



Northern Ireland
Assembly

Committee for Social Development

OFFICIAL REPORT (Hansard)

June Monitoring Round and 2012-13
Provisional Out-turn Report: DSD Briefing

30 May 2013

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Mr Alex Maskey (Chairperson)
Mr Mickey Brady (Deputy Chairperson)
Ms Paula Bradley
Ms Pam Brown
Mr Gregory Campbell
Mr Michael Copeland
Mr Mark Durkan
Mr Fra McCann

Witnesses:

Mr Damien Carragher	Department for Social Development
Mr Stephen McMurray	Department for Social Development

The Chairperson: I formally welcome Stephen McMurray and Damien Carragher to the meeting. I invite you to make your presentation and then we will open it up to members.

Mr Stephen McMurray (Department for Social Development): Good morning, Mr Chairman and Committee members. Thank you for the opportunity to discuss the Department for Social Development's (DSD) June 2013 monitoring round proposals. Damien Carragher is from the finance side of our housing division.

The Department's proposals are due to be with the Department of Finance and Personnel (DFP) by 6 June. A summary of those were passed to the Committee Clerk in my letter of Thursday 23 May. Hopefully, the Committee has found the briefing note helpful. As with any of these monitoring round processes, the figures can change right up to the finalisation of the submission to DFP. The proposals represent our latest estimates of our requirements. Details of the proposals are summarised in the table on page 2 of the letter. If members have a copy to hand, I will go over the key points.

The first point is our £15 million bid for co-ownership. That scheme remains the Department's main measure for supporting potential first-time buyers who are experiencing affordability problems and wish to purchase their own home but cannot afford to do so outright. Last year, the NI co-ownership scheme received in excess of 1,600 applications and delivered approximately 1,000 completions with a budget of £38 million. For 2013-14, the Department will provide it with funding of £25 million, and, with private finance, 700 affordable homes will be provided.

By the close of April 2013, the co-ownership scheme had received in excess of 537 applications, and it is on course to meet the target. A bid for the additional funding of £15 million, if met, would fund

approximately 300 additional properties, giving a total of approximately 1,000, which is similar to last year.

In respect of housing, we have an overall reduced requirement of £10 million, which is as a result of a Northern Ireland Housing Executive reduced deficit grant requirement. That easement relates primarily to reduced requirements in the Housing Executive's planned maintenance programmes. The Housing Executive has reported lower unit costs, resulting in significant efficiencies in its maintenance programmes, and delays in other maintenance procurements mean that not all the £164 million that has been set aside for various maintenance programmes will be required.

New procurement contracts for maintenance programmes are due to be awarded early in this financial year. However, because of the lead-in time for a new multidisciplinary consultancy framework to design and award a scheme, it is unlikely that any of this work will be started by new contractors before September 2013. Any challenges to the awarding of those contracts or slippage in the procurement process will delay the implementation of the contracts and could impact further on the maintenance budget.

The Social Security Agency is considering a range of issues and options that could affect funding requirements, including welfare reform changes and the impacts associated with the delaying of the Bill. At this stage, £3 million has been identified for surrender, which is based on the expected in-year easements, mainly due to slippage in the welfare reform programme and the modernisation programme, along with confirmation of IT costs from the Department for Work and Pensions. This surrender represents a small percentage of the agency's total overall allocation.

The Social Security Agency and the child maintenance service also have non-cash easements. Those stem from reduced requirements relating to depreciation and impairment issues. These non-cash amounts cannot be used for any other purpose and must, therefore, be surrendered.

In addition to the above, we will be applying for funding of £4 million under the boiler replacement scheme and approximately £7 million under the Get Britain Building initiative. Those were announced last year and will continue into this year.

That is a summary of the Department's proposals for June monitoring. Damien and I will be happy to take any questions.

The Chairperson: Thank you, Stephen.

Mr F McCann: I want to ask about the allocation of £15 million to the co-ownership scheme. There was talk a while ago that there was a £27 million underspend in the Housing Executive budget. At that stage, there was talk of £15 million being allocated. Is that same £15 million that we are talking about or is it an additional allocation?

Mr McMurray: That is an additional £15 million for this year, but it brings us into line with last year.

