

A Guide to the LDC Resource Allocation Model

The Resource Allocation Model for Local Development Companies (LDC-RAM) has been jointly developed by Pobal and Trutz Haase – Social & Economic Consultant. It aims at providing a ready tool for the spatial analysis of existing resource allocations to local development companies, as well as providing a tool for deriving target allocations based on stated objectives and criteria. The LDC-RAM does not make decisions, these are made by relevant policy makers and personnel within the Department of the Environment, Community and Local Government (DECLG), but it provides a tool to facilitate such a process in a rational, objective and transparent manner.

The following paragraphs highlight the key features of the LDC-RAM.

□ Overview

1. There are three factors which lie at the heart of a rational resource allocation for LDCs:
 - i. the relative size of the target population,
 - ii. its demographic profile (e.g. concentration of population groups with greater needs)
 - iii. the relative affluence or deprivation of the population

2. In Ireland, a robust measure for social disadvantage is provided by the Pobal HP Deprivation Index

□ The Pobal HP Deprivation Index

The Pobal HP Deprivation Index is constructed using a Confirmatory Factor Analysis which combines three underlying dimensions to achieve a balanced measure of relative affluence and deprivation which evenly applies across the urban-rural continuum. The three dimensions are measured using ten indicators from the Census of Population as shown in Table 1:

Table 1: The Dimensions and Measurement of the Pobal HP Deprivation Index

Latent Concept (Dimension)	Measurement Variables from the Census of Population
Social Class	Education, occupation and density of living
Labour Market Growth/Decline	Male and female unemployment rate, lone parent rate and proportion of population in semi- and unskilled occupations
Demographic Growth/Decline	Population change, age dependency rate and education

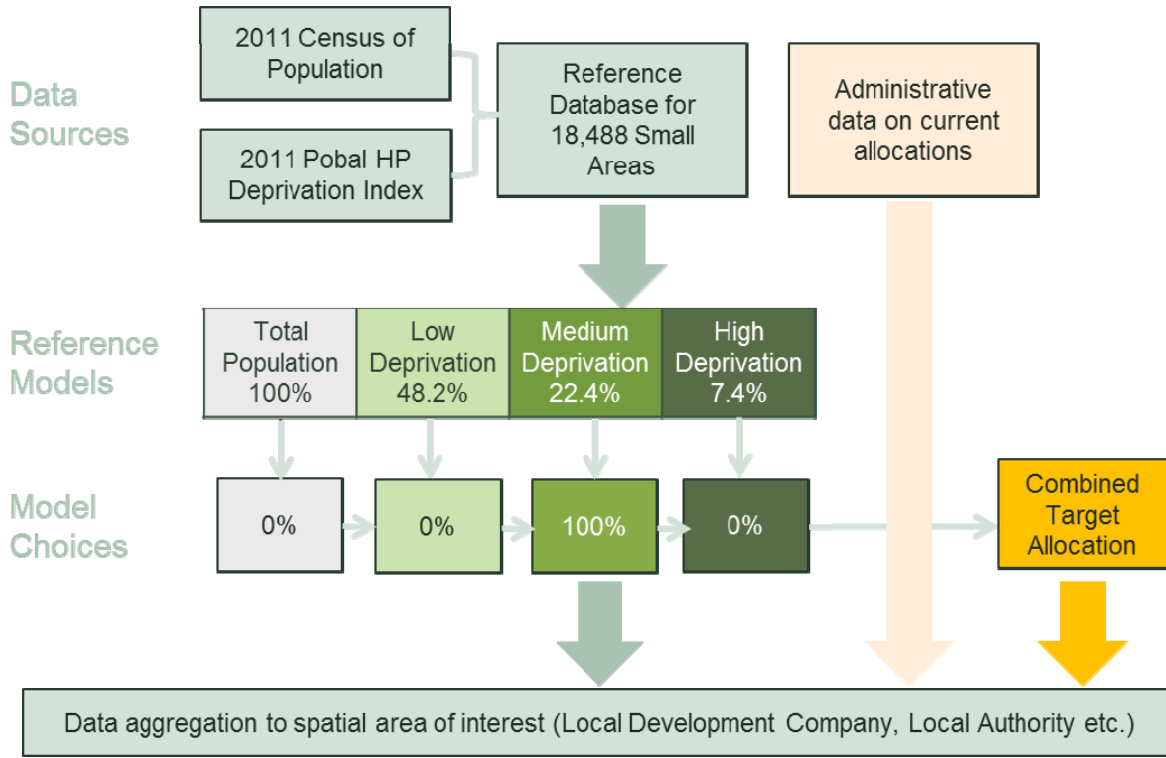
□ The LDC Resource Allocation Model

Figure 1 overleaf shows a graphic representation of the LDC Resource Allocation Model.

1. The population basis is taken from the 2011 Census of Population and the 2011 Pobal HP Deprivation Index. This gives us a reference database for 18,488 Small Areas, the lowest spatial unit at which census data is being made available, and an average of just under 100 households per area.

2. Four population models are postulated, which estimate the number of “poor” people in each SA below various levels of deprivation.

