Northern Ireland Assembly

Committee for Social Development

OFFICIAL REPORT (Hansard)

June Monitoring Round: DSD Briefing

24 May 2012

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:
Mr Mickey Brady (Deputy Chairperson)
Ms Paula Bradley
Ms Pam Brown
Mr Michael Copeland
Mr Mark Durkan
Mr Alex Easton
Mr David McClarty

Witnesses:

Ms Heather Cousins	Department for Social Development
Mr Stephen McMurray	Department for Social Development

The Deputy Chairperson: We have with us Heather Cousins and Stephen McMurray. Welcome to the meeting. Yesterday, the Committee received correspondence from the Finance Committee regarding the Budget (No. 2) Bill. For members' reference, this is in the tabled items folder. There is an issue regarding Excess Votes by the Department in 2010-11. I will ask you to address this matter after the briefing, if that is OK. Would you brief us on the June monitoring round now please?

Ms Heather Cousins (Department for Social Development): Thank you very much. Good morning, everyone. The Department's monitoring round proposals are due to be returned to the Department of Finance and Personnel by 6 June, and because of the public holidays in June, we have to have our proposals finalised by Friday 1 June. I apologise for the lateness of the paper, but we wanted to give you time to consider it before next Friday.

The June monitoring round presents the first opportunity for the Department to make bids, surrenders and reallocations. It comes very early in the financial year, and in certain areas we do not know the full financial position for the full year; for example, the potential shortfall in budgeted receipts. We know that there will be a shortfall, but we do not know the extent of it at this stage.

Overall, we are looking to make one bid in line with our alleviating fuel poverty target; one surrender in respect of non-cash items, which is in relation to technical accounting issues; and the reallocation of some funds from resource to capital on our urban regeneration side. So, there are three points to our proposals.

I will take each point in turn. The first is the fuel poverty bid. In the draft Budget statement in December 2011, the Finance Minister announced that £4 million a year over three years from 2012-13 would be set aside for the green new deal proposals, subject to the approval of an appropriate economic appraisal. The Department of Finance and Personnel has just approved the Department for

Social Development's preferred option, which is based around a proposal to replace oil boilers over 15 years old with new oil or gas boilers, or, in certain cases, with renewable-energy boilers. The approval of the business case and the expected release of funding in the monitoring round will allow work to start on the scheme as soon as possible. As a result, we are making a bid for £4 million.

On the surrender side, the Social Security Agency has identified reduced non-cash requirements of £5 million. This is due to changes associated with international financial reporting standards (IFRS). It is a technical issue; it is about the treatment of depreciation and asset valuations, particularly on IT assets. The funds are non-cash, which means that they cannot be used against any other cash pressures.

The last area relates to the urban group. We are trying to reallocate money from resource to capital to help address pressures arising again from an anticipated shortfall of around £4 million in capital receipts. We want to reclassify £2·3 million from resource to capital. That resource funding has been made available through very careful management of various site maintenance budgets, and we hope to use the reclassified money to fund a range of public realm projects; for example, those in Newry, Dungannon, Lisburn and Bangor, some of which have commenced.

This has been a very brief summary of the proposals for the June monitoring round. As I said, it is very early in the financial year, and those are the initial views of where we are at this point. We have other pressures emerging from various budgets, such as the continuing shortfall in housing receipts and pressure on housing benefit administration costs, but we are not yet in a position to make definitive bids or surrenders in those areas. We intend to monitor them closely over the coming months and keep the Committee informed. We will return to them at the next monitoring round.

I am happy to clarify any points of detail or answer any questions that the Committee may have on the June monitoring round position.

The Deputy Chairperson: Thank you very much, Heather. I have a couple of questions before I invite members to ask theirs. The letter indicates that the preferred option is to support boiler replacement over several options including green new deal. Do you have any idea how many boilers you expect to replace over the three-year period? Will it be restricted to gas and oil boilers, or will wood-pellet boilers be included?

Ms Cousins: Yes, wood-pellet boilers are included. This is the replacement of old boilers, and they can be either gas, oil or wood-pellet boilers. The scheme is open and flexible in that way. I am not sure how many boilers we will replace over the three-year period, but if you think back to our initial boiler-replacement scheme where we replaced 1,300 boilers with the moneys that were available then, we will be able to multiply that up to see what it would be.

The economic appraisal was comprehensive in looking at the green new deal proposals and at this one as an alternative. Due to the very high risk factors associated with the green new deal proposals, particularly around private finance and loans, when we weighed all of that up, and the economists looked at it, the boiler replacement scheme came out as the preferred option. We have communicated this to the Green New Deal Group.

The Deputy Chairperson: I suppose it is fair to suggest that wood-pellet boilers are a relatively new concept, so if boilers are being replaced because of age-related problems, there would not be too many of them.

Ms Cousins: No. It will be more a case of replacing an oil or a gas boiler with a new wood-pellet boiler, rather than replacing wood-pellet boilers, as you say.

The Deputy Chairperson: I suppose that 70% of heating is oil fired. In the 1970s and 1980s, people were encouraged to go for that option.

I have one other question before I bring in members. Paragraph 6 of your briefing paper states that accounting issues over the application of IFRS requirements continue to evolve. I know you mentioned that. What does it mean in real terms?

Ms Cousins: Previously, the Social Security Agency had to capitalise its IT spend, and that was depreciated. That depreciation is provided for in the budget. With the change to accounting standards, the Social Security Agency no longer has to capitalise those IT assets. Therefore, depreciation has been included that it does not require.