Mr F McCann: I understand what you are saying about the first-time buyers. However, 19,500 people declare themselves homeless every year, and there is huge housing need in a number of constituencies throughout the North. Why was moving that money to deal with the severe housing need in many areas not considered?

Mr McMurray: I will ask Damien to talk about that in a minute. The Housing Executive feels that the budget that it was allocated for newbuilds is enough to cover its current requirements. In fact, in some areas, it is struggling to spend the total budget that has been allocated.

Mr F McCann: This is where I get highly annoyed, Stephen. We are continually being pressed by people. The hostels are full of people. It would be atrocious if housing associations — I take it that is what you were saying — cannot take the extra money to build new houses. Is that what you are saying?

Mr McMurray: That is my understanding.

Mr F McCann: Can we get information about the housing associations in writing? I spoke to a number of housing association representatives who said that they have not been approached to take up the underspend. I would like a breakdown of the housing associations that have been approached.

If possible, I would also like to receive a geographical breakdown of where co-ownership houses are situated by constituency.

Mr Damien Carragher (Department for Social Development): Housing division wrote to all the housing associations through the Northern Ireland Federation of Housing Associations (NIFHA), which replied to us last week outlining what the housing associations would be willing to do with the current budget. However, there was no mention of them being able to extend beyond that and do more.

Mr F McCann: Were they asked to?

Mr Carragher: They were asked to, but they already referred to difficulties. The Housing Executive told the Department that it feels that there are difficulties with spending the current budget. It suggested giving back some of the money from that, but it was told that that was not acceptable and that it needed to make sure that it does as many houses as possible. Some of the concerns centred on housing association programmes that were scheduled for this year. It was felt that there were significant risks associated with the housing associations' ability to deliver on that programme.

Mr F McCann: We go back to the old issue, especially when people talk about social newbuilds, starts and completions. This is based on the social housing programme. In the past, the housing associations did paper starts while waiting for the finance coming through so that they could move things forward. I find it hard to believe that housing associations would say that they cannot take on the additional money to build when they are saying they are having problems with starts rather than completions. There is a reference to £7 million of additional moneys that went to three housing associations as loans, but no houses were built. It does not add up.

Mr McMurray: If housing associations were to come forward and say that there was a demand and they could use money in-year, they would be listened to without a doubt.

Mr Carragher: Absolutely. The Department would be very willing to listen to any bids from housing associations for more money, but we have not received any. As I said, concerns have been raised about the ability to spend even this year's money.

Mr F McCann: I take it that the co-ownership scheme is part of NIFHA? Was a direct approach made to the co-ownership people about the additional £15 million, over and above going to NIFHA? Were any direct approaches made to housing associations? Were they asked whether they could spend part or all of the additional £15 million?

Mr Carragher: The additional £15 million is a bid going in; it is not money that is available. We are asking the Finance Department to allocate us an additional £15 million. We are not moving money. The housing associations did not come forward and say, "Yes, please bid for more money because we can do over and above what we already have a budget for." Co-ownership submitted a bid to the Department saying that it needs more money to be able to satisfy the demand. It bid for £15 million, but the housing associations did not.

Mr McMurray: As I said, if they did in the future, we would listen to that.

Mr F McCann: I spoke to some housing associations who had said that they could take up whatever slack there is in available money for building accommodation. There are some difficulties. I would like a geographical breakdown of where those co-ownership houses are allocated, and I would like a copy of any correspondence that there was between the Department and NIFHA about the allocation of the £15 million.

There was another aspect of the investment that I have no real difficulty with, which is the boiler replacement scheme. It is a more focused allocation, but there are serious problems with it. This Committee has heard about the difficulties people have in trying to get changed from oil to gas because of the cost and because of some of the dangerous practices. Has splitting the money ever been considered? That would enable the scheme to be speeded up to ensure that people get

supplied with gas boilers and have oil boilers removed. It would be financially beneficial in the longer term and would make sense.

Mr Carragher: The boiler replacement scheme seems to be going well because of the demand. The Department and housing division are looking at a replacement for the warm homes scheme, the contract for which ends in the next year. They are also looking at a more holistic approach to do something similar to the affordable warmth programme where they are working with the councils to identify areas with particular fuel poverty needs in order to see whether they can implement a wider programme to help people.

