

## Briefing to Social Development Committee – 2 June 2011

### Spending Plans 2011-12 to 2014-15

Following the completion of the Budget 2010 review exercise earlier in the year, budgets for the 4 years 2011-12 to 2014-15 were identified. Whilst the budgets for years 2 to 4 of the period are (at this stage) indicative, that for 2011-12 has been confirmed, with Business Areas already working with the level of funding available. There is a further briefing on June 2011 monitoring round proposals, with a return due to Finance & Personnel on 2<sup>nd</sup> June.

The following tables (separated into current and capital expenditure) set out the Departmental budgets for 2011-12 to 2014-15, broken down across the 3 main spending areas of Social Security, Housing and Urban Regeneration/Community Development (**Objectives A – C**).

**Table 1: Current Expenditure Budgets**

|                                                                                           | 2011-12<br>£m | 2012-13<br>£m | 2013-14<br>£m | 2014-15<br>£m |
|-------------------------------------------------------------------------------------------|---------------|---------------|---------------|---------------|
| <b>Objective A</b>                                                                        |               |               |               |               |
| Social Security Administration (incl. Agency Services for Department for Work & Pensions) | 240.2         | 253.9         | 266.6         | 283.6         |
| Child Maintenance & Enforcement Division                                                  | 19.3          | 19.4          | 19.5          | 19.1          |
| <b>Total Objective A</b>                                                                  | <b>259.5</b>  | <b>273.3</b>  | <b>286.1</b>  | <b>302.7</b>  |
| <b>Objective B</b>                                                                        |               |               |               |               |
| NI Housing Executive                                                                      | 187.6         | 190.2         | 191.3         | 166.0         |
| Housing Associations (loan interest repayments)                                           | - 1.0         | - 0.8         | - 0.7         | - 0.6         |
| <b>Total Objective B</b>                                                                  | <b>186.6</b>  | <b>189.4</b>  | <b>190.6</b>  | <b>165.5</b>  |
| <b>Objective C</b>                                                                        |               |               |               |               |
| Urban Regeneration/Community Development (incl. EU Peace Programme Match Funding)         | 59.3          | 62.8          | 60.7          | 55.2          |
| <b>Total Objective C</b>                                                                  | <b>59.3</b>   | <b>62.8</b>   | <b>60.7</b>   | <b>55.2</b>   |
| <b>Total Current</b>                                                                      | <b>505.4</b>  | <b>525.5</b>  | <b>537.4</b>  | <b>523.4</b>  |

**Table 2: Capital Expenditure Budgets**

|                                                                                  | 2011-12<br>£m | 2012-13<br>£m | 2013-14<br>£m | 2014-15<br>£m |
|----------------------------------------------------------------------------------|---------------|---------------|---------------|---------------|
| <b>Objective A</b>                                                               |               |               |               |               |
| Social Security Administration                                                   | 3.3           | 2.7           | 1.0           | 1.0           |
| Child Maintenance & Enforcement Division                                         | -             | -             | -             | -             |
| <b>Total Objective A</b>                                                         | <b>3.3</b>    | <b>2.7</b>    | <b>1.0</b>    | <b>1.0</b>    |
| <b>Objective B</b>                                                               |               |               |               |               |
| NI Housing Executive (incl. Housing Division) spend                              | 74.6          | 60.4          | 49.4          | 52.9          |
| NI Housing Executive (incl. Housing Division) receipts                           | - 98.9        | - 93.3        | - 88.0        | - 83.1        |
| Housing Associations spend                                                       | 157.6         | 124.8         | 115.6         | 123.1         |
| Housing Associations receipts                                                    | - 3.2         | - 3.1         | - 3.0         | - 2.9         |
| <b>Total Objective B</b>                                                         | <b>130.1</b>  | <b>88.8</b>   | <b>74.0</b>   | <b>90.0</b>   |
| <b>Objective C</b>                                                               |               |               |               |               |
| Urban Regeneration/Community Development (incl EU Peace programme Match Funding) | 28.2          | 35.6          | 29.5          | 29.3          |
| <b>Total Objective C</b>                                                         | <b>28.2</b>   | <b>35.6</b>   | <b>29.5</b>   | <b>29.3</b>   |
| <b>Total Capital</b>                                                             | <b>161.6</b>  | <b>127.1</b>  | <b>104.6</b>  | <b>120.3</b>  |

**Departmental budget 2011-12**

In addition to the above amounts, it should be noted that the Department has been allocated an Annually Managed Expenditure budget of £5,248million (£5,236 million for Social Security Benefit Expenditure and Financial Assistance Scheme; and £12 million for Urban Regeneration Non-Cash Costs).

The following table compares the total 2010-11 provisional outturn figures for current and capital costs, with the budgets now outlined for 2011-12.

**Table 3 : Budget comparisons, 2010-11 outturn against 2011-12 budget**

|                        | <b>Current<br/>£m</b> | <b>Capital<br/>£m</b> | <b>Total<br/>£m</b> |
|------------------------|-----------------------|-----------------------|---------------------|
| <b>2010-11 Spend</b>   | 556                   | 177                   | 733                 |
| <b>2011-12 budget</b>  | 505                   | 162                   | 667                 |
| <b>Difference (£m)</b> | - 51                  | - 15                  | - 66                |
| <b>Difference (%)</b>  | - 9%                  | - 9%                  | - 9%                |

***NB. All figures rounded to the nearest whole number.***

Given the budget reductions indicated, all areas of the Department are faced with a number of significant financial challenges as summarized in the following paragraphs.

### **Budget 2010 Challenges**

#### **Housing Business Area**

***Housing*** – maintaining adequate levels of capital investment in the main schemes of social housing, decent homes and renovation grants - particularly in light of the continuing trend of reduced capital receipts, is likely to be problematic. In addition, the requirement for additional funding for planned reviews of the Housing Executive and Housing Associations, as well as the obligatory landlord registration system will place considerable pressure on the Housing resource budget.

#### ***Social Security Business Area***

***Social Security Agency*** – sustaining business as usual and delivering an extensive programme of welfare reform and modernisation will be the Agency's focus over the next 4 - 5 years. This will include Incapacity Benefit reassessment, reform of Disability Living

Allowance, Social Fund and the introduction of Universal Credit. The Agency will progress modernisation projects which will ensure organisational structures and processes provide a platform for sustainable business delivery. Universal Credit, which is the most significant change to the welfare system for 50 years, will impact a range of working age services provided by NI and UK departments. The Agency will continue to develop its understanding of the financial implications and the potential pressures which could result.

***Child Maintenance & Enforcement*** - introducing a new child maintenance scheme will be the Division's key challenge, meaning that, for a time, it will be operating 3 different schemes. This will inevitably entail operational difficulties and additional running costs, for which there is currently no financial cover. It is anticipated that staff numbers may be affected by year 4 (2014-15) of the Budget period.

***Core Department*** – completing the transfer of Appeals functions to the Department of Justice is the biggest issue for the Core, not least because of the associated budget transfers and anticipated pressures arising from the upcoming benefit changes. The additional policy and legislative costs associated with various welfare reform changes are also an issue.

### **Urban Regeneration/Community Development Business Area**

***Urban Group*** – maintaining frontline urban regeneration and community development services following the applied efficiency savings will be a challenge; and, as for housing, balancing the requirement for continued capital spending against the uncertainty of the level of capital receipts will be extremely difficult.