

Transfer of Functions and Powers to Local Government

Reconciliation to DOE Report

Final Draft

Table of Contents

1	Introduction	1
2	Overview of Reconciliation	3
3	Transfer Principles and Assumptions	4
4	Treatment of Notional Costs	6
5	Department of the Environment	10
6	Department for Social Development	21
7	Department of Regional Development	27
8	Other Specific Issues	36

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1 Introduction

1.1 Background

To assist with the transfer of functions and powers to local government, Deloitte was commissioned by the Transfer of Functions Working Group (TOFWG) in November 2013 to perform a review of the resources proposed to accompany the transfer of functions to from Central to Local Government as part of the Review of Public Administration.

On completion of the project a final report was presented to the TOFWG in May 2014 after having been previously agreed by the Departments involved.

In August 2014, the DOE submitted a report to the TOFWG outlining the proposed budget allocations from transferring Departments. This was subsequently submitted to the Regional Transition Operational Board (RTOB) on the 13 August 2014. In some areas, the proposed budget allocations differed significantly from the figures presented in the May 2014 Due Diligence Report.

In order to assist the Chief Executives and the Chief Finance Officers of the Shadow Councils in the discharge of their responsibilities under the Local Government Finance Act and to ensure that proper assurance can be provided to Elected Members of the Shadow Councils, the Chief Executives have appointed Deloitte to undertake further due diligence work in relation to the proposed budget allocations.

There has been a significant deterioration in the NI Executive's financial position since the May 2014 Due Diligence Report. This was reflected in the recent budget statement to the NI Assembly by Simon Hamilton MLA, where budget cuts of 11.1% in the DOE, 4% in the DRD and 9.9% within the DSD were announced. Although not within the terms of reference for this project, this announcement may have some bearing on Central Government's ability to effect a 'rates neutral' approach to the transfer of functions to Local Government.

1.2 Scope of Work

The scope of the commission is to carry out the following tasks:

- To prepare a reconciliation of the figures in the due diligence report with those presented in the TOFWG paper and to comment on whether the changes are appropriate.
- To consider the overhead allocations proposed by DOE and to comment their validity.
- To review the non-budgeted expenditure incurred by departments generated through in year monitoring rounds and to assess the impact of this on the proposed budget transfer.

In addition we have been asked to provide a high level commentary on the following areas:

- To identify all sources of deferred income and to articulate how this should be transferred and to confirm that proper account of this has been included in the proposed budget allocations.
- To consider the requirement for councils to maintain increased reserve levels as the result of the transfer of funds and the appropriateness of a one transfer of fund to cover this requirement.
- To provide an overall assessment of the transfer proposals in the context of the principle of being rates neutral.

1.3 Structure of this report

We have structured this report based on the Government Departments involved in the transfer of functions (as per the DOE report). For ease of reconciliation, the sections from our previous report are now shown as follows.

- Overview of Reconciliation;
- Transfer Principles and Assumptions;
- Treatment of Notional Costs;
- Department of the Environment: Local Development Plan Functions, Development Control & Enforcement;
- Department for Social Development: Urban Regeneration & Community Development, Lagan Weir, Regulation of Houses in Multiple Occupation and Housing Unfitness;
- Other Specific Issues; and
- Conclusions and Recommendations.

The scope of this report focuses on the three Departments where there was a significant variance between the May 2014 report and the DOE August 2014 report i.e. DOE, DSD and DRD.

2 Overview of Reconciliation

2.1 Summary Reconciliation

This section sets out a summary of how the figures within our report of May 2014 compare to those of the DOE report of August 2014. Further detail is contained within the individual sections that follow.

Per DOE		May 2014 Due Diligence Report											Difference
Dept	Value	Car Parking	Planning	Local Econ. Dev	Urban Regen	Lagan Weir	Reg of HMOs	Housing Unfitness	Armagh	Water Rec	Donaghadee Harbour	Total	
DOE	17,426,255		11,112,000									11,112,000	- 6,314,255
DSD	65,996,740				69,725,000	4,700,000						74,425,000	8,428,260
NIHE (DSD)	404,750						782,000	100,000				882,000	477,250
DRD	- 7,049,813	- 4,555,000									59,000	- 4,496,000	2,553,813
DETI	3,555,000			3,550,000								3,550,000	- 5,000
DCAL	273,000								221,000	57,000		278,000	5,000
Total	80,605,932	- 4,555,000	11,112,000	3,550,000	69,725,000	4,700,000	782,000	100,000	221,000	57,000	59,000	85,751,000	5,145,068

We consider the differences in DETI and DCAL figures to be immaterial and therefore we have not carried out a reconciliation of these two amounts. The remainder of this report sets out the reconciliation of figures for the following:

- Department of the Environment
- Department of Social Development
- Department of Regional Development

There are a number of notional costs which relate to DFP central costs. The value of the transfer in relation to these has been calculated by DFP. This is included in a separate section on notional costs and reconciled to the notional costs which were included in each of the figures within the Due Diligence report of May 2014.

The figures above are those that were included in the RTOB paper published in August 2014. Since this report was published the figures included above in relation to car parking (DRD) have been reviewed and updated. The reconciliation included in this report is between the updated figures and those contained within the May 2014 In addition the DOE figures above are expenditure figures and are not shown net of income. This income is reviewed within this report under the DOE section.

3 Transfer Principles and Assumptions

3.1 Introduction

This section sets out the principles that apply to the transfer of functions. Where there are changes in these principles since drafting the Due Diligence report (May 2014), these have been highlighted within this section.

3.2 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 and remain valid and relevant at the time of drafting of this report. 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, the scope of this update report, in common with the original due diligence report, focuses on the impact of the transfers on Local Government as a whole.

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.

3.3 Assumptions

The previous report was produced using the following 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.

4 Treatment of Notional Costs

4.1 Introduction

Consideration of how to place a value on the notional costs to be transferred to the Councils has moved on since the previous Due Diligence report. Within this section we have set out how DFP/ DOE have suggested that central notional costs will be treated and compared to the figures included within the original report.

Notional costs have been included in the calculation of funding to transfer. Two main types of notional costs have been included and are discussed within this report:

1. Notional costs in lieu of services currently provided by DFP; and
2. Notional costs for services provided by the sponsoring Departments (addressed in subsequent sections of this report).

The approach within the May 2014 report in this area was based on the notional costs contained within each relevant Department's Memorandum Trading Account (MTA). This sets out the charges for both DFP services and services provided by other Departments. The DFP's approach to the notional costs for which they are responsible is significantly different and is set out below.

4.2 DFP Notional Costs

DFP have developed a paper setting their recommendations in relation to DFP notional costs. This relates to the following services, which will no longer be provided centrally:

- Accommodation Support;
- Transaction Processing (Account NI);
- HR Support (HR Connect);
- IT Support (IT Assist).

DFP has calculated the costs as follows:

	Accommodation	IT	ACNI	HR Connect	Total
Overheads	114	219	124	28	404
Fixed Costs	58	811	128	-	1,078
Variable Cost	1,389	60	85	408	1,942
Depreciation	431	117	101	128	777
Full Cost	1,992	1,207	438	564	4,201

Source: DFP / RTOB Paper 23/14

Only those costs shaded i.e. variable costs only and depreciation on IT assets are proposed to transfer to local government (£2,059 per staff member). Overheads and fixed costs have been excluded from the DFP figures.

The DFP has provided additional information relating to these costs and confirmed the approach to the calculation of these figures as follows:

Service	Approach to Cost Estimation
Accommodation	<p>Accommodation related overheads have been excluded. These relate to staff who support the management of the accommodation. These staff do not spend 100% of their time on estate related issued and will not transfer to local government.</p> <p>Fixed Costs have been excluded. These relate to provisions, property running costs, supplies and rent book income.</p> <p>Variable costs are calculated based on 2013/14 final outturn. This has then been translated into a cost per square metre (based on a total area of 312,657 square metres. It has been assumed that each person transferring will require 10m² of accommodation. Variable costs include relate to rent, rates, fuel, maintenance net of agency fee income.</p>
IT	<p>IT related overheads are those costs which cannot be transferred as a result of staff being transferred (i.e. DFP will continued to incur these costs). They include DFP overheads; ESS Overheads and IT Assist Overheads (includes governance, account management). Cost per user has been calculated based on total desktops/ laptops supports (21,942) using 2014/15 cost allocation.</p> <p>Fixed Costs have been excluded. These costs relate to those which do not vary depending on number of users and therefore cannot be transferred. These costs include: Service Desk Data Centre; Network Management; Desktop Software; Desktop Support; Printers & IMACS.</p> <p>Depreciation has been included at £117 per person transferring. This is based on a 4 yearly refresh of IT.</p> <p>Variable Costs – [information not available at time of report]</p>
Account NI	<p>Account NI supports DSD and DOE. Costs to transfer are based on variable costs only (i.e. those costs which vary based on headcount). Any costs which do not vary (overheads and fixed costs) will not transfer. Of the total £4,300k incurred, this equates to a transfer of £830k.</p>
HR Connect	<p>Variable costs have been included in the cost to transfer. These relate to the HR connect service charge of £34 per person per month (£408 per annum).</p> <p>The costs to transfer exclude depreciation of the e-HR system of £128 per head and overheads (admin salary costs and running costs of the e-HR system).</p>

A comparison of these costs with those within our original report is as follows:

	Due Diligence		Diff
	May14	DOE Aug 14	
DOE (Planning)			
Corporate Overheads	824	212	- 612
Other Notional Costs	171	88	- 83
Consultee Costs	2,138	-	- 2,138
DFP Notional Costs	3,394	768	- 2,625
TOTAL DOE	6,525	1,068	- 5,411
DRD (Off Street Parking)	118	31	-87
DSD (Urban Regen & Housing)			
Urban Regeneration	1,600	357	- 1,243
HMO Transfer	118	-	- 118
Housing Unfitness	-	-	-
TOTAL DSD	1,718	357	- 1,361
TOTAL	8,361	1,456	- 6,905
Plus IT Refresh (Capital)			
DOE	-	46	46
DRD	-	6	6
DSD - Urban Regen	-	22	22
DSD - HMO	-	3	3
Total	8,361	1,533	- 6,829

The IT refresh costs were not included in the summary costs associated with DRD or DSD, however DOE planning figures did include the £117 per head for IT refresh.

The majority of costs that were included in the Due Diligence report that are no longer included relate to services that will be delivered to local government by central government free of charge. These services should be governed by a robust Service Level Agreement to ensure they continue to be delivered as required and to an agreed standard.

A specific query was raised in relation to the accommodation required for Planning staff transferring. This is discussed in more detail within the DOE section of this report.

