners. The harbour is situated in the Ards Peninsula and will transfer to North Down and Ards Council. Donaghadee Marina is privately owned and will not become the responsibility of North Down and Ards Council.

## 14.2 Assets

The harbour, harbour office, harbour yard, outbuildings and lightkeeper's cottage will transfer to the Council. In anticipation of the transfer, a full health and safety review of the harbour has been commissioned by the DRD with the issues raised in the resulting action plan dealt with prior to transfer.

There are a number of plant and machinery items which will also transfer. These include a tractor, power washer and barge trailer. The NBV at 2012/13 year end of these items was £29k.

The harbour lighthouse which is on the harbour premises is owned and operated by the Commissioner of Irish Lights and will not transfer.

## 14.3 Liabilities

No pertinent liabilities were identified.

## 14.4 Income

The harbour received income of £8k in 2012/13 from mooring fees and through the sale of diesel to berth holders.

## 14.5 Operating costs

Operating costs for the harbour were £19k in 2012/13. The largest cost was £15k for general maintenance of the harbour including cleaning and repairs. The other costs relate mostly to rates, heating and lighting. The DRD has informed us that no cyclical maintenance is performed on the harbour.

## 14.6 Contracts

The lightkeeper's cottage is currently occupied by the former lightkeeper's widow. The DRD has informed us that the widow will retain the right to abode following the transfer to North Down & Ards Council. No rental income is received for the lightkeeper's cottage.

## 14.7 Staffing

Two staff will transfer to North Down & Ards Council as part of the transfer. These are the Harbour Master and a labourer. The total remuneration package for these staff was £48k for the 2012/13 financial year.

## 14.8 Key Issues

### Donaghadee Harbour Commissioners

Donaghadee Harbour Commissioners oversee the operating, care and development of the harbour. The commissioners are currently appointed by the DRD. The DRD is currently in discussion with their legal advisors to understand the implications of transferring this responsibility to the Council. The current Harbour Commissioners will remain in place until the date of transfer, at which time North Down & Ards Council will become responsible for their appointment.

## 14.9 Summary Analysis

Table 14.1 – Donaghadee Harbour Summary Analysis

Income	Total ('000)	
Mooring fees	£	8
Expenditure		
Running Costs	£	19
Staff Costs	£	48
<b>Total Deficit</b>	<b>£</b>	<b>59</b>


Table 14.1 shows that approximately £59k of funding will have to transfer to North Down and Ards Council in order to administer Donaghadee Harbour effectively following the transfer.

## 14.10 Conclusions and Next Steps

We have reviewed the proposed transfer of Donaghadee Harbour by analysing the key areas of assets, liabilities, income, operating costs, staffing and contracts. We have summarised below the key issues that must be addressed before 1 April 2015.

Table 14.2 - Conclusions and Next Steps

Transfer Area	Issue	Way Forward & Recommendations
Staffing	<b>Staff numbers:</b> The current staff numbers expected to transfer are based on best estimates at a point in time. Staff figures will change with retirements, resignations, redundancies and the hiring of new staff depending on economic activity.	We recommend that a budget revision exercise is undertaken to take account of changes to staff headcount and salary increases and promotions. We recommend that the budget revision date is 31 March 2014, as this will provide a more accurate indication of staff costs, whilst also leaving 12 months to focus on the details of transfer and operational arrangements.
	<b>Budget transfer –</b> The figures used in the summary analysis in Table 14.1 are taken from the 2012/13 financial results. This is 2 years before the transfer and will not represent the economic conditions	For the transfer of Donaghadee Harbour, changes in the economy and the availability of new information could materially impact the figures detailed in this report.



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present at 1 April 2015.

We recommend that a judgement is made as to whether a budget revision exercise is required to a future date, in order to base the funding transfer on more current financial information.

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# 15 Conclusions and Next Steps

## 15.1 Conclusions

The purpose of this report was to identify the funding package required to transfer to Local Government on 1 April 2015 in order for Councils to be adequately resourced to carry out the transferring functions. We have prepared this report based on:

1. The historic information, estimations and future projections provided to us by the relevant Government Departments;
2. A detailed analysis of each of the functions that will transfer;
3. Discussions with key members of Local Government and Central Government Departments.

The proposed budget to transfer for each function is summarised in Table 15.1 below. It is important that table is read in conjunction with the specific section of the report relating to each function to ensure that the estimations and assumptions used are understood. It is also important to note that these figures could change based on confirmation of future operational arrangements for each function, ongoing cost analyses by the Departments, or by completion of a budget revision exercise to a future date.

