

REFORM OF LOCAL GOVERNMENT

**TRANSFER OF URBAN REGENERATION
AND COMMUNITY DEVELOPMENT
BUDGETS TO LOCAL GOVERNMENT**

BUDGET ALLOCATION MODEL

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1. BACKGROUND

- 1.1 Under the Executive's current plans for the Reform of Local Government, DSD's responsibility for operational delivery of local urban regeneration and community development will transfer to the new Councils in April 2015. The Executive has agreed that the following activities currently carried out by DSD should transfer: town and city regeneration; area-based regeneration; and support for the voluntary and community sectors at local level.
- 1.2 Under the reforms, the Department will retain responsibility for the overarching policy for regeneration and community development, and be responsible for regionally significant interventions. DSD will confer on the new Councils the powers conferred on the Department by Part VII of the Planning Order 1991 and the Social Need Order 1986. DSD will place a statutory duty on the new Councils to have regard for strategic guidance that the Department will issue, but they will decide how best to deliver their increased responsibilities with their areas. Therefore, the new Councils will be under no obligation to continue to deliver the same kind of projects or programmes that DSD has delivered to date.
- 1.3 As part of the transfer, DSD's budget for delivery of regeneration and community development will be allocated to the new Councils. It has been necessary to establish an objective model on which to base the amounts to be allocated to each Council.
- 1.5 For the regeneration and community development elements of the budget, it is not appropriate to use historic patterns of expenditure as the basis for the allocation model. Patterns of spend by DSD, particularly on capital projects, are highly variable from place to place and over relatively short periods of time. Therefore, an analysis of current or recent spend patterns is unlikely to be a reliable guide to how money should be allocated to Councils.
- 1.6 The funding for Councils' new responsibilities will transfer through the rates system and will form the basis of an ongoing annual allocation.
- 1.7 As the transfer of budgets will be through the rating system, there will be no distinction between revenue and capital expenditure. Therefore, the Department does not need to develop separate allocation formulas for capital and other resource budgets.
- 1.8 The following sections of this document set out the assumptions which the Department has made and the guiding principles which it has applied to the design

of the formula. It also explains in some detail how the formula has been developed and how the individual components have been calculated.

2. ASSUMPTIONS

- 2.1 In developing the funding allocation model, the Department has assumed that there will be EU funding for rural development provided to the new Councils through DARD. The allocation model for the DSD regeneration budgets should, therefore, take account of this.

3. GUIDING PRINCIPLES

3.1 The Department has also drawn up a set of guiding principles which it has applied to the design of the budget allocation formula.

- (a) The model for budget allocation should be settled as quickly as possible to allow effective business continuity planning by DSD, Statutory Transition Committees and Shadow Councils.
- (b) The budget allocation formula should provide the new Councils with an objectively based allocation to take forward their regeneration and community development responsibilities, having regard for the objectives and associated outcomes of the recently published Urban Regeneration and Community Development Policy Framework (summarised at Annex 1). Therefore, the allocation model should be forward looking. The model should not be designed either to perpetuate current patterns or to balance out or compensate for perceptions of imbalance in historical spending patterns.
- (c) The objectives of the Regeneration and Community Development Policy Framework cannot be effectively delivered should a Council choose to do so unless every Council area receives a reasonable allocation from the formula.
- (d) The allocation model should not be dependent on the amount of budget available to allocate. The model should produce a fair allocation regardless of the amount that is available to allocate.
- (e) Assets owned by the Department will also transfer to the relevant Council but the allocation of programme budget should not be linked to these transfers. Therefore, a Council which will inherit a large number of high value regeneration assets from DSD should not have its budget allocation adjusted as a result.
- (f) The allocation formula should be calculated on the basis of the most robust and reliable data and indicators available to the Department.

4. BUDGET AVAILABLE TO ALLOCATE

4.1 The budget for the transferring regeneration and community development activities in 2014/15 comprises the following elements:

- (a) £29 million in the baseline for tackling disadvantage (£21 million other resource; £8 million capital);
- (b) £25.7 million in the baseline for physical regeneration;
- (c) £2.7 million for Laganside (this is the average annual cost of maintaining the Laganside assets; actual expenditure varies widely between years) ;
- (d) £7.2 million in the baseline for the Community Support Programme and Community Investment Fund; and
- (e) the Department will transfer the staff costs and general administrative expenditure (GAE) costs connected to the transferring activities. These are projected to be £5.6 million salaries and £0.7m GAE in the current financial year.

