SUBMISSION BY COMMITTEE FOR SOCIAL DEVELOPMENT
TO
COMMITTEE FOR FINANCE AND PERSONNEL

REPORT ON THE DEPARTMENT FOR SOCIAL DEVELOPMENT SPENDING AND SAVINGS PROPOSALS (DRAFT BUDGET 2015-16)

1. Introduction

The Committee for Social Development received a briefing on the Department for Social Development's 2015-16 Budget Proposals at its meeting of 4 December 2014. When ring-fenced areas are excluded the proposed budget cut to be accommodated by the Department is estimated at around 16%.

The Committee's main concerns are the potential impact of cuts on frontline service delivery and capital projects but it notes that all business areas in DSD will be affected to a greater or lesser degree.

2. Time constraint

Given the potential impact of the proposed spending cuts the Committee is concerned at the limited time it has been afforded to discuss these with the Department. While it acknowledges there are external pressures to agree a budget, this has resulted in the Committee being unable to substantively engage with the Department or stakeholders in order to assess the legitimacy and potential impact of the proposed priorities, the estimated savings or the estimated reduction in posts.

The Committee would therefore emphasise that it is within this time constraint that it offers its views on the Department's spending and savings proposals.

In light of this the Committee would recommend that the Department for Finance and Personnel, in conjunction with Departments, agree a sufficient period for statutory committees to engage in a comprehensive scrutiny process on future budgetary matters.

3. Overview of Spending and Savings Proposals

- Revenue

The original Executive paper envisaged a 9.9% reduction in the Department's opening allocation of £654m which would have equated to approximately £65m.

However, this did not take account of the funding streams that are ring-fenced and therefore not part of the cuts. For example, £125m for Housing Benefit Rates is ring-fenced and therefore reduces the amount available for savings consideration to £529m. On this basis the actual reduction is 12.3%. But in addition to this there are recurrent pressures that are unfunded amounting to £14m. These relate to pay and price, and housing reform. When this is factored in the savings proposals are in the region of £79m – around 16%.

- Capital

The capital budget allocation is some £17m lower than 2014/15, totalling £119m representing a 12.5% reduction. In addition to this the capital budget will be supplemented with £97m of anticipated capital receipts. However, should the capital receipts be less than this, spending will have to be amended accordingly.

As with the revenue stream there are a number of ring-fenced funding initiatives and contractual obligations amounting to some £47m. This, in effect, reduces the amount available to around £157m.

- Allocation

The additional allocation of £15.1m (2.3%) was the lowest provided to any of the departments.

- Guiding Priorities

The Committee acknowledges that given the depth of spending cuts it was imperative that the Department prioritise where the reductions should be made rather than apply a top-slice approach to all areas.

The Social Fund and the Supporting People Programme are essential to protecting the most vulnerable in society and while it acknowledges that the Minister intends to protect these ‘as far as possible’, the Committee believes these should be protected from cuts in full.

It is imperative that the impact of the cuts on service delivery is minimised and to that end there is a commitment to provide an acceptable level of service in the discharging of statutory duties. However, at this stage it is unclear what the Department and its agencies will consider an ‘acceptable level of service’ within the context of the cuts.

The protection of frontline services should be sustained as far as possible and inevitably this means reducing management and administrative overheads.

The Committee believes that there is an onus on the Department to source alternative means of funding for services.

4. Specific Initiatives – Resource

- Social Security Agency (SSA)

The SSA is facing a 15% reduction in its budget for 2015/16. It is important to make clear that the proposed cuts to the SSA will not impact on the level of benefits paid to claimants.

15% equates to a £28m reduction in the budget of the SSA. This will have two key impacts. Firstly, it will lead to the reduction of up to 650 posts; and secondly, service delivery will be impacted in respect of increased claims clearance times and a reduction in financial accuracy rates. The latter may lead to increased rates of fraud and error and debt.

It should be noted that 300 additional posts would be required to take forward Welfare Reform, if implemented, which would mean the net loss would be 350 posts.

- Northern Ireland Housing Executive (NIHE)

The NIHE is also facing a 15% reduction in its budget for 2015/16 amounting to £24m. This will apply to both its regional housing and landlord divisions. The £14m subsidy to the landlord functions will be removed and it has yet to be determined how this cut will be addressed by the NIHE.

