



Northern Ireland
Assembly

Committee for Social Development

OFFICIAL REPORT (Hansard)

June 2014 Monitoring Round:
Departmental Briefing

29 May 2014

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)
Mr Jim Allister
Ms Paula Bradley
Mr Trevor Clarke
Mr Fra McCann
Mr Sammy Wilson

Witnesses:

Mr Andrew Hamilton	Department for Social Development
Mr Stephen McMurray	Department for Social Development
Mr Ian Snowden	Department for Social Development
Mr Jim Wilkinson	Department for Social Development

The Chairperson: We have Andrew Hamilton, Ian Snowden, Jim Wilkinson and Stephen McMurray here this morning. I refer members to the additional tabled items on the Main Estimates provided by the Committee for Finance and Personnel. I advise you that the officials will provide some advice and information, where possible, on those. I formally welcome you, gentlemen. You have the opportunity to brief members on the June monitoring round and the Main Estimates.

Mr Andrew Hamilton (Department for Social Development): Thank you for the opportunity to discuss our June monitoring round proposals with the Committee. Kevin also copied to me the recent paper from DFP about the 2014-15 Estimates. I will make some comments on that at the end. That may help your consideration of that. As you said, I have my three colleagues here this morning. They are trying to ensure that the business areas are covered, and it is really to help us with the deliberations.

The Department's June monitoring round proposals are due to be returned to DFP by 5 June. The inputs from the main business areas have been compiled, and we have copied those to you, but I want to stress that the process is ongoing and that the figures can and do change up to the final minute. What you have at the moment is the position as it was when we presented the proposals to you, but we are already aware of some changes, and we will highlight those to you as we go through. The details of our proposals are set out in the table that we sent you last week, and I will take the opportunity to go through that in an overview and will then be happy to pick up more detailed questions.

The first bid is a housing bid of £15 million, and, as we indicated in our covering letter, the co-ownership scheme remains the Department's main measure for supporting potential first-time buyers

and those returning to the market who wish to purchase their own home but cannot afford to do so outright. The Northern Ireland Co-Ownership Housing Association provided over 1,200 homes during the 2013-14 financial year with a total housing grant of £51.5 million. Baseline funding for 2014-15 of £25 million will deliver 450 affordable homes, whereas the association has indicated that it had almost 500 applications carried forward into 2014-15. We are suggesting that a bid for additional funding of £15 million, if it is met, will help the wider economy as well as constrained first-time buyers and those returning to the market. The £15 million would be sufficient for a further 360 homes.

A substantial number of first-time buyers are now returning to the housing market, and they have contributed to increased activity in the market and helped to inject some confidence in the construction sector, which has led to the unlocking of some stalled developments. That has been recognised in our housing supply forum that the Minister recently set up. For many first-time buyers, particularly from modest backgrounds, the average deposit of 20% remains a significant obstacle to home ownership, and affordable housing such as that supported through co-ownership helps to address that barrier. There remains a sustained demand for co-ownership in the economy.

The second main bid is from the urban group, and it has proposed £25 million of capital bids to allow the Department to complete a number of urban regeneration and community development capital projects across Northern Ireland in advance of the transfer of the powers to the new councils in April 2015. I will not go into the details of those now, but Ian will take you through some of the details of those projects after I complete my overview.

There is a small non-cash easement of £1.9 million from the Social Security Agency. That non-cash easement stems from anticipated reduced requirements relating to impairment issues, and that money cannot be used for any other purpose and must be returned and surrendered to DFP.

There is also a reduced requirement estimated at £7 million associated with housing benefit owner-occupiers. We have been notified of that by DFP via Land and Property Services, which is indicating to us that the requirement is up to £7 million less than the current budget cover. We might want to take a view on whether we confirm it at £7 million. We might want to look at that in more detail over the next few days. That funding was given to us by the Executive to protect those resources on transferring from annually managed expenditure (AME) to departmental expenditure limit (DEL), and we cannot therefore utilise the funding elsewhere in the Department. It is ring-fenced and so it must be returned to DFP.

There are a number of bids associated with Together: Building a United Community. The main one is a capital bid of £3.2 million, which is associated with taking forward the Executive's commitment and priority to develop 10 shared housing neighbourhoods. That bid represents the additional costs that are likely to be incurred in 2014-15 in pursuing those developments.

