



Northern Ireland  
Assembly

Committee for Social Development

# OFFICIAL REPORT (Hansard)

October 2014 Monitoring Round:  
Department for Social Development Officials

25 September 2014

# NORTHERN IRELAND ASSEMBLY

## Committee for Social Development

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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  
Mr Stewart Dickson  
Mr Fra McCann  
Mr Sammy Wilson

**Witnesses:**

Ms Deborah Brown	Department for Social Development
Mr Andrew Hamilton	Department for Social Development

**The Chairperson:** First of all, I apologise to the departmental officials — Andrew, Deborah and their colleagues — for the fairly long delay that you have had here this morning. I know that you have a lot of other very important work to do, so I apologise on behalf of the members. We did not expect the earlier session to go on for as long as it did, so let me formally apologise to you. I appreciate your attendance here this morning. We are dealing with the October monitoring round. Without further ado, I will leave it open to Andrew and Deborah to brief the members.

**Mr Andrew Hamilton (Department for Social Development):** Chairman, thank you for that. Once again, thanks for the opportunity to discuss our proposed submission on the monitoring round with you. I am joined by Deborah Brown. I am not sure that you have all met her, but Deborah has taken over as our director of financial management, so she will present the detail of our proposals.

**The Chairperson:** Congratulations.

**Mr F McCann:** Commiserations. *[Laughter.]*

**Mr A Hamilton:** The point that I always make is that this is a fluid situation that may change over the next week or so. It is supposed to be in by 2 October. Our Minister has seen this. We had a chance to go through it with him yesterday. He is content that I present the proposals to you today. After Deborah has gone through the detail of our presentation with you, I will make a few other comments on the wider situation.

**The Chairperson:** Thank you. Deborah, you are very welcome.

**Ms Deborah Brown (Department for Social Development):** Thank you. As you are aware, the June monitoring paper outlined an immediate cut of 2.1% and postponed the 2.3% until this round. The

paper that you have been provided with outlines how the Department proposes to manage the full 4.4% cut. You will see in the paper that, to achieve the £29 million and get the 4.4% cut, we are proposing to take £17 million out of the Social Security Agency (SSA), £9 million out of housing, and £3 million out of the core.

I will give you a little bit of detail on this. You will see that £10.5 million from the SSA comes out of welfare reform. The Social Security Agency was allocated £36 million for welfare reform under SR 2010. Some £25.5 million of these moneys has been committed, which just leaves the residual of £10.5 million to be surrendered as a contribution to the 4.4%. In addition to that, there are further savings of £6.5 million coming out of the Social Security Agency. The agency has indicated that this is being achieved through robust contract management, some strong audit and challenge, new contractual arrangements, and a very robust approach to staff and vacancy management during 2014-15.

Moving on to housing, there is a technical issue here, where there is a corporation tax liability in the Housing Executive (NIHE). We have been able to reclassify that and clarify that it is actually a scoring against annually managed expenditure (AME), and, as a consequence, that releases £5 million of DEL expenditure that we can now contribute towards this cut. In addition to that, we anticipate a reduction in the deficit grant to the Housing Executive. Of course, that will have some implications. We anticipate that this will hit against the home loss and disturbance payments, a reduction in the change of tenancies and some reductions in office running costs.

In the core Department, the planned expenditure on housing benefit rates relief for owner-occupiers and tenants is anticipated to be approximately £3 million lower than originally estimated. It is a demand-led benefit, and those estimates are provided by DFP Land and Property Services. So, that £3 million can now contribute towards the 4.4% cut.

That summarises how the Department is seeking to achieve the 4.4% cut. In addition to that, we are putting forward a number of bids. You will see that we are putting forward a bid of £10 million with the Northern Ireland Co-ownership Housing Association. You will be aware that a £10 million bid was also secured in the June monitoring round. We are also putting forward a proposal of £2.2 million for a voluntary early retirement scheme for the Northern Ireland Housing Executive. I will highlight, however, that we have had indications that resource bids in the October monitoring round are unlikely to be met. However, we are putting that bid forward at this point, and we are currently assessing that business case.

In addition to that, we are surrendering £2 million of capital from the SSA. That is ring-fenced funding in respect of the social fund crisis loans where volumes have declined by over 10% in the year to date. We are looking into that to understand the reasons behind that reduction and whether there are any actions that we need to take to address it.