4.3 Sponsoring Departments Notional Costs

Where additional notional costs will be transferred to Local Government (but are not DFP costs), these have been included within the remainder of this report within the relevant section.

4.4 Findings and Conclusions

The DFP's notional costs do not include overheads or fixed costs. Their implicit assumption is that as "...the additional staff represent a small proportion of the overall staffing complement of the new councils" that the infrastructure and support services within Councils will be able to absorb the additional staff members without incurring additional overheads or fixed costs in relation to Accommodation, IT, Transaction processing and HR.

Local Government in Northern Ireland employs some 9,700 staff across the 26 Councils¹. Assuming that approximately 400 staff transfer, this represents a 4.1% increase in staff numbers. The DFP approach is based on how much costs they will be able to release from their budget i.e. "budget neutral", rather than whether it will be "rates neutral". In order to answer the rates neutral question adequately, it would be necessary to understand the

¹ NIAO The exercise by local government auditors of their functions, November 2013

impact of these additional staff of the IT/HR/Finance functions within individual Councils. Given that the size of new the Councils vary, it is likely that some Councils will be able to absorb these additional staff with little or no additional costs whilst others may incur additional costs. It is unclear whether these costs are readily available across the existing 26 Councils. This has led DFP to follow a budget neutral approach in the absence of any other available data.

Another consideration is the difference in scale between DFP's shared service functions and the new Councils' delivery arrangements. It is possible that due to numbers of users that DFP has (AccountNI has over 20,000 users) that they benefit from economies of scale that an individual Council could not hope to achieve. It is possible therefore that individual Councils may have higher per user costs for these services.

In our discussions with DFP, they recommended that Local Government looks at the overall figure proposed to transfer per person (i.e. £2,059) and assess whether this was sufficient or not. For example the proposal for IT (£60 excluding depreciation) appears to be very low based upon work we have undertaken with other clients. This may be explained by the fact that IT Assist is an in house service with a relatively high level of fixed costs. Conversely HR Connect is a largely outsourced service with a commercial model with the supplier that is based on per user pricing and very low fixed costs/overheads. Local Government officials have pointed out for example that the allocation for IT would not pay for one additional member of IT support staff spread across all 11 Councils.

The key question therefore for Local Government is whether the £2,059 per user, as an overall proposal is sufficient to cover costs. We recommend that Local Government discusses with DFP the potential for increasing the IT proportion of the notional costs to better reflect its cost base. The issue associated with accommodation is analysed in Section 5.

5 Department of the Environment

5.1 Introduction

Within the DOE costs will transfer in relation to Local Planning. The comparison of the figures from the May 2014 Due Diligence report to the DOE report are summarised as follows:

5.2 Changes in Assumptions

In re-calculating the income and costs to transfer, the DOE has updated a number of the assumptions that were used within the due diligence report of May 2014. These are summarised at a high level below, and discussed in more detail within this section.

- Income figures have been updated to reflect 2013/14 outturn (Due Diligence report used 2012/13);
- The Due Diligence report of May 2014 used the DOE assumption that the 80% of local planning applications would transfer to local government and 20% of strategic applications would transfer. The DOE concluded that there were more accurate methods of allocating income and expenditure and have therefore updated their report, as summarised below;
- Local planning income estimate is based 100% of all local planning income will transfer and strategic planning income has been split based on a detailed review of the types of planning applications that were received in 2013/14;
- Local planning expenditure – staff costs are based on the workforce planning model developed since the May 2014 report and running costs have been allocated based on location of staff after reform (either Local or Central Government) based on this model (non-staff expenditure remains based on 2012/13 expenditure);
- A number of notional costs included in the Due Diligence report of May 2014 have been excluded based on the assumption that some of these services will not be required in a Local Government context;
- The costs to transfer in relation to central support services provided by DFP have been re-calculated based on the DFP paper discussed above.

5.3 Reconciliation of Costs & Income

A high level overview of the reconciliation between the figures contained within the Due Diligence report and those within the updated DOE report is shown below.

	Due Diligence Report May 14					DOE Report	Total Movement
	Total		Amount to Transfer				
Income	Local	Strategic	Local	Strategic	Total	Total	
Property Certificates	600	-	480	-	480	925	445
Applications	10,200	1,300	8,160	260	8,420	11,675	3,255
Total Income	10,800	1,300	8,640	260	8,900	12,600	3,700
Running Costs	2,496	529	1,997	106	2,103	2,971	868
Staff Costs	13,486	2,964	10,789	593	11,382	15,550	4,168
Notional Costs	7,516	2,579	6,013	516	6,529	300	6,229
DFP Notional Costs						840	840
Total Cost	23,498	6,072	18,798	1,214	20,013	19,661	352
Net Deficit	12,698	4,772	10,158	954	11,113	7,061	4,052

For each element of income and expenditure we have set out the reconciliation between the figures contained within the Due Diligence report of May 2014 and the updated DOE report of August 2014. We have also identified any changes in assumptions between the two reports.

Income

Planning income is realised from Property Certificates and Planning Applications. As shown, the majority of the income relates to Planning Applications.

	Due Diligence Report May 14					DOE Report	Total Movement
	Total		Amount to Transfer				
Income	Local	Strategic	Local	Strategic	Total	Total	
Property Certificates	600	-	480	-	480	925	445
Applications	10,200	1,300	8,160	260	8,420	11,675	3,255
Total Income	10,800	1,300	8,640	260	8,900	12,600	3,700

The increase in Property Certificate income from the Due Diligence report to the updated DOE report is due to the fact that the Due Diligence report was based on 2012/13 income figures while the DOE report has updated these to 2013/14 actual income figures.

In addition, a different approach to the allocation between Central and Local Government has been taken. Within the Due Diligence report it was assumed that approximately 80% of all local planning income and 20% of strategic planning income would relate to applications that would in future be processed by Local Government. This was the basis for the calculation of income to transfer to Local Government. In the intervening period, the DOE has developed a consultation document which sets out which types of applications which will remain with the DOE and which will transfer to Local Government. The figures shown above are based on this split and are subject to the findings of the public consultation.

Planning income has been increasing over the last number of years. From 2012/13 to 2013/14 there was an increase of 5%. On review of the 2014/15 income figures year to date (April – September), there has been a 9% increase in income compared to the same period in 2013/14 (see Appendix 2).

The increase in Property Certificate income fees is partly due to an increase in the charge from £35 to £42.50 (21%) per certificate.

Deferred Income

The planning stage is broken up into 6 parts. Income is recognised as the application passes through each stage of the process. Once the Department's accounts have been audited, the Department will identify which live applications will transfer to each Council on the 1st April 2015. The DOE has confirmed that Councils will receive all unrecognised income relating to the applications that are transferred to them. It is expected that the actual cash transfer will take place in June/July following the audit of the Department's financial statements. This approach has been in place for 7 years and data is audited. The stages (and associated deferred income allocation) are as follows:

Stage	% Deferred
Invalid	100
New	90
Registered	35
Case Officer	25
DC Group / Council	20
Decided	10

Property Certificates are calculated on a 10 day turn around policy. Income is recognised based upon the number of days the Property certificate has been in the system.

Workforce Planning Model

The Department has developed a workforce planning model which identifies the staff complement required to process a specified number of planning applications. For the purposes of the DOE paper, it was assumed that the volume of planning applications received during 2015-16 will be in line with the actual volumes received in 2013-14;

In addition to the staff required to process planning applications, the DOE has supplied staff to produce Development Plans, perform Enforcement functions and associated administration functions.

Running Costs

Running costs allocated to local government are shown below.

	Due Diligence Report May 14					DOE Report	Total Movement
	Total		Amount to Transfer				
	Local	Strategic	Local	Strategic	Total		
Running Costs	2,496	529	1,997	106	2,103	2,971	868

In the Due Diligence report, total running costs for the planning functions in 2012/13 (split by local and strategic planning) were allocated between Local and Central Government using the 80:20 split outlined above (i.e. 80% of local planning costs will transfer and 20% of strategic planning costs. This resulted in £2,103k to transfer, as shown above.

DOE has updated these figures based on 2012/13 total outturn (rather than total running costs) and by allocating the costs based on headcount (which is included in the workforce model), as summarised as follows:

Location of Staff Post Reform	No.
DOE	75
Councils	395.6
Total	470.6

The DOE paper² showed a provision (including Legal Fees for Judicial Reviews) of £480k being wholly retained by the Department. Our discussions with the DOE have confirmed however that the budget to transfer includes £296,700 for legal and professional fees with £56,300 to be retained by the DOE. Local Government is concerned however that it will not have appropriate budgetary cover for Judicial Reviews in particular: we are awaiting clarification from the DOE as to what the £480k budget within the DOE includes and whether some of this budget should transfer.

In addition, DOE has identified £290k of consultant & printing costs relating to development plans that will transfer to local government. This is in addition to the staff costs required for development plans. Therefore the £2,971k shown above is made up of £2,681k running costs plus £290k relating to development plans.

A paper on the treatment of development plans is contained at Appendix 3. The costs included are based on £150k SPPS consultant costs and £245k publishing costs per Council, over a 15 year period.

	SPPS Consultants	Publishing Costs	Total £k per annum
Costs per Plan	150	245	
Per Year (/15)	10	16	
x11 Councils	110	180	290

Any costs associated with the VER will be incurred by DOE and therefore will not transfer to Local Government.

	Total 2013/14	Transferred to Local Govt	DOE
Planning Costs	3,096,000	2,680,500	415,500
PPD Grants	167,000		167,000
Planning Grants	106,000		106,000
Development Plans	290,000	290,000	
VER	603,000		603,000
Provision	480,000		480,000
Total	4,742,000	2,970,500	1,771,500

Compared to the figures that were within the Due Diligence report this is as follows:

² Local Government Reform Transfer of Planning to Local Government, DOE, 27 August 2014

Running Costs Calculation	Due	
	Diligence (May 14)	DOE (Aug 14)
	2012/13	2012/13
Costs	3,025,542	3,096,000
Allocated to Local Govt	2,102,799	2,680,500
% Allocated	70%	87%
Plus Development Plans		290,000
Total	2,102,799	2,970,500

NB: these costs do not include costs associated with Habitat Regulation Assessments. In a recent RTOB paper entitled 'Environmental responsibilities relating to Councils as Local Planning Authorities', the DOE outlined how Councils will be required to act as a consultee on environmental issues. This is in addition to their role as planning authorities. The costs associated with this have been estimated at £348k based on a staffing structure proposed by the DOE which includes eight new posts. The DOE has proposed three methods for filling these posts:

- (i) Through TUPE of Local Planning Authority Staff;
- (ii) Through the provision of £348k to fill the posts through external recruitment;
- (iii) A hybrid of options (i) and (ii)

We recommend that Local Government and Central Government agree on how the transferring responsibility will be discharged post-April 2015 as well as agreeing on the preferred method of staffing/recruitment.