Mr F McCann: I have to say, Damien, that I think the areas where that is required have already been identified. I know that the Housing Executive has a scheme whereby it is removing oil boilers and putting gas boilers in. It would have been just a matter of extending that. That focuses on people who would not have the finance to make that change themselves and are going without heat because they cannot afford it.

Mr Carragher: As far as the boiler replacement scheme is concerned, those people should be eligible to be able —

Mr F McCann: Even with the boiler replacement scheme, they have to find a substantial amount of money, and the people I am talking about do not have that.

The Chairperson: Before I bring other members in, I want to follow-up on a couple of points. I am not sure whether I heard this right earlier, Stephen, and I am not sure who should answer it. I do not care who answers it, but I need to have answers to it. Did you say that the Housing Executive is probably going to be in underspend again?

Mr McMurray: It indicated to us that, under the newbuild programme, it will be. At this early stage of the year, we were not prepared to accept that because it would involve giving up money.

The Chairperson: I appreciate that. My key point is that there clearly is a significant unmet need for housing. You are giving us monitoring round applications for money, which is demand-led under the warm homes scheme, co-ownership, and so on. Where is the demand not being led or why is no demand being led to meet the housing need? I find it absolutely unacceptable that we are being told that the Housing Executive is underspending in respect of newbuilds. Nobody seems to be making a demand for it. I find it totally and utterly unacceptable, and I am going to look for answers. That, to me, is just an abject failure and cannot be accepted. I have not had a difficulty with giving whatever additional money that we can for co-ownership, because that allows other people to get into the housing market and get a roof over their head, but a lot of people out there are under significant pressure and cannot get a home. We are getting briefing after briefing, and the Housing Executive came here saying that, when welfare reform proposals come into operation, they would not be able to meet the need. Why is it not trying to meet the need? I want to know where the logjam is and why the need is not being addressed. It is very concerning that we are getting this report at this point again. I am just putting that on the record. The Committee is going to demand answers urgently.

Mr McMurray: Back in November, our Minister held a meeting with housing associations and raised the very point that moneys needed to be spent.

The Chairperson: Neither the Housing Executive nor the Department can get off the hook on this issue because they are all responsible. I am just letting you know that we will be looking for answers. A number of other members want to speak.

Mr Durkan: Chair, I share your views and concerns and those that Fra expressed around the bid. Obviously, no one is against co-ownership, but the fact that the £15 million bid is coming in so soon after their allocation in recent monitoring rounds will raise a few questions. I am sorry if my figures are a bit out, but last year, there were 1,600 applications and about 1,000 completions. Yet, by the end of April this year, there were 500 applications. Are those just the 500 left from last year?

Mr Carragher: No, those are additional applications.

Mr Durkan: So, you have 1,100 on the list. Fra spoke about a geographical breakdown. I had requested that information before through an Assembly question. I got an answer, which was that it

was demand-led, but it is hard to follow. So, when you bring that to Fra, I would be grateful if you could simplify it in some way, please.

Mr F McCann: Does it need to be simplified because it is me? *[Laughter.]*

Mr Durkan: No, no, I would like it to be simplified.

The Chair had concerns around the actual building of new houses. I, too, cannot understand how that cannot be progressed. Something from the social housing development programme could have been brought forward by a year, and money could have been spent on that. That would do more to stimulate the economy through construction rather than co-ownership, because those houses are being built anyway, if am not mistaken. I read about the Get Britain Building initiative. That is affordable housing rather than social housing. So, in essence, there is £22 million here towards affordable housing and none towards social housing. Again, that is something that I would not be too fussed on.

Damien, you said that the boiler replacement scheme is going well. I think that it is going better than it was. I had heard previously in this Committee from departmental officials that money might be coming from the Department of Enterprise, Trade and Investment (DETI) towards that. Is the money that we are formally bidding for now being handed over from the DETI? If so, do you know where exactly it is coming from? Is it green new deal money?

Mr Carragher: The £4 million was originally there as part of the £12 million that was allocated. The £4 million was the green new deal money. We will also be bidding for about £3 million from the European regional development fund (ERDF) for the boiler replacement scheme this year. Those discussions with DETI about getting the ERDF money are ongoing.