We will also put forward a bid for reinvestment and reform initiative (RRI) investment for Together: Building a United Community. We have agreed with DFP that £5.7 million will be provided to fund a number of NIO schemes, which are Ravenhill Road, Ravenhill Avenue, Felden mill and Lanyon Plaza. RRI funding will be allocated separately. It will not be part of the October monitoring round, but we are just bringing that to the Committee's attention at this stage.

That concludes the summary of the proposals for the October monitoring round. Andrew and I will be happy to take any questions that the Committee may have.

**Mr A Hamilton:** Deborah, before we get into the questions, from the point of openness and transparency, I should say a couple of things. First, as you have seen, we have presented the reduced requirement on the welfare reform budget as a contribution to our share of the 4.4% reduction in spend. There is a view that, because that is a reduced requirement, we should be providing that and also finding £29 million. As you will have heard in the media, the other issue is that the amount that we have to find may well increase, subject to an Executive position on that emerging. So, the position might change quite significantly over time. I think that this is a work in progress at the moment.

**The Chairperson:** OK, Andrew. Before I bring in members, I think that it would be appropriate if you also prefaced your remarks by saying that these figures are not agreed by the Executive.

**Mr A Hamilton:** Yes.

**The Chairperson:** So, it is a fluid situation, and the figures may well be completely transformed. I just want to put that on the record. I think that you should have said that.

I want to make one point, and that is that the bids around co-ownership represent a continuing, ongoing failure of the Department to address the issues around social housing provision, which you have heard repeatedly around this table. So, I am putting that on the record.

**Mr Brady:** Thanks for the presentation. I have two questions. The first relates to the Social Security Agency and the funding surrendered in relation to welfare reform. Do you anticipate any job losses in the Social Security Agency? There has been a lot of speculation and talk about alleged, possible job losses. The other question is around the voluntary redundancy set aside in relation to the Housing Executive. Is that because you expect a number of people to take voluntary redundancy, or will there be offers to downsize Housing Executive staff to give people that opportunity?

**Mr A Hamilton:** The reduced requirement that you see in the paper is a reduced requirement. It is unallocated funds. That £10.5 million is not associated with staff salaries. There is no staff implication associated with that. However, I will be open with you: unless there is a resolution somehow of the very difficult financial position that we are in, ultimately, if we have to cut back significantly on expenditure, there could well be staff implications. It depends on where we get to on all of this. We are not there at the moment. The NIHE proposal is seen a bit — not solely— in that context. There is organisational change there; it wants to make sure that it has got the right skills in place and to refresh the organisation in some way. There will be a bit of turnover and churn in the staff, and this would enable them to do that, ultimately, to deliver a much better and more professional service to tenants.

**Mr Brady:** Is it possible to get a breakdown of what the £10.5 million might have been used for?

**Mr A Hamilton:** It would have been used. We can give it to you. In 2010, we made a bid for £120 million for the three or four years of the welfare programme. We got something like £59 million, of which £36 million is the recurring allocation at the end of this year, if you understand that. There are a lot of projects involved in all of that: universal credits; personal independence payments; and IT costs, changes and all of that. We can give you that detail, Mickey, if you would like it.

**Mr Brady:** You mentioned universal credit. All of this is predicated on the success of an IT system that can cope with all of this. It has been proven very clearly that that IT system has not yet been found. It is like the Holy Grail. I am not asking you to comment on that, but, obviously, money has been set aside for various purposes.

**Mr A Hamilton:** That area is not my area of responsibility. If my colleagues were here, I think that they would point to the increasing roll-out of universal credit across England. I do not know the detail. They are going slower than planned.

**Mr Brady:** We are at 11,500 when we should be at 1.5 million. It is a bit disproportionate, but we will leave it at that. Thanks.

**Mr Wilson:** First, I take issue with the point that the Chairman made. It is not unanimous in the Committee, Andrew; the £10 million allocated to the co-ownership scheme is something that I would welcome. It levers in considerable additional money; it reduces the pressure on the social housing programme; it encourages home ownership amongst people who are first-time buyers of houses; and it allows people on low incomes to find that they can own a house more cheaply than they can rent in the private sector. It has lots of benefits, and I hope that that bid is successful.

I take it that the funding surrendered from welfare reform is money that had been allocated for the work that has to be done within the Department to prepare for welfare reform.

**Mr A Hamilton:** Yes.

**Mr Wilson:** First, what kind of things are not going to be done as a result of surrendering that money? Is it likely that, at some stage in the future, that money may have to be bid for again?