Staff Costs

Staff costs included within the Due Diligence report of May 2014 were based on 2012/13 costs and split based on 80% of staff from local planning division to transfer and 20% of staff from strategic planning division to transfer.

Staff costs have been re-calculated based on a workforce planning model which sets out the staff which will transfer to Councils as outlined above. DOE will provide funding to cover the actual salary cost of the individuals transferring to each Council. The allocation of staff to Councils is ongoing, therefore in order to provide indicative figures the salary costs included in the DOE paper are calculated by taking the average salary per grade, plus 30% to cover pensions and Employer's NIC, plus an additional 1.5% to cover a 2014 pay increase.

This results in an additional £4,168k to transfer, as set out below.

Notes

1. As the actual staff to transfer is not yet known, it is not possible at this stage to calculate the actual staff costs that will transfer.
2. Staff costs include those associated with enforcement activities.

	Due Diligence May 14	DOE Finance Paper	Difference
AA	21.60	28.30	6.70
AO	42.44	52.80	10.36
EO's	18.37	24.00	5.63
SO	0.20	-	-0.20
DP	5.10	11.00	5.90
G7	0.20	-	-0.20
HPTO	97.29	106.00	8.71
PPTO	15.86	24.00	8.14
PTO	55.89	82.50	26.61
SPTO	42.30	56.00	13.70
Grade 6	5.43	11.00	5.57
Grade 5	0.80	-	-0.80
Support Grade	1.60	-	-1.60
Technical Grade	0.80	-	-0.80
Total Staff to Transfer	307.89	395.60	87.71
Total Value Transferring To Councils	£11,382k	£15,550k	£4,168k

The estimated staff costs have been based on the mid-point of each grade as the actual staff to transfer has not been finalised. DOE have advised that the actual costs associated with staff members will transfer to local government with the staff member. No costs have been included to take account of future pay increases or sickness/maternity cover.

Notional Costs

Within the Due Diligence report a number of notional costs were included. These were calculated based on total notional costs incurred in 2012/13 split using the assumption of 80% of costs associated with local planning and 20% of costs associated with strategic planning. These notional costs included both DOE notional costs and central DFP notional costs. DOE has reviewed these notional costs and re-calculated the value of the transfer cost based on 2013/14 notional costs and based on what costs will actually transfer. In addition, DFP has conducted a review of the central costs (as set out in Section 4 above).

This has resulted in notional costs reducing from £6,525k in the Due Diligence report to £1,115k in the DOE updated report. This is summarised in the table below.

Notional Cost	Total (£000s)				
	Due Diligence May 14			DOE Updated	Difference
	Local	Strategic	Total Deloitte		
Corporate Overheads					
DOE Finance	128	128	128	70	- 58
DOE HR	155	155	155	92	- 63
DOE IT Support - Planning Portal	252	252	252	-	- 252
Freedom Of Information	60	60	60	-	- 60
Communication	160	160	160	20	- 140
CAL Training	81	24	70	30	- 40
Other Notional Costs					
Planning Appeals Committee	92	27	79	-	- 79
Carbon Reduction	9	9	9	-	- 9
Equality Unit	6	6	6	-	- 6
Internal Audit	31	9	26	-	- 26
North/South Equality and Policy Co-ord Directora	9	3	7	-	- 7
Graphics Design Unit- GDU	5	2	5	-	- 5
NI Statistics and Research Agency-NIRSA	28	8	24	-	- 24
Economics Branch	7	2	6	-	- 6
Health & Safety Executive	9	9	9	-	- 9
Miscellaneous				88	88
Consultee Costs					
Roads Service	2,524	592	2,138	-	- 2,138
DFP Notional Costs					
Accommodation	2,029	594	1,742	549	- 1,192
HR Connect	151	44	129	161	32
Account NI	451	132	387	34	- 354
IT Assist	634	186	544	70	- 474
Information Strategy & Innovation Division	32	9	27	-	- 27
Departmental Solicitor's Office-DSO	100	30	86	-	- 86
NIEA	522	126	443	-	- 443
Countryside Management	32	9	27	-	- 27
Land & Property Services - LPS	9	3	7	-	- 7
TOTAL	7,512	2,579	6,525	1,115	- 5,411

Corporate Overheads

An explanation of the differences in corporate overheads included in the updated DOE figures is summarised below. The details are contained within the DOE report in Appendix 1. Freedom of Information costs have been excluded as the staff who deal with these are transferring to Local Government.

Cost Area	Explanation of DOE costs included
Finance	Financial Transaction Processing – based on number of purchase orders processed in relation to planning = 2.5% of total cost Contract Procurement – procurement less than £5k will transfer to Councils. Costs allocated based on the number of contracts which relate to the planning & local

Cost Area	Explanation of DOE costs included
	government group (which are not regionally significant). This equates to 3% of the total cost; Business Partnering – 98% of this team's work is salary related. 60% of resource will be dedicated to reform. 40% of time will be allocated to the 4 divisions = 10% each, i.e. 10% of £190k; Accounts preparation teams – it is assumed that no additional costs will be incurred by the councils in preparing their accounts as a result of the transfer for additional planners.
DOE Retained HR	General HR duties (25% of total time) – 70% of costs to transfer based on headcount General Reporting (20% of total time) – 25% of costs to transfer based on 4 divisions RPA related issues (55% of total time) – this work will remain within DOE
DOE Communications (includes TRIM)	25% of Information Management Branch Costs to be allocated to councils.
CAL Training	Based on 2013/14 number of people who attended courses (£30k or total of £32k)

Notes

1. Agreement is required as to whether the maintenance of the Planning Portal (which DOE maintain) should continue to be provided by the Department or whether budget should transfer to the Councils to procure. Under the current DOE approach, budget for this does not transfer. It is our understanding that is Local Government's preference for the budget to transfer in April 2015 so that the budget is already in place when the Planning Portal is replaced.
2. Direct training costs are supplemented by internal training by staff, including those who will transfer. The DOE has stated that the £88k miscellaneous covers any additional training that may be required.

Other Notional Costs

On review of these notional costs, the DOE has stated that Councils will not be charged for these services.

The DOE has included £88k of miscellaneous notional costs to cover any additional unforeseen costs that the Councils may incur (based on £8k per Council).

DFP Notional Charges

Updated costs included in the table above in relation to DFP charges are based on the DFP calculations included with section 4 of this report. This includes Accommodation, HR Connect, Account NI and IT Assist. DOE has advised that Local Government will not incur costs of the Information Strategy & Innovation Division, Land & Property Services (NICS cost for valuations), and Information Strategy. NIEA and Countryside Management service will be provided to the Councils free of charge.

Accommodation

It was raised that planning staff may occupy more space than the average staff member as they have greater storage requirement than other services. The total space used by planners currently is 8,414sqm. It is anticipated that 396 FTE (approximately 416 staff) will transfer to Local Government and 75 FTE will remain within the DOE. On this basis, the space currently used per person (17-18sqm) appears to be substantially above the 10sqm suggested by DFP. It should be noted, however that the 10sqm is the target for all staff across the NICS with the next 4-5 years.

Accommodation	FTE	Approx Nos
No of staff Transferring	396	416
No of staff retained in DOE	75	75
Total	471	491
Space currently used	8,414	8,414
m2 per person	18	17

There are some staff who will remain within the current facilities rather than transfer immediately to Council accommodation. The treatment of the costs associated with these staff must be agreed.

NI Direct

When a member of the public contacts DOE Planning they get through to a contact centre operated by DFP known as NI Direct. Staff within NI Direct perform a range of tasks ranging from simply from transferring calls to the appropriate person to providing advice and guidance to callers. These costs do not appear in the DOE MTA and are not allocated to the DOE. We understand that it is Local Government's preference at this stage not to use NI Direct for Planning services and instead deliver it themselves from 1 April 2015.

DFP has provided the costs outlined below for the delivery of this service.

Projected Productive Agent Hours for 2015-16	Projected Hourly Rate 2015-16	Total Cost (£) excluding VAT	Productive Agent Hours (28 Oct 2013 to 30 Sep 2014)	Sep-14	Aug-14	Jul-14	Jun-14	May-14	Apr-14	Mar-14	Feb-14	Jan-14	Dec-13	Nov-13	Oct-13
4,069.73	16.93	68,920.14	3,730.59	437.21	339.66	335.14	405.39	328.91	337.21	344.02	331.80	322.13	201.36	290.55	57.21
4,069.73	16.93	68,920.14	3,730.59	437.21	339.66	335.14	405.39	328.91	337.21	344.02	331.80	322.13	201.36	290.55	57.21
Fixed Costs	42.55	173,149.72													
Variable Costs	16.93	68,920.14													
ESS Overheads	1.69	6,880.59													
DFP Overheads	5.60	22,771.34													
	83.70	340,641.93													

Source: DFP

Consistent with the approach to notional costs, DFP is proposing to transfer the variable element of costs only (£69k) to Local Government based on the project number of hours that agents spend in the contact centre dealing with Planning related calls (as opposed to a per capital allocation). We have not had the opportunity to interrogate these figures further as they were received on 15 November 2014.

Assuming that Local Government wishes to deliver the equivalent NI Direct service themselves from April 2015, the costs associated with should be included in the budget transfer to Local Government from DFP: these costs are currently not included in the funding to transfer.

5.4 Review of Non-budgeted expenditure

Expenditure figures used in estimating the costs to transfer is based on actual outturn rather than budget.

The DOE did not provide a detailed breakdown of actual outturn versus budget for Planning. They stated that their budget has been reduced as a result of annual monitoring due to required efficiency savings. In 2012/13 the planning and local government group spent 98.8% of its gross 'Admin' budget and 98.8% of its gross 'Other Resource' budget. These figures included elements of the DOE that will not transfer to Local Government.

In 2013/14 Planning Policy, Strategic & Local Planning spent 99.2% of the total budget.

The DOE has stated that any further detail on non-budgeted expenditure should be requested directly by the Council.

5.5 Findings & Conclusions

5.5.1 Findings

The overall costs to transfer to local government have reduced by £4m. This reduction is largely due to an increase in income and a reduction in notional costs.

Income

Income has increased from £8,900k in the May 2014 report to £12,600 in August 2014. This is mainly due to a change in allocation method between local and strategic planning and also the fact that figures have been updated to 2013/14 levels. The allocation method appears to be reasonable and evidence of the split between local and strategic has been made available for Local Government to review and comment if desired. Income levels increased in 2013/14 in line with the recent trend. On review of income in 2014/15 year to date it appears that income continues to grow (showing an 8% increase to end Sept 2014 compared with the same period in the previous year).