Mr Durkan: I want to ask about the reduced requirement from the Social Security Agency for saving money. A few months ago, we were being warned about the cost of any delay in the passage of the Welfare Reform Bill. I do not know whether you are in a position to comment on that.

Mr McMurray: There will more likely be cost implications for the year after rather than this year. This year, there were IT changes and so on, which we are not making. That is where those reduced requirements come from. There could be further implications if things do not happen down the line.

Mr Durkan: Right. But, as of yet, you are unaware that the delay that we have encountered thus far is costing money?

Mr McMurray: That is all that we are accounting for at the moment.

Mr Brady: Thank you for the presentation. I want to ask about the £3 million in reduced requirements in the Social Security Agency. One of the big issues, which will increase after welfare reform, is the funding of independent advice centres. I was at a meeting in Omagh last night about welfare reform, and one of the big issues was the pressures that are being faced by the independent advice agencies, the credit unions, Omagh Independent Advice Services, St Vincent de Paul and various other agencies.

They are at bursting point, and the same is happening in the area of appeal representation in Newry. There are two sessions running at the same time on the same day — one in the courthouse and one in Ballybot House. The same is happening in the courthouse in Omagh. The resources simply are not there. Could that money not be used to fund the independent advice sector? Obviously, that is something that is badly needed. They simply cannot cope. I am sure that the same applies to Citizens Advice; its office in Newry is under severe pressure, and I am sure it is the same in everyone else's constituency. Why can that money not be used to help out in that way? It is all associated, and it helps to alleviate the burden on the Social Security Agency. There is no doubt that that burden will increase hugely whatever happens when welfare reform eventually comes in. That £3 million would go a long way towards alleviating that pressure.

Mr McMurray: Mickey, I presume that that funding would come through the urban regeneration side of the voluntary and community unit, which supports the advice sector. It has been moving money around too, so it may be able to provide extra funding to plug that gap.

Mr Brady: Is it possible to check that out to see whether that could be done?

Mr McMurray: Yes.

Mr Brady: If you have £3 million, why would you hand it back when there is a crying need for it in the advice sector? That need is increasing all the time.

Mr McMurray: That is a good point. I will check that out.

Mr Copeland: I want to go back to the £15 million. Apparently, you spoke to the housing associations through NIFHA. Did you not speak to the housing associations individually? Was that done solely through NIFHA?

Mr Carragher: It was done through NIFHA solely.

Mr Copeland: Would NIFHA, to the best of your knowledge, have contacted all the housing associations or would it have precluded those that are in suspension? I understand that one of the biggest associations, if not the biggest, is technically incapable of taking any of that money at the moment. Is that correct?

Mr Carragher: The biggest one was allowed back into the development programme on a phased basis at the end of last year. It will begin to do more work on the basis that it will be monitored as it does so, in order to ensure that some of the issues that arose before have now been addressed.

Mr Copeland: Would, for example, the existing satisfactory property (ESP) avenue still be open to them on that basis?

Mr Carragher: Yes.

Mr Copeland: OK. The other matter that I want to raise is, perhaps, slightly more obtuse. At the moment, all we can do is talk about what we know about the implications of welfare reform and the misnamed bedroom tax. As I understand it, the biggest identifiable need is for one-person dwellings. Some time ago, I asked a question of the Minister of the Environment because it was my view that the clues to how well this problem would be addressed were to be found in planning applications. At that stage, a very short time ago, I was staggered to learn that the number of planning applications for one-bedroom properties for social occupation was a number between minus one and one, which is zero. That did not give me very much encouragement that this was being addressed. Again, the so-called bedroom tax may or not come into being. That matter, in my view, is still to be decided by the Assembly. Was any consideration given to using any of this money to invest in this area of potential need, because there will be an enormous potential? Personally, I am not in favour of one-bedroom dwellings, which are little more than prison cells in some respects. It can take considerable time from an architect's sheet of paper until there is a door frame with a front door in it, and given the paperwork and the evidence that is indicated currently, I would have thought that the implications of this are such that we should have, at least, seen some move towards addressing that, always assuming that the bedroom tax will come into place.

Mr Carragher: For the first time, this year, there is an allocation in the social housing development for one- and two-bedroom properties. It is around 200 units out of the 1,200 units.

Mr Copeland: How many of those are one-bedroom units?