Secondly, the Housing Executive's money was for a voluntary early retirement scheme, not a voluntary redundancy scheme. Given the pressures that are likely next year, which may require redundancies, have you any idea of whether more money would need to be allocated for voluntary

early retirement per person than would be required for voluntary redundancies? If so, why has the Housing Executive bid for the money in that form rather than for voluntary redundancies?

**Mr A Hamilton:** Maybe Deborah can come in on the second point.

To answer your first point: more staff would have been employed to do more of the work associated with the welfare reform programme, and that will not take place. All the delays push us down, and our timetable for implementation shifts to the right. Yes, at some point, beyond giving that money up now, we may well, once a decision is finally taken, have to come back and ask for more.

Deborah can comment on the business case.

**Ms Brown:** You raise a valid point. We have only just got the business case into the Department. We will assess it, look at the various options that have been considered in it, and make sure that it provides the value for money that it needs to and that a more expensive option is not being proposed. We will definitely take that on board and can come back to you on the detail.

**Mr F McCann:** Chair, my point is on the back of what you said. Sammy made it quite clear last week where he stands on co-ownership. One of the arguments has always been that, in itself, co-ownership may not suit a number of people. But when you look at the huge waiting lists for social housing, you have to take into consideration the impact of bidding for that funding, especially given the amounts that have been bid for over the past number of years. In my constituency, seven times more people are on the waiting list than on the waiting list for co-ownership. It is also believed that the funding for co-ownership is a way to get round objective need, because it is spread across many different areas rather than concentrated on the housing need in particular areas. So, many people look suspiciously at that continued use of money and pushing it down the road. In many of the constituencies where there is objective need, there are people in hostels — some for three and a half years — waiting to get rehoused, and that money could be used to ensure that they are rehoused through more houses getting built. At every monitoring round, we come here and people say, "Housing associations are not in a position to do that", but I have heard that for the last three years. Is the policy of making the bid for co-ownership a departmental position or a ministerial position?

**Mr A Hamilton:** All the proposals are reflective of ministerial priorities. There are a couple of points. First, I do not think that it is fully recognised that the newbuild programme for social housing in Northern Ireland is proportionately the biggest in the UK. It has a bigger impact on waiting lists than anywhere else in the UK by some considerable margin. The second point is that monitoring rounds cannot deal with a social housing build programme because you are taking commitments that follow through into the following financial year. We just cannot do that. We are very much aware of the Assembly motion that we should be building 4,000 a year. The 2,000, which is significantly more than the 1,350 that we were building last year and is a major step forward in the right direction, is based not on the Department's assessment of need but on the Housing Executive's. It does the analysis for us and tells us how many houses we should build, and that reflects the fact that we are anchored at 2,000 with a commitment to run the 2,000 through the next couple of years.

We understand your position. The financial year 2015-16 may be difficult. There will be a new CSR from 2016-17 onwards. Looking forward three or four years, our understanding is that capital will not be as constrained as resource and, at that point, subject to ministerial priorities, we will put in a bid. I would be happy if it reflected the numbers that you would like to see in the programme compared with the numbers now.

**Mr F McCann:** Chair, I need to come back on that. It may be the case that we are building more social houses here than anywhere else, but, in comparison, the waiting lists across the North are substantially longer and the number of people in housing stress is also bigger. Three years ago when we came here, I asked a number of times for a breakdown of how much money had been allocated to co-ownership, and we were told that the only reason why money could not be given to housing associations to build more houses was that they were not ready to do so, but that was also followed with promises that we were getting to the bottom of it. The head of the housing association movement was sitting here this morning. In correspondence with him, he said that a lot of the stuff lay at the door of the Department in terms of some regulations that needed to be changed, although discussions were going on. The fact is that hundreds of people are in hostels and up to 40,000 people are on waiting lists. Do you not think that allocating substantial amounts of money over, say, a three-year period to an organisation that has a very small waiting list when there are so many people in dire need of housing — some of them are living in terrible conditions, and some of them are living in overcrowded

conditions — sends out all the wrong messages? No matter what anybody says, there is the belief that that money is being used to move away from objective need in the building of social housing.

**Mr A Hamilton:** I understand the point that you are making. The difficulty that I have is that we cannot respond through an uncertain monitoring round process to take on significant commitments that impact in the following year. The monitoring round process cannot deal with that. We can do it in co-ownership because that money can be spent within this year. That is why we bid.