Expenditure

Running costs have increased from £2,103k in the May 2014 report to £2,971k in the August report (an increase of 41%). This is due to costs being based on outturn and allocated based on staff to transfer rather than on the 80:20 split in the May 2014 report.

Staff costs to transfer have increased from £11,382k in May 2014 to £15,550k in August 2014. A workforce model has been developed to identify the staff required to process planning applications. Costs were based on the level of planning applications in 2013/14. The DOE was not able to provide an organisation chart that shows the structure of the planning team within the workforce model. This would be a helpful addition to allow Councils to understand how planning will be delivered under the new model.

Notional Costs have reduced from £6,525k in the May 2014 report to £1,115k in August 2014. As referenced above, DFP has produced a paper that sets out the costs will be allocated. This accounts for the majority of the reduction. However there are also a number of areas which were included in May 2014 that the DOE has advised Local Government will not receive a notional charge for. It will be important that a robust Service Level Agreement is set up between Local and Central Government for the provision of these services (which are to be free at the point of use for Local Government). There are also a number of notional costs that were included that DOE has advised are for services that will not be required by Local Government. This may also require some further discussion in relation the services that are already available within Councils (for example internal audit).

From a Local Government perspective, there is uncertainty at this stage as to what exactly will be involved in the production of Development Plans and therefore how much they will cost to produce. We believe it would be sensible therefore for the DOE and Local Government to revisit this issue later in 2015/16 when there is a fuller understanding of the process and costs involved.

It should be noted that costs included in relation to planning have not been adjusted to reflect anticipated budget reductions and central government efficiencies.

5.5.2 Conclusions

There are a number of areas which would benefit from further discussion with the DOE, as follows:

- Maintenance of the planning portal to be agreed: The budget for the ongoing operation and maintenance of planning portal (including change control) should be included in the overall costs to transfer to Local Government with appropriate mechanisms to be put in place for reimbursement back to the DOE for costs incurred;

- Allocation of accommodation costs based on 10sqm per FTE (or per person): at the point of transfer the basis for this individual allocation of notional costs is insufficient based on the area currently occupied by Planning staff within the DOE (17-18sqm);
- Consideration of how the costs for the replacement of the Planning Portal will be funded when the existing contract expires in 2019;
- Treatment of NI Direct Costs: the costs recently provided by DFP should be reviewed and agreed with DFP with these costs included in the budget to transfer to Local Government;
- Review of workforce plan model to understand the organisational design of the teams on transfer;
- General discussion on notional costs included and excluded and calculation of notional costs by DFP (as outlined above);
- Agreement of treatment of staff who will remain within current accommodation;
- Development of SLAs in relation to services that will continue to be provided by Central Government;
- Review of the costs of producing Development Plans
- Review of the £480k provisions (including Legal Fees for Judicial reviews) with the DOE and confirm whether some of this budget should transfer to Local Government;
- Inclusion of transitional costs; and
- Confirmation of the preferred method for meeting the staffing requirements associated with Habitat Regulation Assessments and ensure that the associated budget is included in the proposed allocations to Local Government.

6 Department for Social Development³

6.1 Introduction

Within this section we consider the costs relating to Urban Regeneration, Management of the Lagan Weir, Registration of Houses of Multiple Occupancy and Housing Unfitness. An overview of the costs included in the updated DOE report compared to the Due Diligence report of May 2014 is as follows:

	Due Diligence (May 14)	DOE (Aug 14)	Difference
Urban Regeneration	69,725	63,405	- 6,320
Lagan Weir	2,700	2,592	- 108
Registration of HMOs	782	324	- 458
Housing Unfitness	100	81	- 20
Total	73,307	66,402	- 6,905

6.2 Changes in Assumptions

As stated above, the assumptions used within the Due Diligence report of May 2014 have been reviewed and updated where a more accurate assumption is deemed appropriate. A summary of key changes in DSD assumptions is as follows:

- Costs relating to maintenance of Lagan Weir: The DSD suggested annualised spend of £2.7m in the May 2014 report has been reduced by 4% budget cuts. Note that Deloitte had previously suggested a front loaded approach to the funding of £4.7m in year one to reflect the fact that there is a significant maintenance requirement in the years immediately following transfer;
- Notional costs have been re-calculated using the figures within the DFP paper;
- Costs have been adjusted to reflect expected 4% budget cuts; and
- Costs associated with a number of functions which, on review, will not transfer to local government, have been removed from the costing schedule.

Note: DSD did not update figures to 2013/14. These figures have remained at 2012/13.

Treatment of Staff

DSD have advised that staff currently exercising powers to be conferred to Councils in relation to urban regeneration and community development will not transfer to councils. Councils have, however been invited to state their preferred staffing requirements for access to DSD staff with regeneration/ community development experience through, for example, the secondment of staff or with DSD as an Agent.

³ At the time of writing it is our understanding that none of DSD functions will transfer to Local Government in April 2015. The analysis within this section will therefore need to be revised and updated at the point when functions are proposed to transfer.

HMO staff and Laganside staff (1 member of staff) will transfer to councils under a TUPE type arrangement.

6.3 Reconciliation of Costs & Income

An overview of the costs included in each of the reports is shown below. It should be noted that DSD has stated that these costs are under review and these costs may be amended by the end of October 2014.

6.3.1 Urban Regeneration (Including Lagan Weir)

	Due Diligence May 14	DOE Report	Difference
Urban Regen	61,725,000	59,635,000	- 2,090,000
GAE		583,800	583,800
Salaries	6,400,000	5,421,000	- 979,000
Notionals			
Accommodation	745,000	255,298	- 489,702
IT	650,000	11,028	- 638,972
HR		74,990	74,990
Finance	104,000	15,623	- 88,377
Other	101,000		- 101,000
Total	69,725,000	65,996,739	- 3,728,261
Lagan Weir	4,700,000	-	4,700,000
Total	74,425,000	65,996,739	- 8,428,261

Laganside

Funding for the Lagan Weir is included within the Urban Regeneration figures of £59,635k shown above. The amount that has been included is £2,592k. In May 2014 these costs were calculated by DSD and annualised at an estimated as £2.7m per annum. The May 2014 report suggested that £4.7m would be required in 2015/16 and £2.2m in 2017/18 and £2.7m in each of the other years within the 6 year cycle. In the August report DSD have reduced the £2.7m annualised costs by 4% based on expected budget cuts.

Notional Costs

A review of notional costs was carried out by DSD. They have identified that costs included in the May 2014 report relating to DSD notional costs will not be incurred by local government. Notional costs included within the May 2014 figures included costs for the whole URCDG group and not just the transferring functions.

Notional costs in the August 2014 figures have been calculated based on the DFP paper (as discussed in section 4) have been included at £357k.

A comparison of notional costs included in the May 2014 report to those in the August 2014 report is shown below.

Department	May-14	Aug-14	Difference
DSO	92	-	92
IT Group	137	-	137
Accommodation & Construction	613	255	358
NIAO	22	-	22
LPS	132	-	132
Government Accounts Branch	3	-	3
DHSSPS Library Services	5	-	5
Account NI	79	16	63
CAL	4	-	4
IT Assist	495	11	484
ISID	18	-	18
HR Connect	-	75	75
Total	1,600	357	1,243

Note that 63.5 staff included in the 183.8 to transfer are based in buildings that DSD are hard charged for accommodation and are therefore included in outturn figures. The notional accommodation costs associated with these staff will not be transferred in addition to the outturn, i.e. notional costs to transfer will actually be £269k rather than £357k.

Retained Functions

DSD reviewed the costs included in the Due Diligence report and have identified costs that relate to functions that will not transfer. Costs of these functions have been excluded from the updated DOE report. This totalled £2,488k.

The areas that these relate to are as follows:

Retained functions included in the Budget Allocation Model (£k)	
The Boy's Model	350
Land Assembly services	250
Women's Centre Childcare Funds	850
Integrated Services for Children and Young People	125
The Innovation Fund	650
Analytical Services Unit	174
Misc	1
Other	88
Total	2,488

'Other' relates to accommodation costs. DFP are providing support costs for accommodation at £1,389 per person. The RTOB paper shows this as (183.8 staff @ £1,389 = £255,298). Included in the staff number of 183.8 are 63.5 staff that work in buildings that DSD are hard charged for and therefore are already included in the budget allocation model. To avoid duplication the 63.5 staff (63.5 @ £1,389 = £88,200) has been removed from the budget allocation.

Budget Forecast

DSD has also assumed a 4% reduction in costs due to the budget cuts that must be implemented. This equates to £2,731. This is under review, 4% is the minimum reduction in budget that the DSD expect to be incurred. The 4% has been applied to the costs in the May 2014 report. It should be applied to updated costs. If this is the case, the reduction would be £2,631 and a total cost to transfer of £66,097k rather than £65,995k.

A summary of the reconciliation between the Due Diligence report and DOE updated report is as follows:

	£k
Urban Regeneration Due Diligence Report	69,725
Lagan Weir	4,700
Total per Deloitte Report	74,425
Remove Income	139
Adjust for Notionals (£1,600k-£357k)	1,243
Adjust for Lagan Weir Change (£4,700k-£2,592k)	2,108
Remove Retained Functions now identified	2,488
4% Reduction in Budget	2,731
Add Miscellaneous Costs	3
Total Adjusted (included in DOE report)	65,997

6.3.2 Registration of Houses of Multiple Occupation

HMOs costs and income have been updated based on the following assumptions:

- Income and expenditure included in the Due Diligence report was based on 2012/13 data. This report has been updated to reflect 2013/14 data;
- HMO staff numbers have increased from 37.10 to 38. Belfast based staff figures were based on the average staff in post in the year 2013/14 while regional staff were based on number at the year end, as an NIHE sub office was closed in Craigavon in circa September 2012;
- Internal service charges have been recalculated based on DFP notional cost assumptions (see section 4 above). The £41k included in the figures below does not include DFP notional costs. The May 2014 report was included £172k accommodation allocation, £8k Office expenses allocation and £118k service charges that have been excluded from the updated figures as they are deemed fixed costs;
- Deferred Income: Registration & Renewal fees are paid in advance for a 5 year period. Deferred income represents the unutilised cash balances re-apportioned over a 5 year period. The deferred income to transfer will be recalculated at point of transfer. As at 31 March 2014 deferred income was £1,263k.

