



Northern Ireland
Assembly

**COMMITTEE FOR
SOCIAL DEVELOPMENT**

**OFFICIAL REPORT
(Hansard)**

**2011-12 Spending Plans and June
Monitoring Round**

2 June 2011

NORTHERN IRELAND ASSEMBLY

**COMMITTEE FOR
SOCIAL DEVELOPMENT**

2011-12 Spending Plans and June Monitoring Round

2 June 2011

Members present for all or part of the proceedings:

Mr Alex Maskey (Chairperson)
Ms Mickey Brady (Deputy Chairperson)
Mr Gregory Campbell
Mrs Judith Cochrane
Mr Michael Copeland
Mr Sammy Douglas
Mr Mark H Durkan
Mr Alex Easton
Mrs Pam Lewis
Mr Fra McCann
Mr David McClarty

Witnesses:

Ms Heather Cousins) Department for Social Development
Mr Stephen McMurray)

The Chairperson:

I invite Heather and Stephen to make their presentation.

Ms Heather Cousins (Department for Social Development):

Thank you, Chair. Good morning. This is the first time that I have briefed the Social Development Committee on finance matters, so I apologise if I use accounting or finance jargon. I will try to explain things in plain English as far as possible.

Our paper sets out the four-year financial settlement. We have split it into current expenditure and capital expenditure. The overall picture is that the financial settlement represents a challenge for the Department for Social Development (DSD), particularly as regards capital expenditure.

The paper includes a table that compares last year's spend with this year's budget position. You can see that, when pay increases are taken into account, the current budget will reduce by 12% in real terms. So, that is 12% in real terms, 7% in years two and three, and 10% in year four. The reduction is significant, and it is a challenge for the Department. On the capital side, the reductions are much more severe, with a 12% fall this year and subsequent reductions of 28%, 41% and 32% in the following three years. Therefore, there is no doubt that the capital challenge is the most significant challenge for the Department.

How do we intend to address those challenges? We have a savings delivery plan and, through a combination of further efficiency savings, reducing capital spend programmes and leveraging in other sources of finance, we have plans in place to allow us to remain within that budget. However, we will also seek subsequent additional funding via the monitoring rounds, and you have been given a paper today that outlines what we are looking for in the June monitoring round. The extent to which those bids will be successful remains to be seen.

I will look at individual items in the budget. With housing, for example, the particular challenges involve adequate funding for the social housing newbuild programme, expenditure on the decent homes programme for Housing Executive stock, and renovation grants for the private sector. We have to try to balance those needs with the money available. In addition, on the revenue side, the planned reviews of the Housing Executive and housing associations do not currently have funding, so we will need to see what we can do to fund those necessary reviews.

With regard to social security, the significant changes to the welfare system present major challenges, particularly the introduction of universal credit and the reforms planned for disability living allowance, pensions and the social fund. There was discussion in the previous session about breathing space from the Treasury and room for manoeuvre, and that will be a significant challenge for the Department financially, given that the Treasury is trying to tighten control over

the benefit spend. The breathing space and room for manoeuvre may be less than we think. That is something that we need to keep an eye on.

We have the introduction of yet another new scheme for child maintenance. At some stage, the child maintenance and enforcement division will be running three different systems, which will bring operating difficulties and budget pressures. There are both current and capital reductions for urban regeneration and community development, and maintaining front line services will be a priority.

That was a quick run-through of the Department's spending plans and the issues for us over the next few years. I am happy to take any questions on spending plans before we move on to the June monitoring bids.

The Chairperson:

Did I hear you say that you had a savings delivery plan? I do not think that members have a copy of that.

Mr Stephen McMurray (Department for Social Development):

We have a savings delivery plan that contains a lot of detail. I am happy to forward those details, which give a breakdown of each business area and each type of savings plan.

The Chairperson:

Thank you.

Mr F McCann:

I have a couple of points. You referred to further efficiency savings. Have you any idea what they will entail or what impact they will have?

Ms Cousins:

The detail is in the savings delivery plan. However, the important bottom line in the way that we are looking at efficiencies at the moment is that there are no job losses in the savings delivery plan. Efficiencies can be contained within the staffing levels that we have at the moment.

Mr F McCann:

As regards the draft Budget and the final Budget, I noticed a reference to jobs going in administration and other aspects of the Housing Executive. There were rumours that that could involve as many as a quarter of the Housing Executive staff — up to 500. Is that still the case?