Mr Carragher: I am not sure of the breakdown between one-bedroom and two-bedroom properties. I know that 200 units are planned.

Mr Copeland: Are they planned in the sense that planning applications have been made, or do you mean that they are planned in that they are foreseen?

Mr Carragher: They are in the programme and have to be developed as part of it. This year, the programme is supposed to deliver 200 new one- and two-bedroom-unit starts.

Mr Copeland: What counts as a start? Is it a pencil on a piece of paper in the architect's office, or is it more than that?

Mr Carragher: No, the site has to be there, and, effectively, the diggers have to have moved in to start it.

Mr Copeland: Does that refer to this calendar year or this fiscal year?

Mr Carragher: This fiscal year.

Mr Copeland: In my experience, if there are no planning applications currently, it will take some going to get it to the stage of site acquisition to spades in the soil. Have you any idea how reflective the one- and two-bedroom mix is between the figures that you have just given me and the actual need as indicated by the waiting list? Is there a correlation between them? In other words, do the percentages of one- and two-bedroom properties in the figures that you have just mentioned correlate with the one- and two-bedroom needs as indicated by the current or predicted waiting list?

Mr Carragher: The current waiting list includes a significant number of single people who are looking for units, but the problem is that they do not get sufficiently high up the points list to be allocated a property. These one- and two-bedroom houses will be more to try to deal with the issue of underoccupancy for people who want to move from a house where they live now to somewhere smaller.

Mr Copeland: So, that will free up properties for larger families without necessarily addressing the poor people — poor in the sense of currently disadvantaged — who need one-bedroom accommodation. It does not solve the problem.

Mr Carragher: If the people who need one-bedroom accommodation have enough points and are sufficiently up the list to get a house, they will get one as well.

Mr Copeland: Yes, but they will not get a property that was considered too large for those who are capable of occupying a one- or two-bedroom house if they are by themselves, because, by implication, the properties that folk are leaving to occupy those one- and two-bedroom properties must be bigger than one or two bedrooms. The single people, who, in many cases, face the greatest difficulties, will find the problem doubly compounded. The properties that are built ostensibly to service their need are being occupied by people who, potentially, will downsize, leaving a substantial number of larger properties vacant.

Mr Carragher: I am not sure how far up the waiting list the single people who require one- or two-bedroom houses are. If they are up the waiting list, they will be allocated a property in advance of other people. It just depends on the number of points that a person has.

Mr Copeland: Allocations depend on points. Points make up the areas of choice, and, indeed, the bedroom indicator. It is not just a single calculation.

Mr Campbell: On the issue of affordable homes, I want some clarification on the Get Britain Building initiative. Is the £7.2 million being transferred or has it been transferred?

Mr McMurray: It was allocated to us under the Barnett formula last year, Gregory. This is the second year of it. I think it is very much a formality in that if we apply for it, we get it.

Mr Campbell: I presume that that is given out over the next few months, if it is for the year 2013-14, to three housing associations?

Mr McMurray: Yes.

Mr Campbell: Assuming that each housing association is able to utilise that money fully, how is it repaid?

Mr Carragher: It is to be repaid by 2020, so the housing associations gave us a profile of how they expect people to staircase out of their property or buy the other half of the shared equity. A number of

schemes are different. The rental that they charge at the start is lower, and, over the years, those rent charges go up to encourage people to staircase out. The housing associations have given us an undertaking that they will be able to pay back the total £19 million before 2020.

Mr Campbell: The total amount over the three years?

Mr Carragher: Yes. It was just under £12 million last year and £7 million this year, so that is £19 million in total. They gave us their profile of repaying that to us and on to DFP before 2020.

Mr Campbell: By 2020 or before?

Mr Carragher: In total by 2020, but there is a staged payment. No payments will probably come back until year three, which will be 2016-17, and then over 2016-17, 2017-18 and 2018-19 they will repay the whole £19 million.

Mr Campbell: Are you saying that the £19 million-plus will be repaid in the final three years in the run-up to 2020?

Mr Carragher: Yes.

Mr F McCann: You spoke about £7.2 million, so in co-ownership that is £22.2 million this year. I took it that the £7.2 million was going to housing associations to allow them to build additional social housing, but that is not the case. It is £22.2 million going to co-ownership housing.