Registration of HMOs	Due Diligence (May 14)	DOE (Aug 14)	Difference
	£k	£k	£k
Income	432	470	-38
Expenditure			
Operating Costs	220	41	-179
Staff Costs	876	753	-123
Internal Service Charges	118		-118
Total	782	324	-458

6.3.3 Housing Unfitness

While the amount to transfer to local government in relation to housing unfitness was estimated as £70k within the Due Diligence report, it was agreed at the time of drafting that the likely amount to transfer was £100k. Since drafting, NIHE has reviewed the costs associated with housing unfitness and re-estimated the amount to transfer as £80.5k. This is based on 1 FTE transferring. A summary of the reconciliation between the Due Diligence report and the DOE report of August 2014 is shown below.

	2012/13	2013/14
	£	£
Direct Costs		
Salaries	35,000	42,000
Est to cover stat charges etc	0	5,000
Other Costs - inspection charges	25,000	25,000
	60,000	72,000
Indirect costs -		
Overhead Allocation	10,000	8,500
Total	70,000	80,500
Amount to Transfer	100,000	81,000

Staff costs have been uplifted to be based on 2013/14 actual costs. £5k has been included to cover statutory charges and miscellaneous expenditure. Inspection charges have remained the same.

The accommodation costs have also been uplifted to reflect 2013/14 cost allocation (based on 20% of salary costs).

6.4 Review of Non-budgeting expenditure

Actual outturn figures have been used to estimate income and expenditure to transfer rather than budget. However, we have compared budget to expenditure as follows:

Urban Regeneration

The budget v outturn for Urban Regeneration (Appendix 5) shows that spend has been below budget for the past 2 years.

Registration of HMOs

There have been no additional monies received as a result of monitoring rounds in relation to Registration of HMOs. Budget v Spend for Registration of HMOs is shown in Appendix 5 for the past 3 years. This shows that Registration of HMOs tend to live within their budget for the year.

Housing Unfitness

Budgets for Housing Unfitness is not available for comparison to outturn as this is not a discrete business unit.

6.5 Findings & Conclusions

6.5.1 Findings

The overall costs to transfer to local government in relation to DSD services (i.e. Urban Regeneration, Lagan Weir, Registration of HMOs and Housing Unfitness) have reduced from £73,307k in May 2014 report to £66,402k in August 2014. This is largely due to the application of 4% anticipated budget cuts, the reduction of costs associated with Lagan Weir in year 1, re-calculation of notional costs and the removal of costs relating to functions that will no longer transfer.

Urban Regeneration

Notional costs have reduced by £1,361k per annum based on DFP calculations, as outlined above.

In the May 2014 report costs associated with Lagan Weir were front loaded with more spend in 2015/16 than subsequent years. DSD applied straight line approach and therefore in year 1 they show £2m less costs than was shown in the May 2014 report.

A number of functions will be retained within DSD, equating to £2.5m.

Budget cuts of 4% have been applied resulting in a reduction in costs to transfer of £2.7m.

Registration of HMOs

Costs in relation to registration of HMOs have fallen by £458k (59%). This is due costs being updated to reflect 2013/14 figures when a local HMO office had been closed thus reducing staff costs), as well as the recalculation of notional costs (included within operating costs and internal service charges). Accommodation allocation is the major change from the notional costs included in the May 2014 figures.

Deferred income will transfer. This is calculated based on Registration and Renewal fees split over the 5 year period allocated on a straight line basis starting on the day income is received. This has been estimated as £1.3m based on 2013/14 figures but will be transferred based on actual figures as at 31st March 2015.

Housing Unfitness

Housing unfitness costs were estimated as £70k in the May 2014 report but at the time DSD had anticipated that they would transfer approximately £100k. They have reviewed these costs and re-calculated them as £81k. The uplift from May 2014 to August 2014 was due to using 2013/14 figures.

6.5.2 Conclusions

There are a number of areas which would benefit from further discussion with central government, as follows:

- DSD is the only Department that has factored in Departmental cuts (4%) into the budgets to transfer.
- Consistency of approach in using 2012/13 or 2013/14 data should be discussed further;
- Treatment of costs associated with Lagan Weir in terms of the requirement to 'front load' costs in the first year; and
- Approach to treatment of anticipated budget costs to be discussed and agreed.

7 Department of Regional Development

7.1 Introduction

Responsibility for off street car parking is being transferred to the councils. This is currently under the Department of Regional Development. This service has a net surplus due to the fact that the income exceeds the costs.

Responsibility for the management of Donaghadee Harbour will also transfer from DRD to North Down and Ards Council.

Since the DOE report was produced in August 2014, DRD has updated the information and provided a further updated estimate of costs and income. A summary of each of these figures is shown below.

As shown, DRD is now reporting a net surplus of £6,054k rather than the £7,050 shown in the DOE Report of August 2014. A comparison of income and costs compared to those included in the Due Diligence report is shown below. Note that the DOE report excluded Donaghadee Harbour and therefore there are no costs to compare.

NB: A negative variance is shown where income has increased or costs have decreased.

	Deloitte (May'14)	DRD Adjusted (Sept '14)	Variance
Income			
Off Street Parking	- 8,427	- 8,748	- 321
PCNs	- 1,721	- 1,907	- 186
Total Income	- 10,148	- 10,655	- 507
Expenditure			
DSL Contract Costs	2,802	1,566	- 1,236
Spur Contract Costs	73	76	3
Staff Costs	482	559	77
Notional Costs	118	31	- 87
Sub-total	3,475	2,231	- 1,244
Car Park Maintenance Costs	304	129	- 175
Miscellaneous	211	57	- 154
MTA costs not assigned to specific car parks	-	108	108
Bad debt writeoffs	-	170	170
P&D replacements - 10 year life cycle	-	160	160
Resurfacing	-	150	150
Sub Total	515	773	258
Car Park Premises Costs	1,603	1,597	- 6
Total Expenditure	5,593	4,601	- 992
Total Surplus	- 4,555	- 6,054	- 1,499
Donaghadee Harbour	59		
Total	- 4,496	- 6,054	- 1,558

7.2 Changes in Assumptions

As above, in calculating the income and costs to transfer, a number of new assumptions were made within the DOE report. These are:

- Updated figures are largely based on 2013/14 income and costs compared to the 2012/13 figures used in the Due Diligence report of May 2014;
- Additional costs have been factored in to take account of bad debt write-offs, asset life-cycle replacement costs and the cost of car park resurfacing
- A number of additional Park & Ride facilities have been identified which will not transfer to local government, therefore any costs and income associated with these facilities have been removed from the figures;
- Income from Off Street Parking receipts have been uplifted by 5% to reflect a general upward trend in income of this type;
- PCN data used to allocate PCN income has been updated to 2013/14 figures;
- Contract costs have been inflated to reflect the terms of the current contract (5.5% for PRP and 2% per annum for two year up to 2015/16);
- Enforcement costs and cash collection costs are based on number of enforcement hours spent off street (as % of total). In the Due Diligence report of May 2014, this was allocated based on number of off street PCNs (as a % of the total);
- Payment on foot car parks have now been removed from the costs as these will not be transferred;
- Staff costs are now split based on number of PCNs rather than number of staff within the enforcement unit;
- Notional costs are included based on the DFP paper.

7.3 Reconciliation of Costs & Income

We have completed a full reconciliation of the income and costs included within the Due Diligence report and the updated DRD figures shown above. Explanations for the variances are included within this section.

7.3.1 Income

The following table shows the movements in income value from the Due Diligence report to the updated DRD figures for both Off Street Parking Income and PCN Income. There are a number of explanations for these movements, as set out below the table.

	Due Diligence (May'14)	DRD Adjusted (Aug '14)	Variance
Income			
Off Street Parking	8,427	8,748	321
PCNs	1,721	1,907	186
Total Income	10,148	10,655	507

Off Street Parking Receipts

Off Street Parking Income was estimated by in May 2104 using 2012/13 off street income figures which are included in the DRD Memorandum Trading Account (MTA). These figures have now been updated to reflect 2013/14 income figures from the MTA. In addition to this, DRD have identified that a proportion of the income included in the 2012/13 figures within the Due Diligence report related to Park & Ride facilities. This had not been identified at the time of drafting the Due Diligence report. Thus income has now been excluded from the income figure (equating to £437k).

DRD has also reviewed the trends in off street parking receipts and shown that there has been a general upward trend. They have projected that receipts will increase by 5% in 2014/15 and have uplifted the 2013/14 income figures by 5% to reflect projected 2014/15 income. 3 years of car parking income is included at Appendix 6 and shown below:

DRD were not able to provide income broken down by month to allow comparison to year to date income in 2014/15. When asked about current offers that may have resulted in a fall in income in 2014/15 (e.g. 5 hours for £1) they stated that this offer can be withdrawn at any time and therefore will not impact the ability of local government to generate income at the levels projected.

A summary of these changes is shown below:

Off Street Parking Reconciliation		£k
2012/13		8,427
Plus Uplift to 2013/14		342
Less Excluded Car Parks		437
Sub Total		8,332
% Uplift	5%	8,748

Penalty Charge Notice Income

DRD also realises income from PCNs. PCNs are recorded as either being on or off street. Total income was allocated based on this split of number of PCNs. Income included in the updated DOE report is based on 2013/14 income split using 2013/14 data on number of PCNs. PCN income in 2013/14 increased due to an increase in volume but also due to an increase in the charge in July 2012 from £60 to £90 (or £30 to £45 for those paid within 14 days and from £90 to £135 for those not paid within 56 days). 2013/14 saw the full year effect of these increases.

A summary of the movement between the Due Diligence report and updated DOE figures is as follows:

Due Diligence Report (May 2014)		DOE Report (Aug 2014)	
Total PCN Income 2012/13	£5363k	Total PCN Income 2013/14	£5833k
Total PCNs	108,354	Total PCNs	110,059
Off Street PCNs	34,774	Total PCNs	35,980
Allocated as Off Street	1,721	Allocated to Off Street	1,907

7.3.2 Expenditure

Within this section we show the reconciliation of both direct costs and contract costs associated with car parking.

CONTRACT COSTS

The calculation of contract costs relating to off street parking has been updated using a number of assumptions, as set out within the sections below. A summary of the changes in expenditure estimates is shown in the following table.

	Due Diligence (May'14)	DRD Adjusted (Aug '14)	Variance
Expenditure			
DSL Contract Costs	2,802	1,566	- 1,236
Spur Contract Costs	73	76	3
Staff Costs	482	559	77
Notional Costs	118	31	- 87
Sub-total	3,475	2,231	- 1,244

It has been possible to breakdown the contract costs into a number of key elements to allow more accurate allocation to on and off street costs. Therefore, the updated DRD figures have been presented in an alternative format. We have split the costs as follows to allow comparisons to Due Diligence reported figures to be carried out. The reconciliation to the figures provided by DRD is shown below.

