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CLERK TO COMMITTEE FOR SOCIAL DEVELOPMENT

Mr John Simmons
Room 412
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19 September 2011

Dear *John*

UPDATES TO SOCIAL DEVELOPMENT COMMITTEE ON BUDGET ISSUES TO BE COVERED IN THE ORAL BRIEFING ON 22 SEPTEMBER 2011

1. The Committee has sought information on a range of issues pertaining, among other things, to the Department's budgets, via your letter to the Department's Assembly Liaison Officer (DALO) on 9 September 2011. The information requested is set out in the following paragraphs.

Impact of Savings Delivery Plans

2. Copies of the Department's 2011-12 to 2014-15 Savings Delivery Plan proformas were forwarded for the Committee's information in June. It should be noted that the Savings Delivery Plans only apply to running cost budgets. Capital budgets were set from a zero baseline, so there are no capital savings plans as such. The main impacts of the running cost savings in each of the key Business Areas can be summarised as follows:

Social Security –

- a. The introduction of major welfare reform changes will require adjustments to organisational structures and processes to achieve long-term business sustainability and will also mean changes to the ways in which staff work. All of this will have to be achieved within the constraints of the Budget 2010 settlements and the Agency's savings delivery plans reflect this.

Child Maintenance & Enforcement –

- b. The introduction of a new child maintenance scheme will be the Division's key challenge over the next 2-3 years. Whilst this will inevitably bring operational challenges and difficulties, the Division expects to be able to deliver its main programme (including any savings required) without impacting on staff numbers, at least in the short to medium term.

Housing –

- c. Within the Housing Executive there has been an ongoing programme of service modernisation and rationalisation. This will entail staff reductions of up to 500 staff in which will be managed through natural wastage as opposed to redundancies over the Budget 2010 period. Indirect staff costs saving will be realised through reductions to General Running Costs. Reducing operational changes to IT, fewer advertising / marketing initiatives and stock surveys will also contribute to the necessary savings.

Core Business Area –

- d. The two main directorates within the Core Department are Human Resources Division and Financial Management Directorate, which, together, account for over 75% of the overall Core budget. In protecting funding for frontline services, steps are being taken to achieve ongoing reductions in administration expenditure in these areas. Cost areas being targeted for savings are cessation of secondments (where the Department remains responsible for costs); and reductions in overtime, hospitality costs, consultancy costs, support for further education, conference fees, travel costs and car parking costs. In addition, the impact of the introduction of Account NI and HR Connect is being considered in terms of retained finance and personnel functions.

Urban Regeneration/Community Development –

- e. Maintaining frontline urban regeneration and community development services will continue to be a challenge. However, by targeting savings at non-frontline service areas such as administration, consultancy etc., the investment in frontline services has been protected. Further information on Neighbourhood Renewal and Community Development funding is provided at paragraphs 6 -10 below.

Summary –

- f. The above paragraphs outline the key impacts of the current savings delivery plans for respective Business Areas. Any cost reductions will be achieved through efficiency and business process improvement reviews, natural wastage, non-filling of posts and general administrative cost savings, where possible and appropriate, as protecting frontline services is a key priority. The department is on target to meet efficiency savings for this year 2011-12.

Social Protection & Social Investment Fund proposals

- 3. Following recent meetings, OFMDFM requested information and submissions at the end of August to progress the development of proposals for the Social Protection Fund. The request was in line with the Executive's commitment to deliver additional social protection funding in light of the financial downturn and the potential impact of welfare reform, with particular emphasis on cross-Departmental interventions to address child poverty.
- 4. We have already submitted a tentative proposal based around helping households in poverty/child poverty with energy costs. The proposal is predicated on identifying, from statistical sources, households deemed to be experiencing child poverty and helping these with a £150 energy credit. These proposals are very much at draft stage and will require further analysis and development, but indicative estimates suggest 40 - 50,000 households could be targeted, incurring costs of around £7.5m (excluding admin costs as yet undetermined).
- 5. The Department is also currently developing potential Neighbourhood Renewal proposals in relation to the Social Protection & Investment Funds. We await definitive guidance from OFMDFM on the arrangements and key criteria for these funds. Any proposals put forward

will be to complement and augment existing Neighbourhood Renewal spend. We are also looking to address areas of need which are not a primary focus of Neighbourhood Renewal, either in geographical or thematic terms.