4.2 The transfer of responsibilities for regeneration and community development to local government will take place at the start of the 2015/16 Budget period. The Department assumes that it will be required to deliver a minimum 4% efficiency saving on its budgets. Therefore, in order to ensure a prudent approach to planning, the allocation model applies this reduction to the budgets set out in paragraph 4.1. Ultimately, the final budget to transfer will be decided by the Executive as part of its 2015/16 Budget process and the Department cannot rule out the possibility that it may be reduced further as part of the outcome of that process.

5. OPTIONS CONSIDERED

- 5.1. A number of options for the allocation formula were considered by the Department. A summary of the options, the rationale for each and the pros and cons is attached at Annex 2
- 5.2 Of the options considered, Option 4 – a combination formula which applies different methodologies to the various components of the budget – was considered to be the option which best fits the guiding principles.

Preferred Option

- 5.3 In summary, the combination formula will involve allocating the:
- (a) budget for tackling disadvantage on the basis of population weighted by socio-economic need;
 - (b) budget for physical regeneration on the basis of the urban population of the cluster;
 - (c) budget for Laganside to Belfast;
 - (d) budget for the Community Support Programme and Community Investment Fund on the basis of population weighted by socio-economic need; and
 - (e) associated salary costs in proportion to the programme allocations.
- 5.4 The Department has considered two key questions around the basis for allocating the various components of the formula, namely the:
- (a) measure of socio-economic to be used as the weighting element of the calculations for the Tackling Disadvantage and Community Development components; and
 - (b) population base to be used for the calculations.

6. TACKLING DISADVANTAGE COMPONENT

6.1 The Regeneration and Community Development Policy Framework includes tackling area-based deprivation as one of the four strategic priorities. The Department considers that the component of the allocation formula relating to tackling disadvantage should be targeted towards the areas where deprivation is greatest and that this can be best achieved through a calculation which weights the population of the Council area by a measure of socio-economic need.

Weighting for Socio-Economic Need

6.2. There are a number of measures on which the needs weighting element of the calculations could be based. The possibilities which have been examined by the Department are as follows:

- (a) the population in the Council cluster living in the most deprived 10% of Super Output Areas (SOAs) on the Multiple Deprivation Measure. This option is broadly similar (but not identical) to the method currently used to allocate Neighbourhood Renewal funding;
- (b) the extent of deprivation figure produced by NISRA for each new Council area. This measure presents the proportion of the population living in deprived SOAs expressed as a percentage. This percentage could be applied to the population of the district. A weakness with this option is that the extent of deprivation figure relates to the whole district and cannot be mapped reliably onto urban populations;
- (c) the income deprived population in the Council cluster produced by NISRA. There is a 0.98 correlation (that is, very close to an exact match) between the spatial distribution of income deprivation and the spatial distribution of the Multiple Deprivation Measure at SOA level. Therefore, this measure provides a reliable indicator of the level of multiple deprivation in an Council area; and
- (d) the employment deprived population in the Council cluster as provided by NISRA. The correlation between the spatial distribution of employment deprivation and the Multiple Deprivation Measure at SOA level is weaker than for income deprivation.

6.3. In view of the significance of the decision as to how socio-economic need should be targeted, the Department considers that the needs weighting element of the

calculation should be based on the option which provides the most robust and sensitive measure of socio-economic that is readily available.

6.4 The Department's view is that the measure which best meets this requirement is the income deprived population of each new Council area. Income deprived population is a measure which is already produced by NISRA and is, therefore, robust and readily available from a source independent of DSD. There is a very strong correlation between the most income deprived areas and areas experiencing the worst multiple deprivation, making this measure a very good basis for allocating a budget which has been created to tackle multiple deprivation.

Population base for calculations

6.5 The Department considered three options for the population base for the calculations. These were as follows:

- (a) the total population living in the Council cluster area;
- (b) the urban population of the Council cluster area based on current DSD practice – that is, the population living in settlements in classifications A (Belfast) to E (small town); and
- (c) the urban population of the Council cluster area based on a new definition of urban, namely the population living in settlements in classifications A (Belfast) to G (large village).

6.6 One of the guiding principles is that the allocation formula should avoid 'double counting' with rural development funding. The Department considers that double counting can only be avoided by directing the budget currently used by DSD for regeneration activities to urban areas.

6.7 Currently DSD's urban regeneration activity is directed towards settlements with populations of 4,500 or above. This policy is based on the need to clearly establish a definition of urban and rural in Northern Ireland as DSD's remit is clearly defined in the Departments (Transfer and Assignment of Functions) Order (Northern Ireland) 1999 as urban regeneration. For this reason, the Department has since 1 April 2004 directed its regeneration activities in line with the 4,500 definition.

