



Belfast City Council (SHADOW)

Report to:	Shadow Strategic Policy and Resources Committee
Subject:	Transfer of Functions Budget Allocations
Date:	29 August 2014
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1	Relevant Background Information
1.1	As part of the Local Government Reform programme a number of new functions and powers will transfer from central government departments to Belfast City Council in April 2015. This will include operational responsibility for spatial planning, regeneration and community development, off-street car parks, responsibility for the regulation of houses of multiple occupancy (HMOs) and housing unfitness, as well as an enhanced role in supporting local economic development.
1.2	A report had been submitted to the Committee on 19 June providing an update on the Deloitte due diligence work which had been undertaken at a regional level to assess and quantify the resources (e.g. budget, staffing, assets and liabilities) attached to those functions transferring to local government.
2	Key Issues
2.1	The allocation of functional resources by individual central government departments across the 11 councils will be a decision for each Minister. Members will be aware that to date, only DSD have brought forward specific proposals regarding the allocation of budgets to councils. The Council has been actively engaging with DSD in regards to its concerns around the proposals put forward including a recent cross-party meeting with the Social Development Minister, Nelson McCausland MLA on 20 August. A verbal update on the discussions with the Minister will be provided at Committee.
2.2	Work is currently underway between DFP and government departments in regards to the more general aspects of the budget allocation proposals for the other transferring functions. DFP, in liaison with DOE, are also currently assessing and seeking to quantify service (notional) costs which are attached to the delivery of the functions to transfer (e.g. associated ICT, HR and accommodation costs). The intention would be that such costs are included in the overall budget allocation to transfer to local government. However agreement on the precise nature of the model used and the figures has not yet been reached.
2.3	It is understood that DFP have requested that final departmental budget allocations to local government are finalised by October 2014. This will inform the work to be taken forward in relation to the transfer of resource provisions from the Regional to the District rate base. This timescale is important as the final transfer of functions budget allocations need to be factored

into the council's estimating and rates setting process for 2015/16.

Whilst the detail around the budget allocations and service costs are still to emerge, council officers have had sight of the early thinking on these matters and would have a number of significant concerns as set out below:-

Emerging Departmental Budget Allocations

- Significant variances between the emerging budget allocation proposals and the figures set out in the Deloitte Due Diligence report (submitted to Shadow SP&R in June '14) – particularly in relation to off-street car parks and planning.
- **4% efficiency reduction to budgets** – still remains on the agenda of some transferring function departments and now needs to be discussed with DFP and NI Executive.
- **Departmental capital maintenance budgets** – this is a cross-cutting issue being discussed with DFP. Many government departments (e.g. DRD and DSD) do not have a planned maintenance programme and/or budget in place. There are, however, significant financial risks in regards to the potential condition of some of the assets to transfer. BCC is currently undertaking its own due diligence around this to quantify any financial implications for the council which will inform the engagement and negotiations to take place with government departments and DFP.
- **DSD allocation** – previous reports have highlighted the difficulties with the DSD allocation in particular the fact that without some form of additional non-recurrent fund and Executive funding for larger scale, regionally significant projects, the Council will be unable to initiate many of the physical projects which DSD has committed to.
- **Planning** – DOE have indicated that a more detailed report on budget allocation for the transfer of spatial planning will be with councils in the next few weeks. The Council will wish to have assurance that all costs associated with the transfer, including planning reform and the Area Development Planning process have been taken into consideration.

Off-Street Car Parks

- **Off-Setting Income** - DRD and DFP have stated that the net surplus income received from off-street car parks would be off-set against the overall TOF budget to transfer to the Council. This would impact upon the Council's ability to; for example, consider reducing the pricing tariffs for car parks as part of any economic regeneration strategy for the city centre. This issue will require both political engagement and discussion.
- **Transfer of assets** – It is proposed that the majority of DRD's existing off street car parking assets will transfer to the new Councils. However, recent discussions with DRD indicate that they are proposing to exclude a number of car parks for outright transfer to the Council on the basis that they will be required for future major road schemes at City Centre Ring South and York Road Interchange.
- The car parks being proposed are well used with a total of 493 spaces and a total income in 2013/14 of £979K. They represent approx 25% of the total number of spaces that DRD currently operations as off-street car parks. A detailed report on this has been recently submitted to the Transition Committee.
- A request has been issued to DRD seeking engagement and briefing for elected Members on the detail of the transfer proposals including budget allocations.