**The Chairperson:** I do not think that anybody is objecting to that. I want to move on, because we are getting into a debate around the integrity of all this and the need to address social need through social housing. Nobody is objecting to the idea of supporting co-ownership. From my recollection, nobody round this table has ever objected to that at all. We understand the processes around the monitoring rounds. By the same token, quite a number of us have consistently argued that, monitoring round after monitoring round, year on year, millions of pounds are being skewed into that sector as opposed to addressing social need. With all due respect, people have told me that they understand our concerns, but they have never addressed them. I just want to put that on the record.

I will let you make a last comment, Fra.

**Mr F McCann:** Between 2007 and 2009 or 2010, I remember that another Minister constantly applied for money for newbuild under monitoring rounds. Earlier this year or late last year, I think that it was Jim who came to the Committee and said that the Housing Executive was looking at a buy-back scheme and that fell apart. Obviously, there was movement there that allowed you to do it.

**Mr A Hamilton:** OK.

**The Chairperson:** We could exhaust this, and the point has been made. We are dealing with the monitoring round. You have got an answer, Fra, from Andrew, which obviously does not address the needs, but, nevertheless. Are you happy enough that we move on to the next member?

**Mr A Hamilton:** Yes.

**Mr Allister:** You mentioned that things might get worse if the Executive agree a further percentage of cuts. Just explain to me again whether that informs the October monitoring round or whether it is a separate exercise.

**Mr A Hamilton:** I think that the Budget cuts will be made, and then we will have to live with them somehow. I am not sure whether it will be swept up in the October monitoring process. It will be left for the Departments to find; that is my understanding. There will be a residual October monitoring process probably dealing with the issues that we have talked about today.

**Mr Allister:** It all depends on timing too, I suppose.

You said that there was a view that the £10 million linked to welfare reform should be additional to the £29 million. Whose view is that?

**Mr A Hamilton:** That is a view that is emerging from DFP.

**Mr Allister:** Is that a view that you expect to prevail?

**Mr A Hamilton:** It is not for me to determine that.

**Mr Allister:** Are you planning a contingency if that view does prevail?

**Mr A Hamilton:** There is a view that, if there is money that we have been allocated specifically for welfare reform that is not needed, we would have a corporate obligation to make that available to the system.

**Mr Allister:** How would you resist that argument?

**Mr A Hamilton:** The difficulty is where we get to with the final reduction. If that increases significantly, trying to achieve our share of the cuts and deliver the reduced requirement will have a very considerable impact on the services for which we are responsible. In that case, there will be a difficult choice.

**Mr Allister:** Which would be?

**Mr A Hamilton:** Provide the easement and accept a significant reduction in our services. If we are allowed to retain the easement, the depth of the cut that we need to make becomes shallower.

**Mr Allister:** It subsidises.

**Mr A Hamilton:** You use the word "subsidises", but it would mean that we would not have to cut as far into our services.

**Mr Allister:** Would any other Department have that?

**Mr A Hamilton:** In the commissioning letter that has come round, Departments have been advised that reduced requirements can contribute to their share of the cuts. This would be particular to the Department for Social Development.

**The Chairperson:** I want to ask about the social fund crisis loans, the reduction in the requirement around that and that surrender. You would like to think that that is a good thing, but obviously you are saying that more work needs to be done to establish what that is all about. Most of us, anecdotally, do not think that the reduced requirement is reflective of the circumstances that a lot of people out there find themselves in. Are there any early indications of what might explain that?

**Mr A Hamilton:** I do not have that information. We can try to get that to you, Chair. I emphasise that it is not a result of any management action; it is a demand-led service, and the demand is not coming at us as quickly as we thought it would.

**The Chairperson:** That is what I was saying. It could be a good thing, but, anecdotally, most of us probably assume that there is some other explanation.

**Mr Brady:** Obviously, you will get a lot of applications for loans, and quite a lot of them are disallowed, so it can be disproportionate. If you go back a few years, one of the reasons why people were not going to the social fund commissioner and inspectors was that they thought there was no point. When people were encouraged to go to them, the number of grants increased, with community care grants going up by 49%. It can be disproportionate, and sometimes you do not get the full picture. Maybe people do not think that applying is worthwhile even though they need it. When you are looking at that, maybe you could take that into account.

**Mr A Hamilton:** We will take that back.

**The Chairperson:** OK. Andrew, thank you, and Deborah, thanks very much for your debut. No doubt we will see you again.