6.8 Local government's scope of action will not be subject to the same legislative constraints. The new Councils will be able to undertake regeneration work of the kind currently delivered by DSD in smaller settlements. The Department's

engagement with local government to date indicates that many of the new Councils will be interested in taking up this opportunity may revisit some of the successful regeneration schemes such as CRISP, the Community Property Development Scheme and the Urban Development Programme, that the Department delivered in smaller settlements prior to 2004.

- 6.9 The Department considers that the likely direction of the new Councils' decisions should be recognised in the allocation formula by amending the definition of urban to include all settlements in classifications A to G. This will reset the definition to the position prior to 2004 by bringing in large villages and intermediate settlements with populations between 1000 and 4,500.

7. PHYSICAL REGENERATION COMPONENT

- 7.1 Two objectives in the Urban Regeneration and Community Development Policy Framework relate to physical regeneration: Objective 2 ‘to strengthen the competitiveness of our towns and cities’; and Objective 3 ‘to improve linkages between areas of need and areas of opportunity’. It is the Department’s experience that physical regeneration projects tend to be undertaken in response to physical problems such as dereliction, market failure or opportunities arising from private sector interest. As a consequence, measures of socio-economic need do not offer a reliable method for targeting resources for physical regeneration. The Department considers that a population based calculation is the most appropriate method for allocating the physical regeneration component of the formula.
- 7.2 For the reasons outlined in section 6, the Department considers that the allocation formula should be based on the population of urban settlements, with urban being defined as all settlements in classification bands A to G.

8. LAGANSIDE COMPONENT

- 8.1 The Laganside assets, including the impounded River Lagan and weir will be transferred from DSD to Belfast City Council, along with the responsibility for managing and maintaining those assets. Unlike the other components of the budget to transfer, it is appropriate to take into account historic spend.
- 8.2 Annual expenditure by the Department on management and maintenance of the Laganside assets varies widely due to the need to carry out major works on multi-annual cycles and under the guidance of civil engineers. For example, the Lagan needs to be dredged approximately every 7 years, the rams on the Lagan Weir need to be refurbished every 10 years (estimated by Civil Engineers Branch of Central Procurement Directorate) and repairs need to be made to the revetments from time to time. Given that the Laganside river infrastructure has been in place for a relatively short time, historical patterns of expenditure by the Department will provide a poor basis for working out the allocation for the Laganside component.
- 8.3 The method which has been used to calculate the Laganside allocation is as follows.
- (a) The total actual spend on Laganside for the 3 years from 1 April 2010 to 31 March 2013 has been calculated.
 - (b) The actual costs for dredging, ram refurbishment and revetment works have been deducted.
 - (c) The remaining figure has been divided by 3 to give a base annual average expenditure of £1.8 million.
 - (d) The annualised cost of the major cyclical works has been calculated at £900,000. This is made up as follows:
 - The cost of dredging the Lagan is estimated at £3.5 million. This has been divided by 7 to give an annualised cost of £500,000.
 - The cost of refurbishing the ram weirs is estimated at £2.5 million. This has been divided by 10 to give an annualised cost of £250,000.
 - The average annual cost of works to the revetments is estimated at £150,000.

8.4 The entirety of the £2.7 million Laganside allocation will transfer to the new Belfast City Council.

9. COMMUNITY DEVELOPMENT COMPONENT

- 9.1 The fourth objective of the Urban Regeneration and Community Development Policy Framework – ‘to develop more cohesive and engaged communities’ – relates to community development.
- 9.2 In general terms, it has been the Department’s experience that the need for community development activity is greatest in areas of social and economic need. Therefore, a measure of socio-economic need would be the most appropriate method for targeting resources for community development. For the reasons outlined in section 6, the Department considers that the measure which is most suitable for this purpose is the income deprived population of each new Council area.
- 9.3 The Department’s community development activity has not been limited to urban areas in the same way as its regeneration work. Therefore, the Department considers that the calculation of the community development component should be based on income deprived population of the whole Council area.