The regional authority part of the NIHE will therefore sustain cuts of £11m. This represents funding for around 100 posts.

In addition, it should also be noted that the NIHE has already bid for funding (c£11m) for a voluntary exit scheme as part of its ‘Journey to Excellence’ programme. This sits outside the proposed spending and savings plan but it would provide the early release of funding for up to 300 posts.

As with the SSA it is expected that customer service levels will be impacted and potentially result in delays in processing housing benefit claims. This could adversely impact on payments to customers and ultimately landlords. Application processes for grants may also take longer with consequent impacts on individuals and organisations e.g. housing associations.

- Child Maintenance Service (CMS)

The aim is to protect the CMS budget but it should be noted that the ongoing CMS reform programme is expected to lead to 9% savings which will be retained and deployed to cover the cost of the new system.

- Urban Regeneration

The key issue here for the Committee is the proposed reduction of up to £3m in the Neighbourhood Renewal Programme, which the Committee believes will have a significant impact on initiatives to address social and economic inequalities that characterise the most deprived areas.

Given the level of efficiencies required this will mean a reduction in the budget transferable to councils in respect of urban regeneration and community development.

The Committee notes that efficiencies will also be sought from the support currently given to volunteering and community-based organisations and that priority will be given to support the sustainability of the sector through, for example, support for Social Enterprises.

It is expected that there will a reduction of 145 posts as preparation proceeds for the transfer of functions by April 2016.

- Core Department

The core departmental cost is set to reduce by 8%. It is anticipated that around 75 posts will be lost.

4(i). Specific Initiatives – Capital

- Ring-fenced

The capital budget is approximately £216m. However, some initiatives have been ring-fenced, i.e. certain contractual arrangements, crisis loans, TBUC and Jobs and Benefits Office accommodation – in total £47m. This leaves £157m for other priorities (assuming capital receipts of £97m).

- Social housing

While the bulk of the £157m is targeted for social housing new build and land purchase, it is clear that it will only provide 1500 new starts in 2015/16 rather than the current target of 2000. The Committee recognises that the Department intends to bid for additional resources to meet the current target but it has concerns that these resources simply will not be available given the current financial position of the Executive.

- Co-ownership

The Committee acknowledges the benefits of the co-ownership programme including the economic benefits and therefore recognises the provision of £10m which will fund the provision of 330 homes.

The Committee would strongly encourage the Department's proposal to investigate the possible use of Financial Transactions Capital to supplement the funding of this programme into the future.

- Fuel Poverty/Disabled Adaptations

The Committee welcomes the maintenance of the budget for Affordable Warmth (£16.5m) and grants for disabled adaptations (£6m).

- Renovation grants

The Committee recognises that establishing priorities within the constraints of the current spending and savings plans means that the budget for renovation grants for privately owned dwellings will be reduced from £13m to £10m in 2015/16.

- Building Successful Communities pilots

This housing-led regeneration project is at the master-planning state and £3m has been allocated for capital investment in 2015/16.

- Vesting and other programmes

£1.9m for 2015/16

- Public realm projects (urban capital)

It is proposed to reduce spending on public realm projects from £33m in 2014/15 to £25m in 2015/16 (£13.5m obtained via monitoring rounds in 14/15 expected to offset potential impact of reduction).

5. Conclusions and Recommendations

(i). The Committee agrees with the Minister's four priorities which have guided where the savings should be made in order to protect services as far as possible. In particular, the Committee believes that the Social Fund and the Supporting People programmes play a central role in supporting the most vulnerable in society. The Committee therefore supports the Department's view that the Social Fund and Supporting People budgets should be protected.