Notional (Service) Costs

- DFP, in liaison with government departments, are also currently assessing and seeking to quantify those notional costs attached to the delivery of the functions to transfer (e.g. ICT, HR, and accommodation related costs).
- Again, whilst early proposals are emerging, there is a lack of detail around the notional costs. Further work is required in regard to the definition and scope of potential notional costs and other 'fixed costs' which will be incurred by councils (e.g. legal costs).
- This will also need to be brought forward in-line with the October timescale for finalising departmental budget allocation proposals.
- An urgent meeting has been sought with DOE and DFP officials to examine in more detail the emerging proposals around notional costs. There is a need to benchmark and verify against reasonable standards.

Accommodation

- **Budget allocation** – there are concerns regarding the basis on which accommodation costs appear to be calculated i.e. NICS's standard space per person (9-11m²) and average cost of existing accommodation in the NICS estate across Northern Ireland. There are particular concerns regarding the cost of accommodation in Belfast in comparison to the proposed average cost being applied.
- **Lease agreements** - concerns regarding the financial implications of emerging DFP assumption "that councils will use existing accommodation arrangements with DFP Properties Division for a period of 5 years from 1 April 2015 or until the expiry of the current lease (if shorter) unless otherwise arranged by mutual agreement. Council officers are currently engaging with DSD estates branch on this.

3 Next Steps

3.1

The following practical steps are now being taken to assess and challenge, as appropriate, the emerging central government proposals in regards to the transferring function budget allocations to the Council:

- (i) **Belfast Due Diligence** - Members should note that Council officers are already in intensive engagement with respective transferring functions departments (including DSD, DOE Planning, DRD, DETI) to carry out its own due diligence around the cost of delivering the functions to transfer and scoping any potential variance from what is being proposed as part of the emerging budget allocation proposals. This information will help inform the council's engagement, negotiations and challenge with central government in agreeing the overall transferring function budget allocation to Belfast. A more detailed update will be brought to Committee in September
- (ii) **Regeneration and Urban Development** – a cross party meeting with the DSD Minister took place on the 20 August. Papers requesting specific funding mechanisms will be sent to DSD and DFP.
- (iii) **Planning** – as part of ongoing due diligence work, specific meetings are taking place with senior officials in regards budget, finance and staffing related matters.
- (iv) **Off-Street Car Parks** – specific meeting to be held with DRD officials to examine in detail the transfer (and budget allocation) proposals. A formal request has been issued for DRD to brief elected Members and the Transition Committee agreed to write to the Minister.
- (v) **Notional Costs** – meeting scheduled with DOE and DFP officials on 28 August '14 to

	<p>examine in detail and challenge as appropriate the emerging proposals.</p> <p>A further detailed report will be submitted to Shadow SP&R in September for Members consideration and direction.</p>
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4	Resources
4.1	<p>There are significant financial risks attached to the emerging budget allocations for Belfast, however, the scale of this is still to be quantified as part of the ongoing due diligence work and engagement with central government departments (including DFP).</p> <p>A further report on this matter will be submitted to a future meeting of the Committee.</p>

5	Equality and Good Relations Considerations
5.1	None at this time

6	Call In
6.1	This decision is subject to Call In.

7	Recommendations
7.1	<p>Members are asked to note that:</p> <ul style="list-style-type: none"> (i) a detailed report will be submitted to Committee in September when further information is made available from central government and council necessary due diligence work is undertaken by the Council officers: and (ii) a specific meeting has been requested with DRD to discuss the emerging concerns in regard to the transfer of off-street car parks