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CLERK TO COMMITTEE FOR SOCIAL DEVELOPMENT

Mr Peter McCallion
Room 412
Parliament Buildings
BELFAST
BT4 3XX

6 April 2011

Dear *Peter*

RE: UPDATE TO SOCIAL DEVELOPMENT COMMITTEE ON ISSUE RAISED AFTER THE COMMITTEE MEETING ON 10 MARCH

1. Following the above meeting, your letter to the Department's Assembly Liaison Officer on 15 March sought further information for the Committee. This is set out below.
2. ***Warm Homes***

£15/£15.5/£16/£16.5 million has been allocated to Warm Homes across the budget period. £12 million will be spent on the Warm Homes Scheme in 2010-2011 and the Public Service Agreement target to assist 9,000 vulnerable households will be met and may be surpassed. The agreed budget allocation will allow the Warm Homes Scheme Managers to assist more vulnerable householders to improve the energy efficiency of their homes. This is an increase of 25% in year one and 35% in year 4. At the same time, the Housing Executive has been advised that fuel poverty and energy efficiency measures

should be a priority within their maintenance investment plan and when this expenditure is added to the Warm Homes budget there will be around of £35 million spent in 2011-12 on fuel poverty interventions. The NIHE has been advised that £20 million in year is spent on these measures over each of the 4 years of the Budget period.

The Department will also continue to look at other mechanisms to tackle fuel poverty including brokering with the oil importers and energy suppliers to get the best deal possible for Housing Executive and Housing Association tenants, as detailed in the recent Warm Homes Strategy.

Supporting People

The Supporting People budget allocation will be protected from spending cuts over the next 4 years. Bamford funding will be used to fund supported housing to accommodate the top priority schemes in the joint DHSSPS/DSD Comprehensive Needs Assessment. These schemes relate to the resettlement of long-term residents in nursing or residential homes into specially adapted accommodation at community level. Overall funding details are set out in the following table.

Supporting People Funding

	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m
Supporting People Funding	63.9	63.9	63.9	63.9
Bamford Funding	1.3	4.5	11.7	16.7
Total	65.2	68.4	75.6	80.6

Neighbourhood Renewal funding

The confirmed funding over the Budget 2010 period is set out in the table below.

	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m
NR Funding (capital)	6.2	6.0	8.0	8.0
NR Funding (resource)	20.0	20.0	20.0	20.0
Total	26.2	26.0	28.0	28.0

Main Changes from original proposals

In order to ease the impact of the 40% reduction in capital budgets, the Department has reclassified funds from current to capital in 2011-12, 2012-13, and 2013-14, £11.3m, £6.5m and £5.6m respectively. This means an additional £2m for Warm Homes schemes in 2011-12; £8.3m, £5.5m and £5.6m for the New Build programme in 2011-12, 2012-13 and 2013-14 respectively, and £1m for the Social Security Agency in 2011-12 and 2012-13.

Royal Exchange & Private Sector investment

3. The £70m budget for Royal Exchange was allocated in 2013-14 of the draft budget proposals but was removed from the final budget. The £70 million is required for potential land assembly costs and will ultimately be fully funded by the developer. The Department is considering the implications for Royal Exchange arising from the final budget. The project remains an essential element of Belfast and Northern Ireland's regeneration, and therefore a key project that we remain fully committed to. The message cannot be that Belfast is 'closed for business'. Major city centre schemes, such as Royal Exchange, take time to bring to completion due to the complexity of their planning and development, which has been further complicated due to the downturn in the retail sector. DSD is satisfied that Royal Exchange can be brought forward within a timescale that will meet the need for additional retail capacity and market demand for a second major scheme in Belfast city centre. The Department's target in relation to the ratio of public to private sector investment in Urban Regeneration schemes is 1:3.