The other main bid is on urban villages. As part of Together: Building a United Community, there is a commitment to establish four urban villages. Those urban villages will offer opportunities to utilise innovative and visionary proposals to make a real and lasting change in areas that have witnessed years of decline, market failure and low social capital. There are currently two agreed villages in the Colin area of west Belfast and the Lower Newtownards Road in east Belfast, and the bid reflects the costs likely to be incurred in taking those forward in the current year. It is really about doing the detailed planning work that is needed before a major change on the ground.

That is a brief summary of the Department's proposals for the June monitoring turn. I am happy to take questions but, if you are content, Chairman, Ian will —

Mr Stephen McMurray (Department for Social Development): What about the Main Estimates?

Mr A Hamilton: Yes, I will cover that as well. When I have finished, Ian could maybe go through the details of the projects.

On the Main Estimates, the document contained an annex that detailed the movements from the original budget allocations set out in the comprehensive spending review in 2011. The key thing for the Committee is that there is nothing new in this. It is just tracking the changes that have already taken place. The changes in resource and capital budget are quite small at around 2% net and primarily relate to the additional budget allocations for housing through the Get Britain Building scheme and boiler replacement. There are some offsets from reductions for things such as contributions towards university fees. Those reflect decisions that have been taken in the past.

The main difference overall relates to a technical adjustment of £141 million for resource. That is primarily due to the reclassification from AME expenditure to DEL for housing benefit rates relief budgets for owner-occupiers and tenants. If you recall, that was transferred from AME into the resource-limited DEL. That was since the budget was agreed, way back in 2011.

I hope that that helps the Committee with its considerations. We are happy to take any further questions or to provide some more detail in writing, if that is necessary.

The Chairperson: Are you suggesting that Ian will —

Mr A Hamilton: Yes.

Mr Ian Snowden (Department for Social Development): The bid of £25 million capital for urban regeneration is really three packages of types of projects. The first package is about improving community facilities. We are bidding for over £10 million on that, which is roughly split 50:50 between sporting facility upgrades and community facility upgrades — that is, the refurbishing of community centres and so forth — with a small amount of money mainly for play areas and neighbourhood renewal areas.

The second package relates to creating quality public spaces in our towns and cities. That includes 14 environmental improvement schemes in north and west Belfast; improvements to parks in Londonderry — that is, Brooke Park in the city side and the Waterside greenway; public realm improvements in Londonderry of just over £1 million; and major public realm schemes in Comber, Donaghadee and Limavady.

The third category is about enhancing town and city centre competitiveness. We are trying to help improve trading conditions in towns and cities. It is a package of about £1.9 million for urban development grants in various towns and cities and revitalisation schemes in Ballynahinch, Limavady, Antrim and Randalstown. Those are quite small-scale schemes in themselves but are quite impactful, especially after a public realm scheme is delivered, where we work with traders to improve shopfronts and to deliver some form of promotional activity in those town centres. There is also the Bluestone Business Park in Craigavon, which is going for a further phase of development at that site.

Those are the main parts of the package.

The Chairperson: OK. Thank you. I will ask a question before I bring in members. The Assembly agreed, in March, that 4,000 additional social houses be built. Here we have another monitoring round where the Department is looking for money for co-ownership. Nobody is against co-ownership at all. It is a good project. But where, in the Department's thinking, is the provision for additional social housing? Everybody agrees that that is required, but we have no evidence at all of it. The Department is taking a systemic approach to co-ownership; but where do you address the need for social housing?

Mr A Hamilton: I will ask Jim to go into the detail of that. We are starting from a standing start, so there is a timing issue.

The Chairperson: I understand that, but we hear it all the time. That is just water off a duck's back to me now, to be honest with you. We heard about that all of last year, and about all the efforts that the Department was taking with the housing associations and vice versa to address all the barriers. We have been at a standing start for some considerable time, actually, so I really do not think that that washes.

Mr A Hamilton: Let us give you the detail. We did look at this.

Mr Jim Wilkinson (Department for Social Development): We are very aware of the Assembly motion and the request for an additional 4,000 houses over the comprehensive spending review (CSR) period. The Minister is taking a number of actions on foot of the motion. In this monitoring round, the Housing Executive did not request any additional funding for social housing. The target for this year is 2,000 houses, and the Committee has already been briefed on it. It is a substantive increase on last year's starts of 1,300. The Minister is very mindful of the Assembly motion calling for additional homes. So our target for this year is quite high and challenging. In the monitoring round,

no additional funding was requested primarily because there was concern over the ability to deliver. If the money is requested and not spent, it is worse.