	NSL Contract	SPUR	Staff	Notional	Total
Enforcement	811				811
Processing	121	76	559	31	787
Cash Collection	223				223
Payment on Foot	410				410
Total Enforcement Costs	1,565	76	559	31	2,231

NSL Contract Costs

Due Diligence report used 2012/13 expenditure while the DOE report has updated these figures to reflect 2013/14 figures. In addition, the 2013/14 actual contract costs have been uplifted by a Performance Payment Percentage of 5.5% and also inflated by 2% per annum for 2 years to reflect the costs in 2015/16 as these increases were agreed within the contract.

This contract has been re-tendered since 2012/13 and thus the 2013/14 costs reflect savings that have been realised as a result of this re-tendering exercise. The current NSL contract came into place on 30th October 2012 and expires on 29th October 2016 with the option to extend for a further 6 years

DRD were not able to provide details of the key differences between the old contract and the new contract and stated that the previous contract has no bearing on the service that will be provided to councils through the SLA.

Enforcement Costs

Within the Due Diligence report enforcement costs were allocated based on number of on and off street PCNs. It was noted at the time of drafting that DRD would consider a more appropriate method of allocation. The updated figures are allocated based on number of enforcement hours spent on off street parking as a proportion of total enforcement hours. Location of enforcements is recorded electronically by the enforcement officers and therefore the amount of time spent on off street enforcement and on street enforcement is available. This has been used to allocate the total cost of enforcement between on and off street.

Number of Hours	
Total Hours	282,256
Off Street Hrs	26,097
Less Park & Ride	- 825
Adjusted Off Street Hrs	25,272

This change in allocation method has resulted in a reduction from approximately 30% of costs allocated to off street to 10% used within these updated figures. This would suggest that much less time is spent in enforcement per PCN off street than on street.

The calculation of enforcement costs allocated to off street parking is shown overleaf.

Enforcement Costs Calculations

	Total Costs (On & Off Street) 2013/14 (£)	Uplifted by 5.5%	2% inflator on contract	Off St. Costs Pro Rated based on no. of hours
Total TA Costs	3,906,107	4,120,943	4,287,429	383,878
Overheads	925,091	975,971	1,015,400	90,915
Total	4,831,198	5,096,914	5,302,830	474,793
Planted Area				42,777
Cleaning				121,653
Mechanical Sweep				161,299
P&D Maintenance				10,064
Total Enforcement Costs				810,586

TA = Traffic Attendant

Processing Costs

The cost of processing enforcements has also been reviewed within the DOE updated figures. Within the Due Diligence report these were based on 2012/13 actual costs and allocated between on and off street parking based on number of PCNs. Updated costs are based on 2013/14 uplifted by 5.5% as above and for inflation to 2015/16 of 2% per annum. The costs continue to be allocated based on number of off street PCNs as a proportion of the total PCNs.

A summary of the calculation of processing costs is shown below

Processing (includes contract costs and Staff Costs)				
	2013/14	Uplifted	2% inflator on contract	Pro Rated based on PCNs
PCN Costs within Contract	268,287	283,043	294,478	96,270
Spur Costs	230,841	230,841	230,841	75,466
Legal Fees	34,461	34,461	34,461	11,266
Credit Card Transactions	30,254	30,254	30,254	9,891
Contract Consumer Service	4,305	4,305	4,305	1,408
Staff & GAE Costs PEU Staff	1,708,593	1,708,593	1,708,593	558,566
Notional Costs per DFP	95,333	95,333	95,333	31,166
Security Costs	9,111	9,111	9,111	2,978
	2,381,186	2,395,942	2,407,377	787,009

Cash Collection

Cash collection element of the contract has been allocated based on the number of cash collection visits relating to off street parking x the price per visit (based on total cost/ total visits). Within the Due Diligence report this would have been allocated based on number of off street PCNs.

Payment on Foot

These costs relate to 4 car parks which currently have kiosks. It was possible to separate man hours that relate to manned car parks and therefore these costs were removed from the cost allocation approach to enforcement charges above. These costs were not identified separately within the costs used in the Due Diligence report and therefore were included within these figures.

Staff Costs

Within the Due Diligence report staff costs were based on 2012/13 total staff costs pro-rated based on 15 staff responsible for off street parking of a total of 52 staff within the Parking Enforcement Unit. The updated figures are based on 2013/14 costs split based on number of on and off street PCNs. This has resulted in an allocation of 33% of costs transferred compared to 29% of costs transferred within the Due Diligence report.

Notional Costs

The treatment of notional costs is discussed in more detail within section 4. Notional costs specific to Car Parking are considered within this section.

The Due Diligence report used total notional costs incurred in 2012/13 allocated based on number of staff in the PEU working on off street parking. Notional costs have now been calculated by DFP. This results in a reduction from £7,885 per staff member (per Due Diligence report) to £1,942 per DFP.

No internal notional costs are included in the updated DRD figures. Within the Due Diligence report internal audit and ASB support were included. DRD have stated that they no longer incur these costs as they related to costs charged to Roads Service Agency. It would be reasonable to assume that planning services transferred will require internal audit but also that this is unlikely to require additional staff within individual councils and could be subsumed into existing internal audit delivery.

Note that the notional costs included in the DRD figures do not include the £117 per head capita allowance for IT upgrade which is included in the DFP estimate.

DIRECT COSTS

Direct costs include Rent & Rates and Maintenance & Other. We have used the Memorandum Trading Accounts to reconcile the costs included within the updated DOE report. DOE have updated the figures used in the Due Diligence report for a number of factors, as follows:

- DRD figures are based on 2013/14 spend while the May 2014 Due Diligence report was based on 2012/13;
- While a proportion of maintenance costs had been identified in relation to park & ride facilities that would not transfer at the time of the Due Diligence report, a detailed review of park & ride spend has been carried out. As a result, additional premises (and associated costs) have been identified. These have been removed from the DOE updated 13/14 cost figures;
- At the time of the Due Diligence report, there were a number of costs included within the Memorandum Trading Accounts which had not been allocated to a specific car park and that DOE had committed to reviewing to understand whether they were costs that would transfer or remain within DOE. On review it was found that these costs related to costs such as litter picking, cleaning and sweeping within car parks that would transfer. As a result, these costs have now been included in the costs to be transferred to local government. They amounted to £108k in 2013/14.

	Deloitte (May'14)	DRD Adjusted (Aug '14)	Variance
Maintenance & Other			
Car Park Maintenance Costs	304	129	- 175
Miscellaneous	211	57	- 154
MTA costs not assigned to specific car parks	-	108	108
Bad debt writeoffs	-	170	170
P&D replacements - 10 year life cycle	-	160	160
Resurfacing	-	150	150
Sub Total	515	773	258
Car Park Premises Costs (Rent & Rates)	1,603	1,597	- 6
Total	2,118	2,370	252

Note: DOE advised that maintenance costs are included in the un-allocated MTA costs, and therefore the reduction in maintenance costs is £67k rather than the £175k shown above.

It has been difficult to isolate and identify budget and spend associated with maintenance. The levels included above appear to be low in relation to the number of car parks that need to be maintained. Local due diligence is underway to ascertain the state of repair of local car parks.

There are no costs included for electronic car park availability signs as these will remain under the control of Transport NI.

There are no costs included for changing signage on car parks from DRD to local council name.

The DRD has confirmed that councils will be allocated £170k in total in relation to bad debt. This is based on an average of the last 3 years apportioned based on PCNs. The amount of bad debt written off in the last three financial years has varied significantly: the DRD has advised that this is due to the timing of their internal procedures for the writing off the debt.

The DRD has stated that capital budget will be provided of £160k per annum for the replacement of Pay & Display machines and a further £150k per year to cover car park resurfacing based on a five year average cost as included above.

7.4 Review of Non-budgeted expenditure

DRD have stated that there are no additional monies received for car parking through monitoring rounds.

Actual spend figures are being used to calculate the transfer value for Councils because DRD has witnessed a historic budget shortfall in car parks. Historically they have diverted budget from other spending areas during the year to make the car parks budget cover the actual spend.

The expenditure versus budgeted figures for the last three years is shown in Appendix 4. This shows that Car Parking spends over its budget year on year. As a result, DRD have based their estimates on the outturn figures (i.e. actual spend) as opposed to budgeted spend.

7.5 Findings & Conclusions

7.5.1 Findings

Car Parking results in a net surplus. This surplus has increased from £4,555k in May 2014 report to £6,240k in August 2014. This is due to an increase in projected income and a reduction in projected costs.

Income

Income has increased due to using 2013/14 figures, but also due to the fact that DRD have applied a 5% uplift to projected 2014/15 off street parking receipt income levels. PCN income has increased slightly due to using 2013/14 figures when a full year impact of the PCN rate increase was realised. The historic trend in increasing receipts was reviewed, however year to date data compared to same period in previous year was not available. It is therefore not possible to conclude as to whether the forecast 5% increase in income is reasonable in this context.

Expenditure

Total projected expenditure has fallen from £5,593k in May 2014 report to £4,415k in August 2014. This was largely due to a renegotiation of the enforcement contract, re-allocation of costs to transfer based on number of enforcement hours (split by on and off street), the recalculation of notional costs and exclusion of payment on foot kiosks (which will not transfer).

The current state of repair of car parks transferring is an area of concern for Local Government. Many Councils are now undertaking due diligence in their respective areas to estimate any future maintenance liabilities. One Council (North Down & Ards) estimates that in order to bring their car parks up to a sufficient standard will cost approximately £457k, with most of the costs coming in the first 2 years following transfer. Many other Councils are finding similar problems with their car parking sites. It will be important therefore that Local Government makes the case to the DRD for additional (potentially one-off) funding to ensure all assets transferring are fit for purpose, backed up by data that demonstrates that some of the assets are currently in a poor state of repair.

7.5.2 Conclusions

There are a number of areas which would benefit from further discussion with central government, as follows:

- The level of maintenance budget to transfer taking into account the current condition of the car parks;
- Clarity on the service to be provided by the new enforcement contract;
- Treatment of income in relation to retail units within car parks to be agreed with DFP (not currently included in figures);
- Confirmation of costs associated with Donaghadee Harbour.

8 Other Specific Issues

8.1 Deferred Income

As set out with the sections above, an amount of deferred income will transfer to local government on 1st April 2015 in relation to Planning Applications and Registration and Renewal fees in relation to HMOs.

Planning Application deferred income is calculated based on a 5 stage approach that has been in place for many years while Registration and Renewal fees are on a straight line basis from date of payment to end of fee period (5 years).