Table 15.1 – Estimated Funding to Transfer

Transferring Function		Estimated funding to transfer ('000)	Note
Off-Street Car Parking	-£	4,555	1
Planning	£	11,112	
Local Economic Development	£	3,550	
Tourism Development	£	-	
Urban Regeneration	£	69,725	2
Responsibility for the Lagan Weir	£	4,700	3
Registration of HMOs	£	782	
Housing Unfitness	£	100	
Armagh County Museum	£	221	
Local Water Recreational Facilities	£	57	
Local Sports	£	-	
Donaghadee Harbour	£	59	
<b>TOTAL</b>	<b>£</b>	<b>85,751</b>	

Note 1 – The surplus associated with Off-Street Car Parking is netted off against the funding provided for other transferring functions in line with Principle 5 (See Section 2);

Note 2 – This excludes the future cost of schemes under construction. This DSD has also indicated that work is ongoing to identify programme costs which will remain within the Department;

Note 3 – This is the figure to transfer in year 1. The annualised figure is calculated at £2.7m.

We have examined each transferring function in turn by analysing the key areas of assets, liabilities, income, operating costs, staffing and contracts. We have summarised below the key issues that must be addressed before 1 April 2015.

Table 15.2 – Conclusions and Next Steps

Transfer Area	Issue	Way Forward & Recommendations
Assets	<b>Lease terms:</b> The DRD and the DSD act as lessees or lessors for a number of the transferring assets. The agreements in place have varying lengths, terms and conditions. At the date of this report, the lengths, terms and conditions were not available for all relevant assets. It is important for the Councils to be provided with this information to assist with transition planning and to allow them to make informed decisions about the future strategy for their asset base.	We recommend that an exercise is undertaken to collate information on all leased assets where the relevant Government Department acts as a lessor or a lessee.
	<b>Asset title:</b> On 1 April 2015, Councils will receive some assets where no title deeds exist. This has been identified as an issue by DCAL for four of the transferring local water recreational facilities	We recommend that Local and Central Government liaise with their legal representatives to understand the implications of the transfer of these assets.
Liabilities	<b>Legal action:</b> Councils will be responsible for any legal action relating to transferring functions that occurs after 1 April 2015. As Central Government is uninsured, a provision for claims is initiated where the outcome is expected to rule in favour of the claimant. Councils will have to choose whether to insure or whether to provide for claims in their financial accounts post transfer. An increase in insurance premiums for local Councils due to a growth in asset base would impinge upon rates neutrality.	We recommend that agreement is reached between Local and Central Government as to whether funding for increased insurance premiums will be included in the final funding package. We recommend that a position is reached that is consistent across all transferring functions.
Operating Costs	<b>Budget vs. Cost Incurred:</b> From our review we have identified that for some of the transferring functions, costs are incurred for areas where no budget exists. For example, the DRD currently incurs expenditure annually on refurbishments to car-parks for which they do not budget.	As included as one of our guiding principles in Section 2, we recommend that all costs of discharging the responsibilities associated with the transferring function must be provided to the Councils whether budgeted for or not.
	<b>Costs incurred post transfer:</b> Whilst the Councils will be provided with the funds to discharge the responsibilities associated with each transferring function at the date of transfer, they will not be	Identification and quantification of these costs will depend on the future operational arrangements for the transferring functions decided upon

## Staffing

provided with the funding for the costs of administration changes post transfer. These include IT set-up costs and the cost of updating current government-used software to interface with Council finance systems.

**Notional Costs:** Non-monetary charges for services received from government agencies and departments will become hard charges for Councils. This is particularly relevant in the areas of HR and Finance, where the Councils will incur increased costs due to the additional demand placed on HR and Finance resources following the transfer of staff. We have identified two other key areas where this has logistical and practical issues:

Accommodation: The Councils will have to make a decision on where to house the staff they will receive as part of the transfer. This is particularly important for Planning. It has been assumed that in the short term, the staff in Planning will remain in the existing accommodation immediately post transfer. Table 15.3 shows the overall budget expected to transfer in relation to accommodation split by function, as well as the associated employee numbers.

IT: It is expected that for operational efficiency, IT assets and services will transfer as-is to Councils. A mechanism for transferring these assets to Councils has yet to be finalised.

**Staff numbers:** Where Departmental staff will transfer with a function, the current staff numbers expected to transfer are based on best estimates at a point in time. Staff figures will change with retirements, resignations, redundancies and the hiring of new staff depending on economic activity.

**Economies/Diseconomies of Scale:** By splitting a function into an 11 Council model, there is a possibility that diseconomies of scale will occur due to duplication of services and inefficient resource allocation. For practical purposes, the report assumes the total costs remains the same.

**Staff not transferring to Local Government:** For the transferring functions of Urban

by the Councils. We recommend that the councils decide upon the future operational arrangements before these costs are identified.

We recommend that the Councils, the DOE and the DFP work together to plan the logistics of the transfer to ensure a smooth transition in April 2015 covering accommodation, IT and other services.