Peace III Projects

4. The 10 Peace III projects progressing over the next 4 years, complete with a brief description of each, are as follows:

Project	Description
Oasis (Omagh)	Reclamation of contested, segregated and previously inaccessible former military land in Omagh through the development of interlinked, looped walks and cycle trails
Skainos (East Belfast)	Skainos will create an urban village in East Belfast.
Peace Bridge (Derry)	Construction a new iconic foot and cycle bridge acting as a catalyst for change, joining the city physically, promoting interaction and engagement among communities
Glen Community Complex Redevelopment (West Belfast)	Provision a “Fit for Purpose” community facility that will enhance the creation of shared space at the Lenadoon/Suffolk sectarian interface
Skate park (North Belfast)	Construction of a high quality and purpose built skate park under the M3 flyover which will create a shared public space for urban sport enthusiasts.
Small Wonders Childcare (Shankill)	Project designed to provide a social economy childcare unit with space for over 20 children at 17 Morpeth Street, Belfast.
Restoration of the SS Nomadic (Belfast)	Restoration the SS Nomadic and to create a shared space for events, exhibitions and educational activities within Belfast.
Clones/Erne East community sports partnership	Development of an iconic and flagship-sporting project for the benefit of the Clones and Erne East areas
Castle Saunderson All-Ireland scouting jamboree centre (Cavan)	Development of part of Castle Saunderson estate which straddles the border between Co Fermanagh and Co Monaghan into an all Ireland permanent jamboree site
Termon Project, Pettigo/ Tullyhermon (Donegal)	Provision of new iconic and flagship shared public spaces including community facilities and targeted community intervention projects

Funding for these Projects included in the Department's baseline over the next 4 years amounts to around £8.5m in total. This represents the 25% "match funding" element of costs, with the remaining 75% being met (matched) by the EU.

Housing Associations' Contribution to Social Housing Programme

5. The Department has, through the Northern Ireland Federation of Housing Associations, approached every Housing Association to establish exactly what might be available by way of reserves. A sum of £44.4m has been identified over the four year budget period, by requiring Housing Associations to lever in additional private finance, to make early redemptions of outstanding loans and to self-fund adaptations to a specific level.

6. The caveat on the above is that there is a need to significantly reform the Housing Association system to make the Associations fit for the future and the numbers of Housing Associations may be reduced from the current thirty three to between ten and fifteen. This will have a knock on effect around the financial standing of those Housing Associations which remain and will have implications for the future of their reserves. The table below shows the savings on an annual basis which are hoped to be achievable albeit with the caveat that reform may make the exact amount of savings somewhat uncertain to predict.

	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m	Total £m
Increased Private Finance (HA Grant reductions)	4.4	6.5	9.3	14.7	34.9
Capital Repayments (from Internal Resources)	6.0	2.4	(0.5)	(0.4)	7.5
Self-Funding of Adaptations	0.5	0.5	0.5	0.5	2.0
Annual Totals	10.9	9.4	9.3	14.8	44.4

Housing Executive expenditure & staffing

7. The Housing Executive is still in the process of developing its business plan to determine the full effects of the budget allocations and the approved increase in rents. It is not possible to be definitive about its expenditure and staffing profiles at this stage, though this matter remains under continued consideration by the Minister.

Summary of consultation responses

8. A summary of the nature and number of responses to the Department's consultation on the draft budget is included at Annex A.

Community Investment Fund contract arrangements

9. The Department's Voluntary & Community Unit is not yet in a position to confirm contract arrangements and budget allocations for 2011-12 and beyond, although it is expected that these will be finalised in the very near future. In the meantime, the Unit has taken every possible step to complete appraisals and other assessment work in order that we might communicate budget decisions at the earliest possible opportunity, recognising that delays can create uncertainty for the organisations concerned.

Conclusion

10. I trust the above provides the Committee with all the information required.

Yours sincerely

A handwritten signature in blue ink that reads "Stephen McMurray". The signature is written in a cursive, slightly slanted style.

STEPHEN McMURRAY

SUMMARY OF RESPONSES TO DEPARTMENTAL CONSULTATION

DEPARTMENT FOR SOCIAL DEVELOPMENT, BUDGET 2010

Key Issue	No. of responses	Departmental Assessment
<u>GENERAL</u>		
Departments should work more collaboratively (various examples cited)	18	Tackling disadvantage and building sustainable communities involves a partnership approach and this Department works collaboratively across Government
Department for Social Development should look internally for savings instead of cutting 3 rd parties.	1	Savings are being sourced from within the Department and its Non-Departmental Public Bodies as well as third parties
No budget references to childcare (childcare prevents return to work)	6	Department will seek to maintain same level of childcare provision in anticipation of Executive childcare strategy
Needs to be a substantive Equality Impact Assessment of budget proposals	7	High level impact assessments have been carried out for all Savings Delivery Proposals
Staffing cuts could impact negatively on delivery of services	3	The Department has no current plans to reduce staffing levels