Ms Cousins:

The Housing Executive has its own efficiency plan, which is separate to the Department's efficiency plan. It is likely that there would have been reductions in staffing anyway simply because of the discontinuation of some of the Housing Executive's functions. For example, if the Housing Executive is no longer involved in building work, it no longer needs a contingent of staff involved in design, such as architects. That change has been happening over a number of years. If there are significant grants teams in district offices but we do not have the same level of funding for private sector grants, that area will need to be looked at, too. Therefore, there will be ongoing exercises to look at some of the functions and whether they are still required. The first port of call is redeployment as opposed to reductions in staff numbers. That needs to be worked through, but I do not think that the numbers are definite at the moment. What happens with the review of the Housing Executive and the proposals in the autumn will also have an impact on future numbers.

Mr Easton:

Is funding for neighbourhood renewal and small pockets of deprivation being protected, or will there be reductions in it?

Mr McMurray:

I do not know the exact details, but I can get them for you. The budget is sitting at roughly £20 million a year for each of the four years. The figure is down on what it was this year, but I do not think that the decrease is as big as it was for other urban regeneration areas. It was one area that was particularly protected.

Mr Easton:

Can you get me the details on that?

Mr McMurray:

Yes.

The Chairperson:

The social investment fund is an Office of the First Minister and deputy First Minister (OFMDFM) initiative, and budgetary responsibility for the fund lies with it, but my understanding of the fund is that it is very much about trying to bind the work of other Departments together in a strategic way. I have heard informally that various Departments, including DSD, have said that they will have to wait and see where the social investment fund goes. I have heard that more informally than formally from people in the Department. If that is the Department's thinking, my view is that that is not the correct approach for the Department to take, because the social investment fund is meant to be overarching and strategic. Does the Department have any thoughts on that? Maybe it is too early to say.

Ms Cousins:

I think that it possibly is too early. It is not something that we have factored into any of our budgetary figures, so we are assuming that it is separate for the time being.

The Chairperson:

That is helpful. Thank you.

Mr Douglas:

I think that a comprehensive development unit purchased two to three dozen sites in east Belfast. I know that the market is depressed, but are there any plans to sell off some of those sites or buildings that the Department owns?

Ms Cousins:

The budget assumes a certain amount of receipts in order to fund programmes. Unfortunately, the current information is that that amount of receipts might not be realised in the current depressed market. We will have to keep an eye on that throughout the year.

Mr McMurray:

On the housing side, the figure is £20 million a year for each year, and on the urban regeneration side, it is £7 million a year. Staff are already saying that there is a real threat that they will not get that this year. The implications are quite bad because, if we do not get it, the overall amount that we can spend will be affected.

Ms Cousins:

The second part of the paper was on the June monitoring round. We have bid for some money from the central pot. We have looked very carefully at the pressures that the various business areas within the Department have reported to us so far. One of the bids that we have put forward following discussions with business areas and the Minister is a bid for funding for a mortgage rescue scheme. We feel that a mortgage rescue scheme would be appropriate, particularly in light of the increasing number of repossessions and mortgage interest drop-off. We have done an economic appraisal for the scheme, which is with the Department of Finance and Personnel. Some of the criticisms of the GB scheme in a National Audit Office paper have already been built in to our economic appraisal scheme. We have taken account of those issues. As I have said, the economic appraisal is with the Department of Finance and Personnel, and we have put in a bid for that.

We have bid for our share of the Barnett consequentials of the first-time buyer initiative, as the Chancellor gave money in the last Budget to help first-time buyers. We have also put in a small bid for a green new deal pilot. There is a lot of support for the concept of the green new deal, and the pilot will test the concept before we bid for further money.

On the administration side, we have put in a bid for the appeals service, based on the fact that there will be more appeals arising from the incapacity benefit reassessment. There is a backlog at the moment, and there will be more appeals. In addition, there are some surrenders from within the Department for non-cash-related items. Those cannot be used to fund other programmes, and there are technical accounting issues involved, so I will not go into the detail of that.

We have set the bids out for you in the paper, and we are happy to take any questions.

The Chairperson:

Have you any idea how many people may be affected if you are successful in the bid for the first-time buyer initiative?

Ms Cousins:

It is difficult to say. We would have to develop some new schemes to show how we would use the money. It would differ from how they intend to do it in GB, where the legislation is different. We will have to look at either extending the co-ownership scheme, possibly, or having different providers of a similar co-ownership-type scheme.

The Chairperson:

Thank you for that.

