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John McKibbin  
Department of Finance and Personnel  
Rathgael House  
Balloo Road  
Bangor  
BT19 7NA

6 June 2013

Dear John,

### **2013-2014 Public Expenditure – June 2013 Monitoring**

1. This letter sets out the Department's proposals in relation to the first monitoring round of the 2013-14 financial year. The subsequent paragraphs detail one Housing-related bid as well as various cash and non-cash easements from other areas of the Department. Please see the table at paragraph 9 for a summary of the composite figurework.

#### **Housing – £15m bid**

2. The Co-Ownership Scheme remains the Department's main measure for supporting potential first-time buyers experiencing affordability problems, who wish to purchase their own home but cannot afford to do so outright. For the 2012-13 year NICHA received in excess of 1686 applications and delivered 957 completions with a budget of £38m. For 2013-14 the Department will provide NICHA with funding of £25m and, with private finance, it will provide 700 affordable homes. By the close of April 2013 the Co-Ownership Scheme has received in excess of 537 applications and is on course to meet the

target. This bid for additional funding of £15 million, if met, would fund approximately 300 additional properties.

3. Providing this funding is unlikely to impact negatively on the Get Britain Building funding pilots through the Affordable Home Loans Fund (see paragraph 13 below) as it will be used to support current demand and commitments made by Co-Ownership Housing, namely demand in the current financial year. The pilots on the other hand will only begin constructing new houses in the current year for onward sale as affordable homes to meet demand in 2014-15 and beyond.

### **Housing - NI Housing Executive easements**

4. At this point an overall reduced requirement of £10m has been identified for surrender on the Housing side, based around a reduced deficit grant requirement. This easement relates primarily to a reduced requirement on the Housing Executive's planned maintenance programmes.
5. The NIHE has reported lower unit costs resulting in significant efficiencies on its maintenance programmes, while delays in other maintenance procurements means that not all of the funding set aside for various maintenance programmes will be required. New procurement contracts for maintenance programmes will be awarded in this financial year but, due to the lead-in time for the new multi-disciplinary consultancy framework to design and award the scheme, it is unlikely that any work will be started by the new contractors prior to September 2013. Any challenges to the award of the contracts or slippage in the procurement process would obviously delay the implementation of these contracts and could impact further on the maintenance budget.

## **Social Security Agency**

6. The Agency is currently considering a range of issues and options that could affect funding requirements, including welfare reform changes and the impact of delays on the Welfare Reform Bill. At this stage £3m has been identified for surrender, which is based on expected in-year easements mainly due to slippage in the Welfare Reform / Modernisation programme and confirmation of IT costs from DWP.

## **Independent Living Fund (ILF)**

7. The Department relies on estimates from the Independent Living Fund (an NDPB of DWP) for setting these ring-fenced and demand-led budgets. Following the recent receipt of funding requirements for 2013-14, £1.4m in reduced requirements has been identified for surrender. This is down to claimant attrition rates being higher than anticipated and the Fund having been closed to new applicants since June 2011.

## **Non-Cash Easements - £1.65m**

8. The non-cash easements in the Social Security Agency and Child Maintenance Service stem from reduced requirements relating to depreciation & impairment issues.

## **Monitoring Round Summary Table**

9. For ease of reference, the table below summarises the various proposals depicted in the preceding paragraphs.

## Monitoring Round position by Business Area

<b><u>Housing</u></b>	<b>£m</b>	<b>Classification</b>
Bid – NI Co-ownership Housing	15.00	Capital
Reduced requirements	10.00	Resource
<b><u>Social Security Agency</u></b>		
Reduced requirements	3.00	Resource
<b><u>Core Department</u></b>		
ILF reduced requirement	1.40	Resource
<b><u>Non-cash reduced requirements</u></b>		
Social Security Agency	1.50	Resource non-cash
Child Maintenance Service	0.15	Resource non-cash

## Technical Adjustments

10. As in previous monitoring rounds, a number of reallocations and technical adjustments have been made within and between the various business areas, as well between Departments. These are routine adjustments and were effected through uploads to the database from information on the standard monitoring round proformas.

## Further Transfers/Allocations

### Supporting People - £4m transfer to DHSSPS

11. There is an agreement with DFP to release £12m in funding over 3 years to DHSSPS under the Supporting People category. The funding, made up of £2m in 2012-13, £4m in 2013-14 and £6m in 2014-15, was to be transferred via in-year technical adjustments and was to increase the number of Bamford Units completed annually. At this stage, pending information from DHSSPS

on the use/impact of the £2m transfer made last year, the £4m transfer for 2013-14 has been deferred until the October monitoring round. The position on this will be firmed up over the Summer.

### **Boiler Replacement Scheme - £4m**

12. DFP has previously indicated that £4m per year over 3 years, from 2012-13 to 2014-15, was to be set aside for proposals to fund a boiler replacement scheme. I am therefore including this formal request for the £4m allocation for 2013-14.

### **Get Britain Building Initiative - £7.2m**

13. The Barnett consequential arising from the Get Britain Building initiative has resulted in £7.2m being allocated to Northern Ireland in 2013-14. This will be allocated to three housing associations as loan funding to deliver additional affordable homes. The pilot Affordable Homes Loan Fund will help to support the building of more affordable housing for shared ownership and seek to bring more empty homes back into use. I am therefore including this formal request for the £7.2m allocation in our return.

### **Housing Benefit Rates**

14. I also understand that further allocations will be made relating to the 10% cut applied when Housing Benefit rates baselines moved from AME to DEL. Whilst the 10% cut was applied initially in line with GB, the NI Executive agreed that this would be reinstated. The amounts involved are:

Housing Benefit Rates - tenants - £7.614m resource

Housing Benefit Rates Rebates - Owner Occupiers - £4.57m resource

## **Conclusion**

15. I hope these few explanatory paragraphs are helpful. The relevant proformas have been submitted separately and we are happy to discuss any of the detail if necessary.

*Stephen McMurray*

**STEPHEN McMURRAY**

Director of Financial Management

- cc. Board members  
Stephen Brimstone (SpAD)  
John McKenna (OFMDFM)  
Peter Jakobsen, Pamela Galloway & Janet Hoy (DFP)