The approach to calculating deferred income in both cases appears to be reasonable. In both cases this has been the approach taken historically and is audited as part of the year end accounting process.

8.2 Treatment of Reserves

The level of reserves set by each council is based on an evaluation of the adequacy of reserves by the chief financial officer. This is informed, in part, by the advice in DOE LGPD Circular LG20/09 'that Councils should plan, as a minimum, to have a District Fund Balance equating to some 5% to 7.5% of the net operating expenditure for the year or just less than one month's net expenditure.

As the levels of spend increased within local councils there is a concern that this level of reserves will not be reached. If spend across all of local government is increased by £81m as suggested in the RTOB paper of August 2014, additional reserves of between £4m and £6m would be required across all 11 Councils. A number of Local Government representatives have made the point that the Local Government Auditor (LGA) comments upon the level of reserves and have concerns that the for particular Councils that the level of reserves may be insufficient.

We recommend that Local Government discusses and agrees how this issue is to be addressed.

8.3 Conclusion on Rates Neutral Principle

In general, the approach to estimation of costs to be incurred has been to make a best estimate of the spend incurred by central government in delivering these services to date. As outlined above, the general approach to estimating the costs that will be incurred by Local Government in the delivery of the services in future appears to be reasonable and based on the best knowledge available to Central Government. While there are a number of areas where further discussion would be beneficial (e.g. notional costs), if Local Government considers the costs allocated by Central Government to be insufficient, further work would be required to assess the cost impact from a 'bottom up' basis.

The issue with DFP notional costs demonstrates that whilst the principle of rates neutrality is simple in its intent, in practice the principle is much more complex and is reflective of the way in which services are currently delivered and the different service delivery models in place within Local Government. In practice therefore, the approach taken i.e. estimating the costs of services currently delivered within Central Government provides the best estimate of rates neutrality.

Appendix 1
DOE Corporate Overhead Allocation

DOE Corporate Overheads

Background

The Department of the Environment's planning functions sits within the remit of the Planning and Local Government Group (PLGG). PLGG is responsible for the delivery of operational planning functions, the development and delivery of planning policy and legislation, the reform of the local government and planning systems, and local government policy.

The planning functions that this group delivers operate from a HQ building in Belfast and from 8 local Area Planning Offices across Northern Ireland.

The Local Planning Division is unique in DOE in that all business areas have a fully equipped administration team.

These teams perform a number of activities which in other parts of DOE are performed by Corporate Service Team such as the processing of financial transactions and a number of HR activities. The administration staff will transfer to the councils.

While the actual structure of the administration teams may change slightly as actual staff are placed into posts, the table below provides details of the general structure of the administration team that will transfer to each council. These teams will perform many of the duties currently performed by Corporate Services Teams on behalf of other parts of DOE. DOE will cover the full cost of these staff, including pensions and employer's NIC. The anticipated average cost of each administration team will be in the region of £320k.

DOE Corporate Overheads

DOE corporate overheads include the cost various central DOE Teams such as the Accounts Preparation and Financial Systems Team & HR Team. In previous years the cost of each of these teams has been simply divided by six and this figure simply allocated to each of the six divisions within DOE. It is recognised that this is method of allocation will not identify the value of notional charges to Central Government which will become a hard charge to a council upon transfer.

DOE Finance

The DOE Finance & Business Planning Team consists of the following main areas; Accounts Preparation Team, Financial Systems Team, DOE Contracts Team, a Finance Business Partner Team and the Private Office.

Financial Systems & Contract Procurement Team

The primary function of the Financial Systems Team is to process financial transactions and to ensure that these are actioned in accordance with DOE policies in a timely manner. The Financial systems team provides this service to all of DOE except DVA who operate their own system. A number of business areas within DOE have their own internal administration team that have the authority to process their own financial transactions.

Within each local planning office sits an administration team which processes the financial transactions on behalf of that office. Over 80% of the costs incurred by Local and Strategic Planning relate to salaries which are not invoice driven. Given these two factors the volume of work performed by the Central DOE Financial Systems Team on behalf of Local and Strategic Planning is limited.

Of the 157 open Purchase Orders in the financial system as at 17th December 2013, 52 related to Planning. Of the 52, only 2 had been processed by the central Financial Systems Team and 50 by the Local Planning staff. The total cost of the Financial Systems Team in 2012-13 was in the region of £570k, of which over 98% of which related to salaries. With the inclusion of activities such as the training of Planning Staff in transactional processing and the processing of group utility bills it is estimated that 2.5% of the time of the Financial Systems Team is taken up with Planning related activities.

The second function performed by this team is Contract Procurement. The DOE Contracts Team provides a service to the whole department including DVA. The central DOE Contracts Team co-ordinates all procurement over £5,000. All procurement below £5,000 is performed by the Planning administration staff that will transfer to the councils. Again the work of this team is not focused upon the Planning Group. Of the 90 live contracts as at 19th December 2013, six related to the Planning and Local Government Group. Three of the contracts were to procure consultants to give advice on matters which will most likely be deemed 'regionally significant' and will remain in DOE post RPA. The total cost of this team during 2012-13 was in the region of £150k. It is estimate that around 3% of the work of this team relates to Local Planning.

Business Partner Team:

The Finance Business Partner is the link between the Planning and Local Government Group (PLGG) and Corporate Finance. The key functions performed by the business partner team include the production of monthly management accounts, budgeting, risk management and governance support to PLGG management. PLGG consists of four divisions; Local Planning, Strategic Planning, Local Government Division & Planning Policy Division. In addition to this a large amount of the activities of this team are taken

up with preparing for the transfer of planning functions to Local Government. The total cost of this team during 2012-13 was £190k, of which 98% was salary related. For the basis of this paper 40% of the total costs of this team will be allocated to each of the 4 divisions and 60% of the work of this team allocated to reform program duties. Each division within the group consumes an equal amount of the time. Given this, 10% of the cost of this team, name the element relating to Local Planning will be allocated to the councils.

Accounts Preparation Team

The primary function of this team is to prepare the financial statements. Planning Administration staff support the work of this team by identifying accruals, prepayments etc. It is not envisaged that the council's Accounts Preparation team will suffer any additional expenditure as a result of each council receiving an additional 30 planners. Given this no monies have been allocated to the councils to cover the costs of account preparation.

	Total Cost	To Councils	Notes
DOE			
Financial Systems Team	£570k	£14.25k	
Contract Procurement Team	£150k	£4.5K	
Business Partner Team	£190K	£19K	
TOTAL	£910k	£37.75k	

DOE Retained HR

As with Finance function, the HR function within DOE is based upon a business partner model. The Planning and Local Government Group (PLGG) HR Business Partner is the link between the PLGG group and Corporate HR. The work of this team can be broken into three discreet areas; managing the day to day HR issues of the group, managing and reporting at Group Level, preparing for RPA.

The management of the day to day HR issues of the group such as filling vacant posts, monitoring sick absence and providing HR advice to staff accounts for around 25% of the work performed by the HR Business Partner Team. Staff transferring to the councils

account for around 70% of the total staff within the PLGG group therefore 70% of this element (25%) of costs should transfer to the councils.

Around 55% of the work performed by this team relates to RPA activities such as co-ordinating the Staff Preference Scheme, organising and attending staff seminars, working with councils, staff, unions and other stakeholders etc. As the councils will not be performing this work there is no requirement to fund them for these activities.

The balance of the work of the business partner's work includes the building and maintaining of reporting systems for example reporting to management on group performance against DOE/DFP targets, producing monthly group HR reports and attending monthly management meetings and feeding into corporate documents.

The total cost of this team during 2012-13 was £390k, of which 92% was salary related.

	Total Cost DOE	To Councils	Notes
RPA Related Work	£195.0k	£ -	RPA related work – this work will not be taken on by councils.
General Reporting	£97.5k	£24k	Once quarter of total costs (there are four division in group)
Local Government Personal Issues	£97.5k	£68.25K	70% of total costs to reflect share of Local Planning Staff.
Total	£390k	£92.25k	

DOE ICT COSTS

Agreement is required as to whether the maintenance of the Planning Portal (which DOE will maintain) should be provided by the department free of charge or whether budget should transfer to the councils to procure this service from DOE. Both options would result in a rates neutral transfer.

Information Managements Branch

As with Finance function, the HR function within DOE is based upon a business partner model. The cost of the PLGG Business Partner Team is around £80k per year. This Team supports four divisions, therefore 25% of the costs of this team will be allocated to the councils, namely the Local Planning element.

Information Management Branch also performs a number of central duties for example maintaining the DOE filing contract and managing the day to day operations of the Trim filing system. As these are not costs the councils will face therefore no allocation to the councils has been made.

	Total Cost DOE	To Councils	Notes
Business Partner	£80k	£20k	
Team			

CAL Training

In addition to the specialised training planners receive the NICS has contracts to supply a supply courses which are more general in nature, such as Training on Microsoft Word or Basic Excel.

During 2013-14 over 400 Planning staff attended CAL organised course at a total notional cost of £32,190. Based upon the percentage of staff staying in DOE and the percentage transferring to the councils £30k has been allocated to Local Government.

Equality Unit, Carbon Reduction, Statistics, Graphics Unit, Health & Safety

A number of notional charges currently 'charged' to the Planning & Local Government Group would not result in a hard charge to the councils, therefore no monies will transfer to the councils to fund these DOE activities.

Internal Audit

No funding has been allocated to cover Internal Audit costs. DOE will still maintain an audit type role over the planning system. DOE intent to increase the number of staff employed in auditing roles following reform in order to support the councils.

Planning Appeals Commission

DOE will continue to be charged for the work of the Planning Appeals Commission post reform. As this will not result in a hard charge to the councils funds will not transfer.

Miscellaneous Other Charges

It is recognised that the councils may face a number of small charges in relation to other miscellaneous charges, given this the department has allocated £88k to cover these costs.

Total Funding For Corporate Overheads Transferring To Councils

	£'000
Finance	70
HR & Organisational Change	92
Information Management	20
ICT	-
CAL	30
Equality Unit, Carbon Reduction etc.	-
Miscellaneous Other Charges	88
	300

Appendix 2
DOE Planning Income 2014/15

	2012-13	2013-14	2014-15
APR	832,538	1,154,781	1,095,651
MAY	1,074,248	1,023,224	1,250,359
JUN	1,008,184	1,095,393	1,091,495
JUL	922,845	1,014,724	1,099,868
AUG	1,085,058	979,731	990,229
SEP	980,593	830,518	1,117,803
OCT	1,063,387	1,301,422	
NOV	1,120,553	1,315,176	
DEC	1,000,018	1,128,373	
JAN	878,422	870,116	
FEB	1,009,305	1,010,146	
MAR	1,131,049	1,040,054	
	£ 12,106,200	£ 12,763,658	£ 6,645,405
6 mths to Sept	5,903,466	6,098,371	6,645,405
% of Total	49%	48%	
Projected to YE			13,766,702

Appendix 3

Development Plans

Rationale behind proposed Development Plan funding.