Figure 1: Overall Construction of the Resource Allocation Model



3. The next step is to decide on an appropriate model choice. If resources were to be distributed purely in line with the population shares (i.e. not accounting for differential needs) the resulting resource allocation should entirely be based on the Total Population model. However, if the resource allocation is to acknowledge that poorer people experience greater needs, a combination of the four models should be applied. The steeper the social gradient, the more should the model be geared towards the higher deprivation model.
4. The LDC-RAM presented here is based on the past practice that the entire allocation ought to be distributed on the Medium Deprivation model alone; i.e. roughly targeting the bottom fifth of the most disadvantaged population.
5. It should be noted that the choice of model is a normative judgement which ultimately needs to be made by the relevant policy makers and key personnel. However, the process stipulates a clear reference to the underlying assumptions and thus links the chosen model to a set of objectives and criteria which are then operationalised within the Resource Allocation Model. The choice of the Medium Deprivation model reflects the extent of the original designation of the Partnership areas, before the catchment areas were broadened to include the whole country. But it is still understood that, broadly speaking, about 80 per cent of the Local Development Companies' work would concentrate on the roughly 20 per cent most disadvantaged areas.
6. The final piece of information used is the 2012 distribution of resources i.e. the 2012 allocations awarded to each LDC and the total budget amount available for LDCs in 2013. This information is provided by Pobal and the Department.
7. Having established the basic information, the data can then be aggregated to the functional areas. In its present form, presentations are provided for the Local Development Companies (using their current boundaries) and Local Authority Areas, but any other geography could easily be added to the system.

□ Some Cautionary Remarks on the 2013 Allocations

In its current form, the 2013 LDC-RAM only considers the distribution of resources directly allocated under the LCDP. Besides the significant reduction in the overall size of the programme budget by about 9% per cent, even greater reduction may occur to individual LDCs, where previous budget allocations were significantly deviating from their underlying share of the population/deprivation model. Historical allocations have indeed widely varied from such distribution, as many LDCs are also receiving funds under other programmes, notably LEADER, the LES and the CDP.

The CDP is now fully integrated into the LDC budgeting process, but LEADER and LES have so far remained outside. As LEADER funding has increased over the past years, and the LCDP budget has seen repeated reductions, the funding base for LDCs under LCDP is increasingly becoming skewed. Attempts to develop an integrated funding model were made in previous years, but have so far not resulted in agreement. It is the consultant belief that a more adequate distribution of resources based on the relative deprivation of the population residing in each LDC can only be achieved if such broader funding model was to be implemented in the future.

With respect to the 2013 funding round, the Department for the Environment, Community and Local Government (DECLG) has expressed its wish to make only minimum adjustments to the relative allocation of the previous year. In practise, this has meant that each LDC would see a reduction between 7 and 11 per cent based on the underlying adjustments that would need to be made to implement the LDC-RAM in full. Table 2 sets out the ranges that have been applied:

Table 2: Ranges of Budget Deductions to be applied

Adjustment if LDC-RAM was to be implemented in full	Actual Adjustment
-100 to -50	-11
-50 to -20	-11
-20 to -10	-9
-10 to 0	-9
0 to 10	-7
10 to 20	-7
20 to 50	-7
50 to 100	-7

The banded adjustments mean:

If an LDC currently receives significantly more (> 20 %) than its “justified share” under a rational deprivation-weighted Resource Allocation Model, its budget will be reduced by 11 per cent.

If an LDC currently receives slightly more (0 to 20 %) than its “justified share” under a rational deprivation-weighted Resource Allocation Model, its budget will be reduced by 9 per cent.

If an LDC currently receives less than its “justified share” under a rational deprivation-weighted Resource Allocation Model, its budget will be reduced by 7 per cent.

Overall, the thus implemented budget reduction amounts to just under 9 per cent. At the same time, there has been a slight “protection” of those LDC which are currently most strongly underfunded under a rational Resource Allocation Model.

□ **Summary**

1. The 2013 LDC-RAM attempts to strike a difficult balance between a fairer and more transparent Resource Allocation Model and the partially extreme deviance of such allocations on account of historical processes. If such rational system was to be introduced in full and with immediate effect, it would lead to unforeseen disturbances in the LDC infrastructure, which the present allocation aims at minimising.
2. The LDC Resource Allocation Model applied to 2013 LCDP Funding uses the Medium Deprivation Model which captures the 22.4 per cent most deprived population in the country.
3. The population share deemed disadvantaged within each LDC is calculated by applying the 2011 Pobal HP Deprivation Index to the respective population figures from the 2011 Census of Population.
4. Instead of applying a single reduction across the board, each LDC's actual share of the overall LCDP funding is partially adjusted to take account of its share of the overall allocation if the LDC-RAM was to be implemented in full.
5. For example, an LDC that is currently significantly overfunded relative to the share of the overall funding it would receive if the RAM was to be implemented in full (i.e. it would receive a reduction in funding of >20%, if RAM was implemented in full), has received a budget reduction of 11% in 2013. This allows the most underfunded LDC to be faced by a slightly smaller reduction of 7%.
6. Please note that allocations are made on the basis of data returned in the Census and interpreted in the Pobal HP Index and not on the basis of annual performance recorded on the IRIS monitoring system.

A Powerpoint Presentation outlining the LDC-RAM can be downloaded at

<http://trutzhaase.eu/services/resource-allocation-models/>