Mr Copeland: Perhaps, the Committee Clerk would get me a copy of the IFRS. I would like to have a browse through it. Are you content that the boiler replacement scheme can be brought into effect simply by replacing boilers? I ask this because, in many cases when you go to put in a new boiler, you find that the existing pipework does not permit you to do so, because of how the flows work in the systems. In such cases, you end up having to replace radiators, pipes and everything. Has any contingency been made for that?

A surprisingly large number of Housing Executive tenants, after they have accepted a property, find that the heating system was not installed by the Housing Executive. In some cases, they have difficulty having them serviced. In other words, a previous tenant has updated, upgraded or altered the heating system. Will the boiler replacement scheme be limited to those who are in properties owned by the Housing Executive and which feature Housing Executive boilers? Will it take account of people who are in Housing Executive properties where boilers have been fitted by previous tenants and which may or may not conform to Housing Executive standards? There are more of them than you might think.

Ms Cousins: It is important to say that this scheme is for non-social housing. If someone has bought a Housing Executive property, they will be eligible for the scheme. It is the age of the boiler that is important. This is about replacing old boilers with more efficient boilers. The warm homes scheme, for example, has no facility to enable people to put money towards the whole system. With this scheme, however, the householder can contribute towards the replacement of radiators, if that is what they want; this scheme is not as inhibiting as the previous scheme. We can use the experience of the boiler replacement scheme that we had. Some people put additional money towards it in order to have some pipework done that was not required as part of the replacement, but which they felt would be beneficial. So, there is an option for top-up. As a matter of course, the boiler replacement scheme will not be replacing radiators.

Mr Copeland: Let me understand this. This is aimed at people in socially rented houses.

Ms Cousins: No. It is aimed at people in the private sector — in private rented or owner-occupied houses. The social sector has its own heating replacement schemes provided for already. This is to widen that out to ensure —

Mr Copeland: How much money is available for it?

Ms Cousins: The green new deal was £4 million a year for three years, and that is what we are bidding for. It is £12 million over three years.

The Deputy Chairperson: I want to follow up on what Michael said. Will the eligibility criteria be clearer this time? I have spoken to you in the past, because there was a lot of confusion over rate relief.

Ms Cousins: This is more open. This is for anyone who has an old boiler and wants to replace it. It is broader than the previous boiler replacement scheme, which was targeted at elderly people who were more at risk of fuel poverty.

The Deputy Chairperson: The scheme was unclear, because, sometimes, you had the same form for housing benefit/rate relief customers, when the scheme was only for people who were entitled to rate relief. On many occasions, that essentially meant those who were slightly better off than people who were on full housing benefit. I think that that is where the confusion lay.

Ms Cousins: I think we have learned lessons from some of the previous exercises. We will make sure that it is extremely clear.

The Deputy Chairperson: I am delighted to hear that; thank you.

Mr Copeland: I have one last question. Is this being done under the banner or standard of green new deal, or, is it a replacement for green new deal or a different use of the money?

Ms Cousins: It is not being done through the green new deal consortium, although we are still in conversation with the green new deal group. Its proposal was considered to be too high risk. This is an alternative to the green new deal. This is really just the start of the process. We are also working with councils on area-based approaches, and this is drawing in some of this money, hoping that we can attract funding from other places. It is really to get this started off.

Mr Copeland: I would welcome an area-based approach to a lot of this, and I am on the record as having said that.

Ms Cousins: The fuel poverty strategy did wish to move to more area-based approaches and to involve councils and partnerships in what is best for their area. That is the direction of travel.

The Deputy Chairperson: The request to reclassify £2·3 million from resource to capital due to a shortfall of around £4 million in capital receipts would still leave a shortfall in funding of around £1·7 million. How will that be addressed, and will it put other public realm projects in jeopardy?

Ms Cousins: As I said, this is a very early stage in the year, so there may be other places where we can successfully manage expenditure. These were the urgent ones, where the public realm schemes have started. Others may not start until towards the end of the year, so this all needs to be very carefully managed.

The Deputy Chairperson: The one in Newry is nearing completion, thankfully. There has been a fair amount of disruption, but it is starting to take shape. Has it been determined what impact the proposed transfer of £0·4 million from Ilex to DCAL will have on the Ilex plans?

Mr Stephen McMurray (Department for Social Development): That was a technical transfer. The money has come to us in the first place, and we are just transferring it over to DCAL. That was the original amount of the budget that Ilex was allocated, so it should not affect its plans in any way.

The Deputy Chairperson: As I mentioned at the beginning of the meeting, will you address the issue of the Department exceeding the provisions as voted by the Assembly in the spring Supplementary Estimates for 2010-11 and the Budget Act 2011? I think that the excess is £10·2 million. Members can find correspondence on this issue in their tabled items folder. Can you provide detail on this and the reasons for the overspend?

Ms Cousins: Following on from the letter that you are looking at, a Public Accounts Committee report looked at the issue very clearly and said that it was due to timing issues in relation to being able to use the money in the Northern Ireland block, rather than lose it. The Department said that it could spend this money. We were very transparent about the fact that it would lead to an overspend. It all went through the Executive and the Assembly, but it was too late to get it into the spring Supplementary Estimates. That is why it was an Excess Vote. It was not the Department attempting to flout any rules in any way, and that is mentioned in the PAC report.

The Deputy Chairperson: On behalf of the Committee, thank you for attending.