On foot of the motion, the Minister wrote specifically to the housing associations asking them whether they could bring forward additional delivery and increase the number of units that they had planned for this year beyond 2,000. He also wrote to a number of his Executive colleagues, ranging from the Finance Minister to the Minister for Regional Development, because we are aware of a lot of issues around the suitability of sites. He also wrote to the Minister of the Environment. Those Ministers have responded and all are very positive and keen to provide assistance; but, on the finance side, for example, it is difficult to commit to capital funding over a two-year period. Most of the schemes and most of the funding we require to deliver a site would be over a two-year period, so there are challenges there.

The Minister for Regional Development has advised that his Department will continue to work with housing associations, but he has not been able to provide specific assurances as to whether we can speed up the process. We are waiting for a response from the Minister of the Environment. The Federation of Housing Associations has written back to say that it would be extremely challenging, if not impossible, from a starting point of now to increase delivery beyond the 2,000 units. So, against that background, it was not prudent to put forward any additional bid in this monitoring round, but, rest assured, the pressure is on. We are continuing to look at what we can do to bring forward additional sites.

In particular, and you have had a briefing from members before, we have done some pilots with Fold Housing Association and the Housing Executive to look at whether we can do some small-scale competitive design and build, as that is a way of bringing forward developers who are ready, can deliver and will hand over to the association. We are hopeful that we may be able to lever in some more schemes that way. However, at this time, we do not have the confidence to put in a bid for additional capital funding and have the assurance that it could be spent and deliver more units this year.

Mr F McCann: I have to say that you are repetitive. In the past number of monitoring rounds, it has been the same thing: we are not ready to do it; we do not have the capacity, but we will be able to do it the next time. I think that it is a disgrace that we are sitting here when over 4,000 people in my constituency — hundreds of them are in hostels and single lets — are waiting for housing, and that you come here and tell us that fewer than a couple of hundred houses will be built in my constituency; maybe fewer than 100. You come here and say that there are 500 people on a waiting list for co-ownership and that you have applied for £15 million, yet people in my constituency are going to be condemned to months or maybe years in a hostel.

Mr Wilkinson: I assure the Committee that we have heard it very clearly on a number of occasions. We are doing all that we can to increase social housing delivery. The target for this year is 2,000 units, which is exactly the target that the Housing Executive advised in order to meet need and demand. We are trying to increase capacity.

Co-ownership is an entirely different scheme, I have to say. Co-ownership —

Mr F McCann: It is not entirely different.

Mr Wilkinson: It is not entirely different money, but we are able to bid for the co-ownership scheme because individuals have gone and identified the homes. There are 500 people who have identified a home that is ready to move into, which is slightly different from building a brand new home on a site. We are doing what we can in order to increase capacity. The reality is that newbuild social homes do not have a quick turnaround.

Mr F McCann: It is senseless to even raise it, because it is just a pat answer.

Mr Brady: Thanks for the presentation. I was going to ask for some detail on the urban group that you mentioned. Ian has covered that. Neighbourhood renewal and so on will be going to councils next year. In getting the schemes completed and refurbishing community centres and all of that, if there is money left over, will that transfer to councils or will they have to make their own bids?

Mr Snowden: The projects that we have prioritised for this bid are those that we are confident that we can deliver within the financial year. We have not included any projects in this bid where we are

doubtful about the prospect of slippage. That said, if there is bad weather or if there are procurement delays or some problems in a specific project, it is possible that it could slip. In those circumstances, it would fall to the new local authority to pick up the rest of the cost. The entirety of our urban regeneration budget will go to the new local authorities from 1 April.

Mr Brady: Are you confident that these schemes will be delivered by —

Mr Snowden: As I said, we have included only those projects that we are confident that we can deliver within the year.

Mr Brady: My other question is about the £3.2 million for shared housing. Presumably, the Redmanville estate in Portadown will be upgraded in that. Are there plans to extend that to other areas?

Mr Snowden: That is not my area of responsibility.

Mr Wilkinson: As part of the Together: Building a United Community bids, we sought bids for new schemes but we also asked the Housing Executive to look at its existing shared neighbourhood scheme and identify any capital works. It has a range of programmes. This is just the first that is ready for this year.

Mr Wilson: Jim, you were wise not applying for capital moneys for newbuilds when it is clear that we cannot deliver on them, but I have two concerns. First, are we sure that the money that has been allocated to the existing capital programme will be spent? The Department has a record of leaving it to the last minute before it declares surplus money that it should have identified fairly early as not being able to be spent on the newbuild programme. Are you monitoring to make sure that even the existing capital moneys can be spent? The record of previous years is that it has not been.