Mr Carragher: The scheme that was put in was, effectively, to match the funding that was delivered in England for Get Britain Building. It was not allowed to be used for social housing, so affordable housing was the scheme put forward by the Department and approved by DFP. Only that can be done. We have tried to expand the scheme from co-ownership rather than the scheme that is there at the minute. This a different version of what is usually called shared equity in England.

Mr F McCann: It is still co-ownership.

Mr Carragher: It is still co-ownership.

Mr Durkan: The Get Britain Building initiative was for housing associations to buy empty homes or derelict properties, do them up and sell them on the private market. I do not know what checks and balances are placed on who can buy the homes. If there are time constraints on when that money has to be paid back, is there anything to stop speculative landlords buying them and renting them privately, which means that it would not be affordable housing whatsoever?

Mr Carragher: I am not sure of the exact details, Mark, but I am sure that they have something in there to make sure that the people buying those houses are similar to those on the co-ownership scheme.

Mr McMurray: We will follow-up on that.

The Chairperson: Would you do that for us? I go back to the £10 million reduced requirement. You say that part of that arises from efficiencies in the maintenance programmes. A week ago, the Committee heard housing officials talk about dealing with the difficulties arising out of a company recently going bust and reassigning some of that maintenance work.

How much of that £10 million is not related to the maintenance budget? It would seem, probably to everybody around the table, that it is fine and important that you drive efficiencies as you go on, but that seems to override everything else. I do not see any dovetail between driving efficiencies and then using that money to continue the maintenance programme, because it is still a very significant outstanding maintenance programme. It seems to me to be a no-brainer: if you are planning on efficiencies, you know how that will work out, or at least you should be projecting how that is going to work. Equally, you need to project how you re-engage that money to pursue the outstanding maintenance programme. Why has the dovetailing not happened? Why are we giving the money back? I do not understand that. To me, that does not seem to be good management of a programme

or money. I may be wrong, but I would have thought that there should be some dovetailing of both ends of that.

Mr McMurray: That is a good point, Chair. There are two aspects. One is on the efficiency side and getting the most out of those contracts. All that renegotiation and putting out new contracts is adding greatly to the efficiency side because they are coming in cheaper than the previous ones. However, you are asking whether that money could be used to do more maintenance, but I think that there has been —

Mr Carragher: The key issue this year stopping the Housing Executive from doing that is that it is undergoing new procurements for its planned maintenance contracts. One would hope that when those are in place, there would be additional money, particularly next year. However, those new contracts are unlikely to be in place before September, as Stephen said in the briefing. That is part of the capacity issue that is stopping the Housing Executive from using the extra efficiency savings to do more work.

The Chairperson: Companies are queuing up to tender for contracts; they are pleading for them. Tenants are pleading for work to be done, and the Housing Executive has targets to be met, but none of that is happening. As I read it, and from the information and evidence that the Committee has, that is not happening. We want further information as to why that is not happening. It is a bit like the newbuild. To me, there is a logjam there, and there does not seem to be an urgency to get the job done. I am not happy with what I am hearing, which is that there is a failure — and abject failure — to meet the housing need with the money available that has not been spent and, once again, has been surrendered. The same thing is happening on the maintenance side. Money has been allocated, but, somehow or other, it cannot be spent. To me, questions have to be asked, and people need to be held accountable, and that is what we will seek to do.

Mr F McCann: Chair, just on that, in my constituency a number of months ago, a contractor went to the wall. When the contractor pulled out of the contract mid-stream, the person whose bid came second for the contract was asked to take it on, but he said that it was not financially viable. In fact, the first contractor had bid 30% below the asking rate. So the result was that tenants were left without repairs being done for a period of time. The direct labour organisation (DLO) in the Housing Executive had to come in and take up the slack. A lot of it has to do with new procurement rates, which has meant that many of the contractors — many of them are very small contractors — cannot meet the demand put on them. It affects the quality of work that is delivered in many areas, and that has a knock-on effect on the tenants who live in the houses.

The Chairperson: No other members want to come in. Stephen and Damien, do you want to add anything to what has been said? You are happy enough. Obviously, you have heard the concerns of a number of members. We intend to follow up on some of those important issues. I know that you are going to come back to us with some information. Thank you for your briefing this morning.