10. FINALISED ALLOCATION FORMULA

10.1 Bringing all of this together, the Department will calculate the allocation of its budget to the new local authorities on the following basis:

- (a) £27.840 million for tackling disadvantage will be allocated on the basis of the income deprived population living in settlements in classification bands A to G in the new Council area; plus
- (b) £24.690 million for physical regeneration will be allocated on the basis of the total population living in settlements in classification bands A to G in the new Council area; plus
- (c) £2.592 million will be allocated to Belfast City Council in respect of Laganside; plus
- (d) £6.912 million for the Community Support Programme and Community Investment Fund will be allocated on the basis of the income deprived population living in the new Council area; plus
- (e) associated salary and general administrative expenditure (GAE) costs of £5.4 million plus £0.67 million respectively will be allocated in proportion to the programme allocations (that is, (a) + (b) + (c) + (d) above for each cluster ÷ total programme budget).

10.2 The precise figures to support the allocation formula will not be available until March 2014, when NISRA will have updated the new Council population figures. Until that point, the results from the calculation (which are shown in Annex 3) are estimates only. However, these estimates provide a reasonable indication of how the Department's budget will be allocated.

11. REGIONALLY SIGNIFICANT PROJECTS

- 11.1 The arrangements for the transfer of urban regeneration and community development to local authorities allow the Department to retain an operational role in the delivery of regeneration projects considered to be regionally significant, either at the request of a local authority or as determined by the Department.
- 11.2 There is no precise definition of what would qualify as a regionally significant project but, at this point, the Department's planning assumption is that there will be no such projects retained by DSD at the transfer date in 2015. Therefore, the Department does not plan to withhold any of the current transferring budget to meet the costs of regionally significant projects.
- 11.3 The Department recognises that regionally significant projects may be identified in the future. Since regionally significant projects will most likely require capital rather than resource funding, the number delivered by DSD in an average year is likely to be small and the annual spend will be highly variable, the Department's preferred approach is to maintain lines for regeneration projects within the DSD budget and bid for the necessary funding for individual projects as and when they are identified.

OBJECTIVES OF THE REGENERATION AND COMMUNITY DEVELOPMENT POLICY FRAMEWORK

Policy Objectives

1. To Tackle Area-Based Deprivation
2. To Strengthen the Competitiveness of Our Towns and Cities
3. To Improve Linkages between Areas of Need and Areas of Opportunity
4. To develop More Cohesive and Engaged Communities

Supporting Actions

1. Support and Evidence-Based Policy Environment
2. Support and Innovative Financial Environment
3. Support the Development of Skilled and Knowledgeable Practitioners
4. Support and Effective and Efficient Voluntary and Community Sector

Framework Outcomes

1. Sustainable, viable neighbourhoods integrated into urban assets and opportunities
2. Competitive and connected towns, cities and urban communities
3. Reductions in contested spaces and interfacing
4. Engaged communities
5. Skilled and knowledgeable practitioners
6. Maximising investment in disadvantaged communities

ANNEX 2

Description	Rationale	Pros	Cons
<p>Option 1: Per capita allocation of total available budget on the basis of the total population of each cluster as measured on a specified date</p>	<p>The need for funding follows the population, therefore the funding should be allocated on the basis of the population</p>	<p>Straightforward basis for calculation Addresses concerns about arbitrary limiting of DSD activities to towns with populations over 4,500</p>	<p>Does not take account of socio-economic need; does not address 1st policy objective of URCD framework Some areas benefiting from both the urban regeneration budget and Rural Development funding from DARD for the same populations - unfair to Council areas with mainly urban populations. Substantial change from existing spend patterns; transition problems in some areas; could be politically contentious if there is a perceived community background bias to the 'winners and losers'.</p>
<p>Option 2: Per capita allocation of total available budget on the basis of the <u>urban</u> population of each cluster as measured on a specified date.</p>	<p>DSD's funding was provided by the Assembly to deliver urban regeneration, therefore the funding should be allocated on the basis of the urban population.</p>	<p>Straightforward basis for calculation</p>	<p>Does not take account of socio-economic need; does not address 1st policy objective of URCD framework Does not take account of urban and rural community development activity. Change from existing spend patterns; transition problems in some areas; could be politically contentious if there is a perceived community background bias to the 'winners and losers'. Definition of 'urban' not universally agreed; definition could be politically contentious and delay agreement.</p>