Mr Brady:

May I ask about a point of information? What does “unhypothesized consequentials” mean? That is a new phrase for me, I must say.

Mr Copeland:

It is the opposite of what they did with water rates, is it not?

Ms Cousins:

Basically, it means that, although the Northern Ireland block grant gets its share of money, that money is not ring-fenced for a particular initiative. Therefore, it is up to the Executive to decide what they want to do with it. They do not have to put it towards the first-time buyer scheme. They could use it for anything.

Mr Brady:

Those are two new words for me: Anglocentric and unhypothesized.

The Chairperson:

We will get them written phonetically for you.

Mrs Cochrane:

Is it just the appeals process for the disability living allowance (DLA) that is transferring to the Department of Justice? You are looking for more money because there has been an increase in the number of appeals, and you spoke about the cost of setting up the necessary panels. In your efficiency reviews, are there plans to look at the appeals process as it stands? My experience of appeals has been that a number of panels are set up, you turn up to the appeal only to find that the panel has not received the papers on time and then the hearing is cancelled. An awful lot of money seems to be wasted on that. Will you look at the details of that?

Ms Cousins:

I will pass that on to Stephen, as the appeals service is his responsibility.

Mr McMurray:

You are right about the efficiency of the appeals process. There are a number of issues with it, including the number of adjournments that happen at very short notice. That is all being looked at as a part of a wider review of the appeals process.

You asked about what is transferring to the Department of Justice. At the moment, the appeals are being run through a service level agreement between this Department and the Department of Justice. The intention is to transfer all the appeals across to the Department of Justice by the end of the year.

Mr F McCann:

The Committee has been very supportive of past bids for a mortgage rescue scheme. If the bid is successful, will we be able to see how it would work in practice?

Ms Cousins:

Yes, if the bid is successful and we roll out a mortgage rescue scheme, we will give the Committee a full briefing on how it would work. We have already designed the scheme.

Mr F McCann:

That is the point that I was making. In and around the design of the scheme, there was a lot of

confusion about how it would roll out. I hope that the Committee will have some say in offering advice and giving information on how it can be rolled out better. Mickey has just reminded me that appeals are already running behind by about eight weeks.

Mr Brady:

There has been a big backlog recently, which started to kick in in the middle of May. People have been told that their appeals will possibly not be heard until the middle or end of August.

Mr McMurray:

I do not know how widespread that is.

Mr Brady:

There are logistical reasons for delay — reasons to do with chairpersons and people going on holiday — but the backlog seems to be about more than that.

Mr McMurray:

If the bid is not successful, we have a plan B in place to look at that internally. We realise that it is important.

The Chairperson:

A considerable reduction to the Housing Executive budget is being proposed. In response to a question from Fra McCann, you said that efficiency savings could be delivered without job losses. Given that there are no bids in this round, are you satisfied that, notwithstanding the reduction in the Housing Executive's budget, front line services will not be affected?

Ms Cousins:

For most of the Housing Executive's own budgets, the amount in the budget is greater than the amount for last year. There is a reduction in the loan charges that the Housing Executive has to repay, so that has led to a reduction in the budget.

The Chairperson:

OK, that is very helpful.

Mr Douglas:

Can you give a bit more information on the green new deal? It strikes me that £600,000 is not a huge amount of money. We talked about two pilot schemes. In our party manifesto, we supported the green new deal, so some information on that would be very helpful.

Ms Cousins:

We can give the Committee a fuller briefing on the green new deal. I am not familiar with all the details of it. It has been estimated that £600,000 is the amount that is needed, first, to prepare an economic appraisal — we have to go through due process — and, secondly, to carry out a pilot. That figure takes into account how long it will take to do the economic appraisal and get everything set up and what, realistically, you could spend in this financial year. It is considered that £600,000 will be sufficient to run a pilot to test the concept, and we will then be able to bid against the £12 million that has been put into the budget for subsequent years.

Mr Campbell:

Chairman, I want clarification on a point that you raised about the Housing Executive. Do the changes to the loan charges mean that the net effect is that the Housing Executive will have additional resources or no reduction?

Ms Cousins:

No, it does not mean additional resources. The loan charge money is given to us and then paid out, so it has a neutral effect. For example, last year, loan charges were £154 million and, this year, they are £138 million. They do not impact on what the Housing Executive can spend on its own programmes.

Mr Campbell:

There is no effect.

The Chairperson:

There are no further questions or points from members. I thank Heather and Stephen for their time and their responses to the questions.