The second thing is this — I would have thought that there would be some follow-up on it — you came here in September last year with a hare-brained scheme to spend £10 million on purchasing houses to go into the social housing stock, and you had to give it all back. The Committee at that time asked whether you were really sure that you could identify the houses, get through all the legal difficulties and, therefore, spend the money. However, it was a good idea. I take it that work was done on that and that houses were identified. If that was done, why is there no bid for it? That is something for which, over a period of a year, you could have bid for and probably could have spent. Though it would not have dealt with all the points that Fra McCann has raised, it would certainly have dealt with some of the housing pressures on the social budget.

Mr Wilkinson: I will try to answer both those questions. Your first question is whether we are confident that we can deliver and spend what we have got. We are very confident that the budget we have is the budget that is required to deliver 2,000 units. We also have some confidence this year in that significant work was done last year on advance land purchases. Land was purchased last year to allow developments this year. However, it would be wrong of me to suggest that it is not challenging target. It is one that requires constant monitoring. Whilst we are looking at additional units, we are also spending an awful lot of time making sure that we clear up anything that might halt a development this year. As any issue arises, we try to address it through the Housing Executive or by ourselves.

Mr Wilson: I am sure that all MLAs, in our constituencies, are beginning to get red alerts that housing schemes that we thought were going ahead at an earlier stage are not now doing so. We still have housing associations saying that they are having difficulties with planning and with this, that and the other. I hope that the Department is monitoring closely whether there will be delay. It may have freed up some capital that could have been used for the more innovative ideas.

Mr Wilkinson: Just as it was not prudent to bid for additional capital this year, because it was difficult to see whether we could deliver above the 2,000 target, we equally took a very studied view with the Housing Executive that it was not prudent to surrender any money either, because we needed the funding available to deliver the 2,000 units. The Department meets with the Housing Executive, which manages and runs the programme, monthly. We monitor schemes. Obviously, schemes drop off, but that is why they are over-scheduled. So, to deliver 2,000 units, we would be looking to have 3,500 units scheduled.

Your second question is about the buy-back scheme. It was a fairly specific buy-back scheme by the Housing Executive. A business case was produced for it. We made the initial bid because we thought that it was a good scheme. All the properties were identified, and the Housing Executive was content that it could conclude the legal agreements. Those were properties that would not have been attractive to housing associations because they were ones and twos in the middle of a Housing Executive estate and it would not have made sense for a housing association to buy and maintain them. Unfortunately, the business case was not cleared because, ultimately, it came down to the fact that buying these houses back for the public sector, purely for the Housing Executive, was still more expensive than the cost of building anew.

Mr Wilson: That was not the reason that we were given at the time, though. We were told that the scheme could not be completed within the year. Are you saying now that, even —

Mr A Hamilton: No. As time went on, we reduced the number of houses that we felt could be completed. The reason was that the business case failed the value-for-money (VFM) test. It did not get through DFP for the precise reason that it would be cheaper to deliver those houses through housing associations as newbuild because the public contribution would be 50% of the costs.

Mr Wilson: The last issue that I want to raise is about the reduced requirement for housing benefit for owner-occupiers. I notice that you said that, while there was an easement of £7 million, you are going to query it, and you have not determined how much exactly will be given back. These are people who will now have received their rates bills, and we will know who is eligible and who is not. If, at this stage, it is identified that there is an easement of £7 million, how much uncertainty is there? There should not be a great deal of uncertainty. Why are we again holding onto money, or thinking of holding onto it, that could be returned to the centre and could be used for purposes that are high priority at present?

Mr A Hamilton: We will not want to hold it. We are just saying that we want to do a little bit of due diligence on it. If we hold something back, it will be very marginal. We have not completed that work yet.

Mr McMurray: Sammy, you are quite right about previous years' underspends. In the past few years, it has been to do with planned maintenance rather than newbuild. You heard earlier about the issues around planned maintenance. It was all tied up in that legal side.

Mr Wilson: What applied to newbuild also applies to other Housing Executive spend, and I hope that we are keeping fairly close tabs on it so that we do not face embarrassment. It damages the Department if, at the end of the year, especially in February, you hand back stacks and stacks of money, as has been the case.

Mr A Hamilton: Let us hope that the experience of last year was a one-off.