Description	Rationale	Pros	Cons
<p>Option 3: Per capita allocation (based on either total population or urban population or the Council cluster) with some form of weighting for need</p>	<p>DSD's funding was provided by the Assembly to meet socio-economic need (in urban areas). Therefore, the funding should be allocated with some form of weighting towards the Councils with the greatest levels of socio-economic need.</p>	<p>Takes account of need Less change from existing spend patterns that options 1 and 2; fewer transition issues.</p>	<p>Could be a more complicated formula Does not take account of the need to promote competitiveness of towns and cities; does not address 2nd policy objective of URCD framework. No universally agreed measure for targeting spatial deprivation; DSD would have to decide which method to use; decision is essentially political and likely to be contentious. May result in allocations which do not provide all Councils with a reasonable budget for regeneration.</p>
<p>Option 4: A combination formula which allocates</p> <ul style="list-style-type: none"> (a) tackling disadvantage on basis of needs weighted urban population; plus (b) physical regeneration on basis of urban population; plus (c) community development on basis of needs weighted population; plus (d) staffing budget in proportion to the programme allocations 	<p>Mirrors the basis on which DSD's funding has been provided by the Assembly. It also reflects the objectives of the Urban Regeneration and Community Development Policy Framework</p>	<p>Takes account of socio-economic need; addresses 1st policy objective of URCD framework Takes account of the need to promote the competitiveness of towns and cities; addresses 2nd policy objective of URCD framework. Takes account of community development activity; addresses 4th policy objective of URCD framework. Likely to produce reasonable allocations for all Council areas Less change from existing spend patterns that options 1 and 2; fewer transition issues.</p>	<p>More complicated formula Definition of 'urban' not universally agreed; definition could be politically contentious and delay agreement. No universally agreed measure for targeting spatial deprivation; DSD would have to decide which method to use; decision is essentially political and likely to be contentious.</p>

Description	Rationale	Pros	Cons
Option 5: A new system involving scoring and weighting relevant criteria	Would reflect the objectives of the Urban Regeneration and Community Development Policy Framework	<p>Takes account of socio-economic need; addresses 1st policy objective of URCD framework</p> <p>Takes account of the need to promote the competitiveness of towns and cities; addresses 2nd policy objective of URCD framework.</p> <p>Takes account of community development activity; addresses 4th policy objective of URCD framework.</p> <p>Likely to produce reasonable allocations for all Council areas</p>	<p>More complicated formula</p> <p>Lot of work for a one-off exercise</p> <p>No objective measures currently exist for many of the factors; decisions are essentially political and therefore likely to be contentious.</p>

Annex 3

	Tackling Disadvantage Component			Physical Regeneration Component			Laganside	Community Development Component			Total Programme		Salary & GAE costs in proportion to Programme allocation	Total Allocation	
	Income Deprived Population Settlement Bands A-G	% of total	Indicative allocation (£,000)	Total Population Settlement Bands A-G	% of total	Indicative allocation (£,000)	Average annual cost	Income Deprived Population of District	% of total	Indicative allocation (£,000)	Indicative allocation (£,000)	% of total		Indicative allocation (£,000)	% of total
Antrim and Newtownabbey	22,161	6.44%	1,793	111,038	7.86%	1,942		25,100	5.67%	392	4,127	6.65%	405	4,532	6.65%
Armagh, Banbridge and Craigavon	32,364	9.41%	2,619	158,089	11.20%	2,765		43,800	9.89%	684	6,067	9.78%	596	6,663	9.78%
Belfast	107,505	31.25%	8,700	319,375	22.62%	5,585	2,592	109,900	24.81%	1,715	18,592	29.97%	1,826	20,418	29.97%
Causeway Coast and Glens	23,250	6.76%	1,881	115,861	8.21%	2,026		34,900	7.88%	545	4,452	7.18%	437	4,890	7.18%
Derry and Strabane	47,173	13.71%	3,817	119,867	8.49%	2,096		55,900	12.62%	872	6,786	10.94%	667	7,453	10.94%
Fermanagh and Omagh	12,662	3.68%	1,025	50,562	3.58%	884		27,500	6.21%	429	2,338	3.77%	230	2,568	3.77%
Lisburn and Castlereagh	15,037	4.37%	1,217	96,065	6.80%	1,680		18,300	4.13%	286	3,182	5.13%	313	3,495	5.13%
Mid and East Antrim	20,847	6.06%	1,687	120,954	8.57%	2,115		25,300	5.71%	395	4,197	6.77%	412	4,609	6.77%
Mid Ulster	14,959	4.35%	1,211	81,937	5.80%	1,433		32,900	7.43%	513	3,157	5.09%	310	3,467	5.09%
Newry & Mourne and Down	25,605	7.44%	2,072	102,120	7.23%	1,786		43,900	9.91%	685	4,543	7.32%	446	4,989	7.32%
North Down and Ards	22,464	6.53%	1,818	135,968	9.63%	2,378		25,400	5.73%	396	4,592	7.40%	451	5,043	7.40%
	344,027		27,840	1,411,836		24,690	2,592	442,900		6,912	62,034		6,093	68,127	