(ii). The Committee agrees that the Department's settlement does not reflect the contribution that the Department makes to the Programme for Government across a wide range of issues to tackle disadvantage. It also notes that the additional allocation of 2.3% (£15.1m) was the lowest provided to any department. This is compounded by the fact that when ring-fenced monies and contractual obligations are taken into account the Department will have to reduce expenditure by 16%. **The Committee therefore calls on the DFP Minister to review the level of allocation to the Department to ensure that the Department can effectively tackle disadvantage.**

(iii). The Committee notes that the Department, within the constraints of the budget, aims to provide an 'acceptable' level of service in discharging its statutory responsibilities. However, the Committee notes that the spending and saving plan provided by the Department advises that some services in SSA will be affected. **The Committee believes that a comprehensive impact assessment should be carried out to ascertain the full impact on service delivery across all areas affected by the cuts once the final budgetary position is agreed.**

(iv). The Committee notes that the Department provides funding to other Departments and that it has indicated that it may have to withhold this funding. The Committee believes that the Department *should* withhold this funding until it has completed its assessment of the impact of the proposed cuts on its service provision. **The Committee believes that any funding that originates from DSD should be retained within DSD unless there is a clear impact for other Departments in tackling disadvantage.**

(v). The Committee acknowledges that all spending areas, other than those that are ring-fenced, have been assessed for potential savings and proposals made accordingly. However, the Committee believes that the Neighbourhood Renewal Programme and Ilex are key to help address social and economic inequalities which characterise the most deprived areas. **The Committee believes that a combination of an increased level of allocation (as noted above) and greater savings on administration costs should be provided to address the proposed cuts in these areas**.

(vi). The Committee notes the substantial job losses within the Department and associated agencies. The Committee notes that the final figure for loss of staff *in-post* will only be determined following a final agreement on the spending plans. **The Committee believes that all other options for budget reduction should be considered in order to minimise job losses**.

(vii). The Department aims to withdraw the £14m funding it provides for NIHE landlord services. The Committee heard that the NIHE could address this cut through improved efficiencies, reduced services or higher rents for NIHE tenants. The Committee understand that options are currently being considered by the NIHE. **The Committee will engage with the NIHE on any proposed action but it encourages the NIHE to minimise the impact of this cut on its tenants.**

(viii). The Committee notes that a further £11m is required from the regional housing authority part of the NIHE. Again there is no information on how this is to be achieved but the indications are that this may result in a reduction of over 100 posts.

(ix). The Committee notes that the NIHE has requested a voluntary release scheme for up to 300 staff which will save around £11m. **The Committee recommends that the DFP Minister approve this bid**, but it also recognises that this will not be sufficient to deal with the 400+ job losses expected. **The Committee urges the NIHE to bring forward proposals on how it intends to deal with the proposed reduction in its regional housing section**.

(xi). A key priority for the Committee is to ensure that a maximum number of social homes are built. The Committee accepts that the allocated funds of £95m for social houses is comparable to 14/15 but it also notes that due to increased land prices etc. this will only provide 1500 homes rather than the current target of 2000. The Committee is concerned that while the Department indicates that it will bid for additional resources in order to deliver this target, the money required may not be available in future monitoring rounds given the financial problems faced by the Executive. **The Committee urges the Department to consider innovative ways of obtaining funds to ensure the target for social home new build is reached and would refer the Department to the recent announcement by the UK government regarding assistance it received from the European Investment Bank to build social homes in Bicester and Barnet.**

(xii). The Committee is supportive of co-ownership and recognises that the £10m allocated to this programme will support the construction industry and produce 330 new homes for purchase. **The Committee also welcomes and encourages the Department's intention to explore whether Financial Transactions Capital could be used to finance this programme.**

(xiii). The Committee is encouraged that funding for disabled adaptations and action to address fuel poverty is maintained at broadly comparable levels with 14/15.

(xiv). The Committee notes the housing-led regeneration initiatives under Building Successful Communities pilots are at the master planning stage and £3m has been allocated for necessary capital investment. **The Committee will engage with the Department to ascertain the progress made to date, what the £3m will be allocated for and what value-for-money assessment is planned for these pilots.**

(xv). The Committee is concerned that capital expenditure is dependent, at least in part, on capital receipts, estimated at £97.1m. It is noted that should these receipts not be generated in 2015/16 then expenditure would have to be curtailed.

(xvi). The Committee believes that, particularly in an era of austerity, all avenues of potential funding should be explored by the Department. **The Committee believes that the Department must allocate resources to establish potential sources of funding applicable to programmes within its remit, including all relevant sources of EU funding and work with other departments and stakeholders to maximise the drawdown of this funding.**