Neighbourhood Renewal

6. Following the oral briefing in June, the levels of Neighbourhood Renewal funding over the next four years were confirmed as follows:

| | Resource Budget £m | Capital Budget £m |
|----------------|---------------------------|--------------------------|
| 2011-12 | 20.00 | 6.20 |
| 2012-13 | 20.00 | 6.00 |
| 2013-14 | 20.00 | 8.00 |
| 2014-15 | 20.00 | 8.00 |

Funding for Neighbourhood Renewal has been safeguarded and maintained at levels similar to previous years – in fact the above figures reflect an increase on last year’s expenditure, which was approximately £17.8m and £3.5m in resource and capital respectively.

7. For those groups receiving revenue funding, including via the Neighbourhood Renewal Investment Fund, a new funding approach was introduced in April 2011. This new approach seeks to maximise the impact of available resources by reducing overheads and duplication. Where projects were working well, producing results and providing value for money they were offered funding for up to 4 years from April 2011.
8. Where improvements could be made, such as reducing overheads, sharing back office services or working in collaboration with other groups, there have been transitional contracts awarded for a period of up to one year from 1 April 2011. Departmental Officials and Neighbourhood Partnerships have been working with these organisations that received the one year contacts to look at ways of effecting efficiencies, to work more creatively and cooperatively and to look critically at changing ways of working to maximise the impact of the available resources.

Community Development Reductions

9. The Department has previously sought to prioritize frontline delivery services and to restrict cuts in Advice Service budgets. There have been detailed discussions in the Department on future arrangements for the regional infrastructure programme and for the support of other policy areas, such as volunteering and advice services. In keeping with the views expressed during consultation, the arrangements which will take effect from next April will see very significant change to current support arrangements with a clear emphasis on rationalisation and the ending of current contracts to be replaced with more targeted support arrangements.

10. In a speech to the NI Council for Voluntary Action, Minister McCausland recently announced a planned 25% reduction in funding to infrastructure support organizations providing services to the voluntary and community sector at regional level. This decision, while securing the required budget savings, also enables funding to be largely maintained across key community development programmes and essential front line services up until March 2015. Broadly similar approaches will be used to support what are described as thematic work – volunteering, regional advice services, support for women in disadvantaged areas and the faith sector although the detail is yet to be finalised.

DSD Resource Account

11. The Committee has asked for information on the Departmental Resource Accounts for the year-ended 31 March 2011. A submission giving further detail on the qualifications on the Accounts and the various actions taken by the relevant Business Areas has been provided under separate cover.

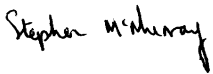
October Monitoring Round

12. The final response to the Department of Finance & Personnel regarding October monitoring round proposals is due on 4 October. Business Areas have not yet completed final considerations, thus an update cannot be provided until shortly before the 22 September meeting, to allow for the most up-to-date information to be provided.

Conclusion

13. Whilst acknowledging that, at this stage, some of the detail provided can only be provisional /indicative, I trust the above provides the Committee with most of the information required.
14. As requested in your commissioning letter, I should advise that Heather Cousins (DSD Deputy Secretary, Resources, Housing & Social Security Group) and myself (Director of Financial Management) will be presenting on the 22nd.

Yours sincerely



STEPHEN MCMURRAY

SDC Briefing on 22 September 2011 – Synopsis of Departmental Budget issues

- ***Savings delivery plan impact***

The challenge to DSD Business Areas will be to continue to deliver our main programmes within the constraints of the Budget 2010 settlement. Whilst the outcome of the settlement has not been as severe as originally feared, the Department will still face funding difficulties if it is to successfully deliver the main welfare reform programme changes.

On the capital side, and like all other Departments, we will have to make best use of limited capital funds in prioritising and delivering on the main Housing & Urban Regeneration capital programmes.

- ***Social Protection & Social Investment Funding***

The Department has responded to OFMDFM requests for preliminary funding proposals on both these Executive-supported schemes.

- ***Neighbourhood Renewal & Community Development programmes***

Details of the levels of Neighbourhood Renewal funding over the next 4 years have been provided, as well as information on the planned reductions in community development support funding.

- ***2010-11 Resource Accounts***

A separate submission/response on the Resource Account qualifications has been provided.

- ***October monitoring round***

Since the final deadline for the return to Finance & Personnel is 4 October, an oral update on the developing position will be given on the 22nd.