Key Issue	No. of responses	Departmental Assessment
Social Protection Fund should be administered by Department for Social Development rather than Office of the First Minister and deputy First Minister/ more Department for Social Development involvement in fund	7	This will have to be an Executive decision.
<u>HOUSING</u>		
An impact analysis should be carried out on rent increases	7	An impact analysis is carried out during annual reviews of Rent
Rents should be increased	4	Rents have increased by 3.75% from 4 April 2011 and are reviewed on an annual basis
Not appropriate / clarification needed on use of £20m per year from Housing Associations to supplement Social Housing Development Programme	13	Agreed. The appropriate means for utilising Housing Association assets and reserves to supplement the new build programme are being assessed
Reservations on relying on house and land sale receipts to fund Social Housing Development Programme	8	Budget 2010 receipts budgets have been set at more realistic levels and are not being relied on to fund Social Housing Development Programme
Not all Warm Homes money has been allocated to the scheme for the next 4 years.	5	Warm Home programme funding has been maintained and increased over the 4 years
Any reduction in Warm Homes would be a backward step	6	Agreed but this is not the case
Has noted that Department of Health Social Services and Public	8	Bamford is a DHSSPS agenda – any questions on their support for the programme should be addressed to them.

Key Issue	No. of responses	Departmental Assessment
Safety has not indicated support for Bamford		DSD will be working with DHSSPS to deliver the maximum new supported housing from the available budget
More efficiencies could be realised in regard to management and administration (Housing)(NI Housing Executive & Housing Associations)	3	Efficiencies have been applied to all funding areas
Need to seek alternate sources of investment funding for housing	2	Work is already underway to assess alternative funding for new social housing
Warm Homes should be means tested.	1	It is already means tested
Questions whether savings to be made through admin expenditure are realistic (also rent increases)	3	All cuts put forward have been well thought through and are considered to be achievable
Need to maintain capital funding for social housing (highlights that housing brings both economic and social benefits)	21	More money has been diverted to this area from internal Departmental budgets
Merger of Housing Associations could provide more savings	1	Agreed and being explored further
Living standards of social housing tenants may suffer	2	We do not expect any deterioration in living standards from the proposed allocations
Should not reduce social housing stock through sales	2	Further consideration of this matter has already been started
Allow NI Housing Executive to draw down private finance against its stock to reduce cuts	1	This matter has previously been explored and discounted under the current structure. A fundamental review of the Housing Executive is ongoing and will recommend the most appropriate structure for the Housing Executive going forward

Key Issue	No. of responses	Departmental Assessment
Surplus land should be sold and allocated to Social Housing Development Programme	2	This is already the case with significant land already being marketed for sale or allocated for new social housing development
Does budget allow adequate support of those in Private Rented Sector? (regulation)	4	Currently progressing legislation which will provide more support for private rented sector
Private sector Grant spend should be maintained at current levels	1	Historic level of funding for private sector grants is not feasible within the Department's budget allocation.
Need to fundamentally review how social housing is provided over next 25 yrs	1	Noted – Fundamental review of the Housing Executive is ongoing and will influence future of social housing
Concern about reduction in Housing Maintenance Funding	4	Savills Report findings are being used to develop a detailed maintenance investment strategy to maintain houses to Decent Homes plus standard
Important to introduce developer contributions/ look for other sources of funding	2	Being pursued at present and awaiting agreement from the Environment Minister. A number of alternative funding options have been considered and where appropriate are being progressed
Would be worth exploring buying land now at a time of low prices and banking it for the future	1	Noted but not possible with allocated funding
Enable private developers to compete for Social Housing Grant/ Housing Association Grant	2	Noted. Already being considered as part of sourcing alternative funding options
Proposed Changes to Housing Benefit will have an adverse impact on the vulnerable	5	Changes in respect of Housing Benefit are governed by the existing 'Parity' arrangements for Social Security benefits between Northern Ireland and Great Britain i.e.