Initial discussions have taken place between the DOE, the DFP, Central Government Departments and Local Government to agree an approach for quantifying notional costs and to determine a fair allocation model which is consistent across the Departments.

We recommend that a budget revision exercise is undertaken to take account of staff headcount change, salary increases and promotions. We recommend that this date is 31 March 2014, as this will provide a more accurate indication of staff costs, whilst also allowing 12 months to focus on the details of transfer and operational arrangements.

We recommend that consideration should be given to minimising the diseconomies of scale involved with changing operations to an 11 Council model.

We recommend that the Councils agree the operational arrangements



	<p>Renewal/Community Development and Car Parking, no staff are proposed to transfer. Whilst the budget will transfer to Councils, the Councils will have to consider the how to effectively resource the function to ensure continuity of service.</p>	<p>for the functions post transfer. This could involve services continuing to be provided by Central Government in the case of Car Parking with a service charge paid by Councils, or via secondment of staff in the case of Urban Renewal/Community Development.</p>
<p><b>Contracts</b></p>	<p><b>Future operational arrangements:</b> There are a number of contractual arrangements attached to each transferring function. These include lease agreements, service contracts, supply of goods contracts and revenue contracts.</p>	<p>Whilst it is expected that the current operational arrangements will continue immediately post 1 April 2015, we recommend that a decision is made on the future operational arrangements before the relevant contracts come to an end. Further work is required to understand the nature of these contracts and the associated obligations that will pass to the councils. The contract lengths and costs/revenues must also be identified as soon as possible, as the Councils will require sufficient time to make arrangements for contracts coming to an end at (and soon after) the transfer date.</p>
<p><b>Other</b></p>	<p><b>Allocation:</b> A key guiding principle of transfer is rates neutrality for Local Government at the point of transfer. However the decision on the future operational arrangements of the functions post transfer could impact upon some Councils positively and others negatively.</p>	<p>We recommend that the Councils decide on an operating model which is sustainable post transfer. Some options are:</p> <ul style="list-style-type: none"> <li>• Continuing to operate certain functions on a regional basis, with one Council responsible for the function.</li> <li>• Regional agreements between Councils to operate a function to combat diseconomies of scale.</li> </ul> <p>Further work is required to understand the cumulative funding impact of the transfers at an individual Council level. We recommend that Councils who are materially adversely affected (a key definition will be 'materiality' on a per Council basis) by the transfer of functions should be supported</p>

financially in order to administer the functions effectively. Some options are:

- Additional funding provided by Central Government to assist those Councils materially disadvantaged by the transfers
- A reallocation of funding among Councils

**Regional Significance:** The DSD and the DOE have stated that they will maintain responsibility for decisions which are 'regionally significant'. A definition of what is regionally significant has yet to be confirmed by either Department.

We recommend that a definition of what is regionally significant is confirmed. This is essential in order to define the remit and extent of Local Government's responsibilities for Planning and Urban Regeneration projects.

**Rates** – Rates are currently paid by Central Government departments to LPS for the assets which will transfer to the Councils. LPS then redistributes this money received to the Councils and to Central Government. The Councils therefore currently receive rates payments in relation to assets to transfer. Following the transfer, the distribution percentages will remain the same.

In order to maintain rates neutrality at the point of transfer, the Councils will have to be provided with the full rates costs currently paid by Central Government Departments to LPS in relation to transferring assets.

**Budget Transfer** – The figures used in the summary analysis in Table 15.1 are estimates of the funds to transfer to Local Government. These are based on a number of assumptions, estimates and historic data detailed throughout the report.

For some transferring functions, changes in the economy and the availability of new information will materially impact the figures detailed in this report. We recommend that a judgement is made on each individual transferring function as to whether a budget revision exercise is required to a future date, in order to base the funding transfer on more current financial information.

**Systems Convergence Costs** – Whilst outside the scope of this report, it is important that due consideration is given to the costs of reconfiguring, interfacing and implementing the transferring operations with current Council systems and processes.

We recommend that the DOE, the DFP and Local Government assess the impact of systems convergence and agree on whether funding should be provided to assist the Councils in this regard.

Table 15.3 – Accommodation Summary

Accommodation		Estimated funding to transfer ('000)	Employees
Off-Street Car Parking	£	32	15
Planning	£	2,623	307.89
Urban Regeneration	£	613	188.21
Registration of HMOs	£	172	26.33
<b>Total</b>	<b>£</b>	<b>3,440</b>	<b>537.43</b>

## 15.2 Next Steps

As outlined in Table 15.2 above there are a number of issues requiring consideration and resolution before a final budgetary transfer can be established. We recommend therefore that an overall action plan / decision route map is developed to consider each of these issues in turn which will include a timetable for issue resolution. The timescales will be important given the need for both Central Government and Local Government to set budgets and set the rates for 2015/16.

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