Mr Allister: I have a couple of quick points. On a presentational point, why do you not give us a table of easements and a table of bids? Would that not be simpler for us all to follow?

Mr A Hamilton: We can look at that, Jim, if there is a difficulty with the presentation.

Mr Allister: That is the way some other Departments do it with their Committees. It would be beneficial.

Sammy Wilson raised the point about maintenance. Yes, we had the saga last year of millions upon millions being unspent in the Housing Executive. How close a tab are you keeping at the moment on the Housing Executive?

Mr A Hamilton: A very close tab. We have been through this in detail with it. It is taking steps to spend out its budget. It has given us assurances that it will.

Mr Allister: Has it started to spend on the planned maintenance?

Mr A Hamilton: It is looking at different ways, as I understand it, and whether there are extra things that it could do to ensure that the resources are all —

Mr Allister: Yes, but has it started spend on the major contracts?

Mr Wilkinson: It has got a consultancy firm to draw up the schemes and the planned maintenance work will start in, I think, early or late autumn.

Mr Allister: Early or late autumn. It has been at a standstill for I have forgotten how long. It had a budget for a full year's spend on it. So, it will patently not spend all that money, will it?

Mr Wilkinson: As Andrew said, we have been meeting the Housing Executive on a monthly basis, and it has assured us that it is able to spend. It is looking at the nature of the schemes and having discussions with contractors at the moment to see if it can accelerate and increase the amount of work. It is also planning schemes. At this time, it is telling us that it will spend —

Mr Allister: Its budget allocation for 2014-15 was on the basis of 12 months' expenditure, was it not?

Mr Wilkinson: It was on the basis of the amount to be spent over 12 months.

Mr Allister: Now you are telling us that the expenditure may not start until maybe four months before the end of the financial year.

Mr Wilkinson: I met it recently and it is indicating that it can spend out its planned maintenance budget —

Mr Allister: In four months.

Mr Wilkinson: — looking at the nature of the schemes and at the extent of work carried out on the schemes and working with contractors to accelerate it.

Mr Allister: Do you believe that?

Mr Wilkinson: We are looking at it on a monthly basis.

Mr Allister: Every month, it assures you. Does that satisfy you?

Mr A Hamilton: It would have profiled its spend in the latter half of the year. They are the people who have the experience, the professional knowledge and all the rest of it to develop —

Mr Allister: So, Mr Hamilton, you are putting your reputation, as well as that of the Housing Executive, on the line by telling the Committee today that you are confident that the Housing Executive will spend all its planned maintenance budget in this financial year.

Mr A Hamilton: I am reflecting to you that we have had assurances from the executive.

Mr Allister: And you are giving us assurances.

Mr A Hamilton: On the basis of those assurances, I give you those assurances.

Mr Allister: That it will all be spent.

Mr A Hamilton: That is the assurance that we have been given by the Housing Executive.

Mr Allister: And that is the assurance that you give us.

Mr A Hamilton: That is the assurance that I give you.

Mr Allister: Interesting. Thank you.

Mr Wilson: Can I follow up on that? There is already slippage because schemes were meant to be starting in July, and you are now telling us that they are not expected to start until late autumn. This

issue should be pursued rigorously, Andrew, and it might be useful for you to give us a more regular update rather than just waiting until monitoring rounds. Do not forget that a lot of firms have had to lay people off because contracts were suspended and everything else. Is there the capacity in the industry? Some of the firms that operate in my area tell me that they do not have the capacity to ramp up in the way that you are talking about. It is not only an embarrassment but it is the fact that money that becomes surplus is much easier to allocate to useful projects earlier on in the year. Maybe the Housing Executive does not want to embarrass itself by having to say so early in the year that it cannot spend the money. I think that the Committee should be regularly updated on that.

Mr A Hamilton: I am happy to do that, Chair.

The Chairperson: I was going to reaffirm that. You have had a clear message from the Committee on a number of fronts, particularly on social housing provision, and, critically, the issue of maintenance, the contracts and any other slippage. We are all local representatives as well and so are aware of needs in particular tenancies and so on. I urge you to redouble the efforts to make sure that the assurances are absolute assurances and that you are not just relaying an assurance. You should be satisfied with it yourself. In other words, next time, you will tell us that you are satisfied that it will be done, not just that you are reflecting their satisfaction. Is that fair enough?

Mr A Hamilton: That is fair enough.

The Chairperson: Thank you, Andrew, Stephen, Jim and Ian for your presentation this morning.