Key Issue	No. of responses	Departmental Assessment
		Northern Ireland's Social Security benefits are met from the Treasury allocation (Annually Managed Expenditure) provided benefits are paid at the same rates & under the same conditionality here as in the rest of the United Kingdom.
Require Housing Associations to use resources for mortgage rescue and equity sharing	1	Equity sharing is not viable without subsidy and associations will be required to devote all resources to supplementing new build programme
Try and recover efficiency savings (low rent rises) made against Annually Managed Expenditure spend from Treasury on basis of equity.	1	Efficiency savings are required to be found within the Department's Departmental Expenditure Limit budget. The application of lower rent increases leading to a reduction in Housing Benefit Requirements cannot be regarded as an efficiency saving
More money should be available for modifying homes for disability	1	Appropriate level of funding has already been allocated
Establish taskforce to stimulate supply of private homes for sale / rent	1	Not considered a priority for DSD
Green New Deal money should be given to Department for Social Development and used for warm homes and by Housing Associations/ Need to fully commit to Green New Deal in final document	3	DSD chairs the Green New Deal Steering Committee and is considering the business case for the proposal. Warm Homes is already fully funded and Green New Deal is outside its remit. Executive Decision to fully commit to scheme
Suggest that govt should underwrite first 20% of mortgage to encourage confidence in housing market	1	Not an option under Government accounting rules and not affordable

Key Issue	No. of responses	Departmental Assessment
Need to ensure continued support for those in need (particularly with mental health problems) and need to continue with Supporting People	11	Noted and agreed. Supporting People budget has been protected and increased to fund the revenue consequences of additional supported housing
Mutualisation of NI Housing Executive should be considered as a revenue raising option	1	Fundamental review of the Housing Executive underway which will consider all alternatives
<p><u>URBAN REGENERATION</u></p> <p>Capital funding should be re prioritised to support city of culture and Ilex regeneration plan.</p>	3	Noted - £10m of capital funding has been earmarked for City of Culture with a further £2m in revenue
Need to provide continued support to voluntary sector (which provides services to vulnerable groups)	7	Noted
Budget should allow provision of longer term Neighbourhood Renewal funding to enable strategic approach to tackling disadvantage	1	<p>Funding for up to the entire budget period is being made available</p> <p>Four year contracts will be awarded to projects which can demonstrate that they are taking a strategic approach</p>
Need to give special consideration to addressing disparities in North West.	2	Neighbourhood Renewal funding will continue to be targeted at the most deprived areas in the North West. The disparities which exist in Neighbourhood Renewal areas are common across all 36 areas

Key Issue	No. of responses	Departmental Assessment
Neighbourhood Renewal funding should be maintained/ increased - 10% cuts will impact on small groups (irrespective of Minister)	5	Funding is being maintained and may be increased. No universal 10% cut is being applied.
The Urban Capital Budget should be maintained and various Urban Schemes should be specifically protected/ highlighted in budget	6	Noted
Concerned that information and advice services for various groups may not be adequately supported	3	Currently under consideration through developing advice strategy
Must consider ability to deliver urban regeneration/ masterplans	1	Noted - All of our recent consultancy contracts for masterplanning have included as a specific task the need to look at and propose viable delivery and funding models. As such, this issue is already addressed early in the planning process.
<u>SOCIAL SECURITY AGENCY</u>		
Concerned about proposals to reduce benefit uptake activity	9	The Social Security Agency has no plans to reduce benefit uptake activity
Need to protect vulnerable groups from impact of Welfare Reform	19	Agreed
More money is required to implement Welfare reform	1	The full costs of Welfare Reform are not yet known. Identified costs were requested through the bidding process and not all were met. However, the Department

Key Issue	No. of responses	Departmental Assessment
		received a 'Department for Work Pensions read across' budget allocation
Consideration needs to be given to providing additional support to cover mortgage interest	1	Noted
Concerned that there is no increase in Child Maintenance and Enforcement Division & Social Security Agency spending given increased work	1	Frontline service delivery resource needs have been prioritised within the Departments budget allocation
Important to capture savings from fraud work and re-invest	2	Any savings from Fraud Activity will be AME-related and not available to NI for re-investment under current budgeting process
<u>Child Maintenance & Enforcement</u>		
Cuts in Child Maintenance recovery will block women in poverty	1	No plans to reduce levels of recovery – baseline increased.
Concerned that there is no increase in Child Maintenance and Enforcement Division & Social Security Agency spending given increased work	1	Have increased baselines.