Background

A Development Plan sets out the policy framework and land use proposals that will be used to guide development decisions within a council area over a 15 year period. In 2015 responsibility for the production of Local Development Plans (LDPs) will transfer to local councils. In addition to this a number of changes to the content of LDPs and the process for their review and update will also come into effect.

Changes in the Development Planning Process

As part of the RPA process development plans were reviewed and it was felt that in order to keep the plans relevant, particularly as they approach their notional end date, annual monitoring is necessary with a larger 'full review' taking place every five years. Changes to the content of the plan were also required. These changes will have an impact upon the overall cost of LDPs.

The following changes are likely to impact upon costs:

- **Timetable** – minimal additional costs will be incurred through preparation and review of the timetable throughout the LDP preparation process. Additional staff and associated support costs provided to councils will be sufficient to fund these costs.
- **Statement of Community Involvement** – some additional costs will be incurred through preparation and consultation (where considered necessary). Additional staff and associated support costs provided to councils will be sufficient to fund these costs.
- **Sustainability Appraisals (SA)** – SA process will incur additional costs (staff resources and likely financial costs should councils procure consultancies for SA) due to the wider remit of SA compared to Strategic Environmental Assessment. Requirement for SA and plan processes to be undertaken in parallel from the initial stages to adoption.
- **Monitoring and Review** – It is proposed to review the plan every 5 years. . Councils will be required to prepare annual monitoring reports which feed into the 5 year reviews. Additional staff and associated support costs provided to councils will be sufficient to fund these costs. Funding for publishing costs has also been provided.
- **Shorter Plan Preparation Timescale** – substantial cost savings will be incurred through a shorter plan preparation timescale of 3/4yrs compared to 7+yrs for the current development plan process.

Development Plan Team Transferring To Councils

The notional life of a LDP is 15 years, with reviews taking place on a periodic basis. It is recognised that peaks and troughs in expenditure will occur during the 15 year period however the **£5m** funding being provided to each council over the life of a plan will ensure that all costs the councils will incur will be fully funded over the life of the plan.

Expenditure	Total Funding Per Development Plan Cycle
Salaries	£4,605k
Consultancy	£150k
Printing / Other	£245k
Total	£5m

In order to ensure that the councils are suitably resourced to produce LDPs the Department will fund a full Development Plan Team within each council cluster. Details of the staff complement transferring to each council are set out below.

Total Staff Complement	Grade Of Staff	Total Funding Per Year	Total Funding Over 15 Years
25%	Grade 6	17k	£255k
1	PPTO	65k	£975k
2	SPTO	90k	£1,350k
2	HPTO	75k	£1,125k
2	PTO	60k	£900k
	Total	£307k	£4,605k

Consultants

There are two main areas where it was recognised that consultants may be required;

- Retail Assessment
- Sustainability Appraisal

In calculating the consultant costs the councils will face, DOE have based figures upon those incurred by the Department in the development of the recent Single Planning Policy Statement

(SPPS) and also on historical costs for development plans. In addition to the full assessments the department has also provided funding to cover the cost of smaller consultancy contracts to take place as part of the review process.

SPPS Consultants

Topic	Total Cost
Retail Assessment	£90k
Sustainability Assessment	£60k
Total	£150k

The department would like to highlight the potential for savings on consultancy expenditure should the councils engage in collective procurement.

Printing

The main documents that are required to be published during the life of a LDP are;

1. Preferred Options Paper
2. Draft Plan Strategy
3. Adopted Plan Strategy
4. Draft Local Policies Plan
5. Adopted Local Policies Plan

Review of Publishing Requirements 2013

In 2013 the Department as part of its normal budgetary control process carried out a review of its cost base and one area that came under review was publishing costs. Publishing costs have traditionally been a significant cost for the Department, for example the draft BMAP published in 2004 cost over £200k to publish. The cost review indicated that with the development of the internet and other technological advances the number of hard copies of the development plans published should be greatly reduced. Whilst it is not laid down in the Development Plan Regulations that hard copies of the Plans must be produced, the Department considers that, in

order to ensure full public access a number of hard copies of the Plan should be produced therefore some publication expenditure will continue to occur.

The Department also looked at using technology to improved the service the Department delivers and to reduce costs. It was decided that making the Plan available on DVD would greatly reduce the number of hard copies that would be required.

Following this review the final BMAP was recently agreed for printing at £60k.

Cost To The Councils

It is anticipated that since the BMAP covered the size of three new council areas the actual costs that the councils will suffer if they follow the publishing programme created by DOE will be significantly lower than £60k. Based upon this the following printing costs has been estimated.

	£
Preferred Options Paper	20,000
Draft Plan and Strategy	40,000
Final Paper and Strategy	40,000
Misc. Other Documents	20,000
Other	40,000
Total	160,000

The amount that is proposed to transfer to Councils is £245k over the life of the council's Plan which is considerably higher than the £160k cost of printing it is expected that the councils will face. The department recognises that each council is unique and faces individual challenges. Given this, the department has provided each council with an additional £85k over the life of a plan. This additional funding provides Councils with a reserve of £85k should they wish to increase the size of the print run or should they wish to employ additional consultants.

Appendix 4

Budget v Actual Spend for Car Parking

		2010/11 Opening Budget £000	2010/11 Outturn £000	2011/12 Outturn £000	2012/13 Outturn £000	2013/14 Opening Budget £000	2013/14 Outturn £000
Receipts	Note						
Off Street	1	7,318	7,570	8,010	8,427	8,818	8,769
On Street	2	2,500	3,107	3,353	3,340	3,000	3,275
Penalty Charge Notice	3	4,100	4,492	4,627	5,363	6,600	5,833
Total Revenue		13,918	15,168	15,990	17,129	18,418	17,877
PCN contract costs	4		6,792	7,253	6,721		4,909
Car Park contract costs	5		2,724	2,971	2,742		1,971
Car Park Premises Costs	6		1,303	1,408	1,603		1,595
Miscellaneous	7		239	260	273		301
Subtotal		8,680	11,059	11,892	11,338	5,378	8,776
Car Park Maintenance Costs	8	329	306	382	225	0	312
DPE GAE & Salaries	9	1,502	1,597	1,609	1,669	1,773	1,709
PCN Bad Debt Provision	10	1,000	957	773	857	1,000	1,198
Total Direct Costs		11,511	13,919	14,656	14,089	8,151	11,995

Appendix 5

Budget v Actual Spend for DSD

1. Urban Regeneration
2. Registration of HMOs
3. Housing Unfitness

Urban Regeneration

Cat No	CED Desc	2011-12		2012-13		2013-14	
		Budget	Outturn	Budget	Outturn	Budget	Outturn
	Total NR Capital	6,200	7,193	6,000	8,562	8,000	8,438
	Total NR Resource	21,000	18,993	21,000	19,627	21,000	20,461
	Total PD Capital	20,000	11,102	25,000	20,819	25,000	22,718
	Total PD Resource	12,291	9,342	16,436	7,580	13,800	6,788
	Total GVB	7,146	7,146	7,140	7,140	7,879	7,879
	Total Admin	5,808	5,027	5,849	5,158	5,938	5,472
Grand Total		72,445	58,803	81,425	68,886	81,617	71,756

HMO Transfers											
3 Year Analysis											
				2013/14		2012/13		2011/12			
				Actual	Budget	Actual	Budget	Actual	Budget		Notes
				£	£	£	£	£	£		
Income - Registrations				-460,621	-465,000	-404,160	-260,000	-252,664	-470,000		3,4
Expenditure											
Direct											
	Payroll			1,100,905	1,325,000	1,234,560	1,296,000	1,350,773	1,228,500		
	Travel & Subsistence			55,251	53,500	53,035	70,000	67,214	35,000		
	Other direct inc maint			1,147	0	423	0	1,568	0		
				<u>1,157,303</u>	<u>1,378,500</u>	<u>1,288,018</u>	<u>1,366,000</u>	<u>1,419,555</u>	<u>1,263,500</u>		
Indirect											
	Accommodation			238,594	0	241,969	0	193,451	0		1,2
	Training			3,468	0	3,842	0	4,429	0		1,2
	Office Expenses			17,574	0	11,217	0	8,937	0		1,2
	Service Charges			166,046	0	166,046	0	167,303	0		1,2
				<u>425,682</u>	<u>0</u>	<u>423,074</u>	<u>0</u>	<u>374,120</u>	<u>0</u>		
Notes											
1) Indirect overhead allocations lifted from Mgt Accounts hierarchy - which ceased in Sept 2013 (6 months). Consequently 13/14 estimates are based on allocations for months (1-6) * 2.											
2) Budgets are not held against allocated indirect costs - instead they are monitored at source											
3) Payments to Councils for Wardens scheme contributions are netted off income registrations. These amount to: (2013/14 - £10,400; 2012/13 - £18,337; 2011/12 - £185,500)											
4) Income accounting was revised in 2012/13 from cash based accounting to accruals based											

Housing Unfitness

To be provided

Appendix 6

3 Year Car Parking Income

3 year trend in Car Parking Income

	2013-14	Mvt y/y	2012-13	Mvt y/y	2011-12
ANTRIM AND NEWTOWNABBEY	- 246,049	-2%	- 252,098	9%	- 231,091
ARMAGH BANBRIDGE AND CRAIGAVON	- 694,210	5%	- 660,115	13%	- 584,505
BELFAST	- 1,638,604	30%	- 1,264,634	6%	- 1,198,464
CAUSEWAY COAST AND GLENS	- 830,637	2%	- 811,153	12%	- 725,561
DERRY AND STRABANE	- 816,523	8%	- 759,072	12%	- 675,363
FERMANAGH AND OMAGH	- 789,120	-3%	- 811,618	5%	- 771,538
LISBURN AND CASTLEREAGH	- 672,914	-3%	- 696,329	0%	- 699,505
MID AND EAST ANTRIM	- 1,078,728	-5%	- 1,131,034	1%	- 1,116,874
MID ULSTER	- 340,920	3%	- 331,296	5%	- 315,098
NEWRY MOURNE AND DOWN	- 437,943	-3%	- 450,533	-3%	- 465,162
NORTH DOWN AND ARDS	- 786,540	0%	- 787,711	-1%	- 797,763
(blank)					
Grand Total	- 8,332,188	5%	- 7,955,595	5%	- 7,580,924

