



Northern Ireland
Assembly

Committee for Social Development

OFFICIAL REPORT (Hansard)

January Monitoring Round: DSD Briefing

13 December 2012

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Mr Alex Maskey (Chairperson)
Mr Mickey Brady (Deputy Chairperson)
Ms Paula Bradley
Ms Pam Brown
Mrs Judith Cochrane
Mr Michael Copeland
Mr Mark Durkan
Mr David McClarty

Witnesses:

Mr Stephen McMurray Department for Social Development

The Chairperson: I formally welcome you, Stephen. I advise members that a briefing paper from the Department for Social Development on the January monitoring round is in the papers. If you are content, Stephen, will you please outline to the Committee any issues that you have?

Mr Stephen McMurray (Department for Social Development): Good morning, Chairman and members. Thank you for the opportunity to discuss our Department's January 2013 monitoring round proposals. I apologise; I was to be joined today by Damien Carragher from our housing division, but he was taken sick this morning, so he cannot make it, and Heather had not planned to come because she had an important meeting with the Department for Work and Pensions (DWP). Hopefully, I can cover any housing issues that Damien was going to cover.

The Department's January 2013 monitoring round proposals are due to be returned to the Department of Finance and Personnel (DFP) by 3 January 2013. I forwarded a brief to the Committee last Friday, and there are no major changes to that. As always, it should be stressed that the monitoring round process is such that figures can, and do, change until the final submission is made to DFP, and the proposals that I am presenting now represent an up-to-date assessment of those requirements.

Details of the proposals were summarised in my brief. If members have a copy of that to hand, I will go over the key points.

On the housing side, we have an easement of £7 million. At this point, an overall £7 million reduced requirement has been identified on the housing side. That is made up of £1 million from the special purchase of evacuated dwellings (SPED) category, £2.5 million from the deferral of a voluntary staffing early release scheme in the Housing Executive, and £3.5 million from additional efficiencies that were achieved in the Northern Ireland Housing Executive.

The SPED surplus position arises from sales exceeding the budget figure by £1 million and must be surrendered in line with accounting rules for extra receipts. The staffing early release scheme, which was originally intended for this year at a projected cost of £2.5 million, has been deferred. That is because of the level of governance and changed requirements in the Housing Executive in such areas as housing benefit administration, rent arrears and welfare reform preparation. Staffing pressures are associated with those activities, so it does not make any sense to have the staff early release scheme kick in. The other easement amounting to £3.5 million stems from the Housing Executive's having generated substantial efficiencies through its maintenance procurements this year.

On the social security side, the agency has identified reduced requirements of approximately £9 million in the monitoring round. Some £7 million of those easements stem primarily from the confirmation of reduced IT costs payable to DWP for systems development work. Another £4.5 million related to fraud and error IT systems work that is not required and the treatment of previous VAT payments that have now been recently agreed. That has meant that £2.5 million has come back in.

Easements in other areas include lower than forecast charges on the medical support services contract, higher staff turnover, higher vacancy levels and lower appeal tribunal costs than expected. That makes up an overall balance of £2 million.

On the urban group side, there is an easement of £0.5 million on the resource side. Easements come from additional income that was received under comprehensive development schemes in-year, which has to be surrendered in line with the new accounting treatment for it. It also comes from reduced actual spend on some neighbourhood renewal projects, which amounts to £300,000. There are no particularly large amounts in that sum, as it is spread over a number of neighbourhood renewal projects, with an average of about £20,000 across each. However, it represents a small amount in the overall £26 million for neighbourhood renewal.

On the core Department side, we have an easement in that the independent living fund is lower than anticipated. That is tied into claimant attrition rates being higher than anticipated, since the fund has been closed to new applicants since June 2011.

It is anticipated that there will be an easement of around £0.5 million in this monitoring round in the child maintenance and enforcement division. That is down to a combination of reduced staff costs arising from recruitment delays and deferrals, as well as lower IT, legal and facilities management costs.

On the non-cash side, we have an easement of £0.25 million. That comes from the Social Security Agency. It relates to non-cash items, such as the depreciation and impairment of assets. It is not an amount that we can use for any cash activities, so it has to be surrendered.

I have taken you through a very brief summary of those proposals, and I am happy to take any specific questions on them.

The Chairperson: I will ask you two questions before I open the floor to members. Have any of the easements that you referred to in SPED and some of the other non-cash costs been surrendered or retained in the Department in case they might be needed? Will any of the underspends, which, if I have calculated it right, amount to approximately £18 million, be bid for again in the Department?

Mr McMurray: On the SPED side, we have to surrender those because of the way that the accounting rules work. We are not allowed to keep them. Similarly, we have to pass the other extra receipts back.

A very significant proportion of what happens with the overall £18 million has been outside our control. For example, the DWP contracts and the VAT situation are crystallising. Of that, only £2 million or £3 million is within our immediate control. As a percentage of our overall £1 billion budget, that is very small. The way that the accounting rules work is that we are not allowed to overspend in any shape or form, so there is always a small underspend. If we keep it down to that level, it represents a good achievement.

The Chairperson: Is there a possibility of reclaiming any of that for projects?

Mr McMurray: We could. We looked at that, but it was coming very late in the year. We are pushing to spend in other areas, so we do not see any possibility of using that money in the few months that are left. There are no bids on the table.

The Chairperson: I presume that, at some point, you will want to carry out projects that were not done and rebid for any money that you have handed back for those projects.

Mr McMurray: Yes. Most of them are one-off type projects, such as the DWP contract. It came in cheaper than expected. For example, there were the £3.5 million efficiency savings in the Housing Executive. It was able to deliver everything, so it has achieved that extra money and those extra receipts. None of our targets or things that we are trying to do will be missed because of the moneys going back.

The Chairperson: That is encouraging.

Mr Brady: Thank you, Stephen. You mentioned the revised variable charges on the ATOS medical support services contract and appeals in that context. How did that come about?

Mr McMurray: The ATOS medical charges were more to do with a greater level of requirement.

Mr Brady: Are they paid on the numbers?

Mr McMurray: There are projected numbers, and they projected more than what went through.

Mr Brady: Is that because they have not been able to put those numbers through? Or is it because there are fewer? People are still being migrated from incapacity benefit to jobseeker's allowance, so, presumably, there is still a high percentage of people going through ATOS and then appealing. That has been my experience.

Mr McMurray: We had allowed for more money to go into appeals, but we had overestimated the amounts. We had put in another £1.5 million.

Mr Brady: Does that mean that the numbers for this financial year might be due to the fact that they have not been able to get through them, so there might be a backlog?

Mr McMurray: Yes, and there is a bit of a backlog at the minute.

Mr Brady: Presumably, the independent living fund will go down year by year, because it is to be abolished by 2015. Obviously, fewer and fewer people will be claiming. I presume that that is why there is an easement in that.

Mr McMurray: Yes, that is it. The Department of Health is taking forward the other new scheme.

Mr Brady: We do not know what is going to replace the fund.

Mr Campbell: I heard your explanation about the tribunals. Is it likely that the amount for that will be adjusted next year and year on year?

Mr McMurray: Yes, we are expecting a significant increase in appeals. At the minute, we are looking to see how we can fund that over future years. That will most certainly be a bid next year, because it will start to ramp up. We were expecting it to ramp up this year, but it has not gone up as much as we thought it would. There has been an increase, but not as much as we thought, so there will be a significant increase next year. In fact, it could be threefold.

Mr Campbell: I understood that. That is why I was surprised initially.

Mr Durkan: I am looking at the housing element. You have the overall £7 million, and I understand that SPED is separate and why it is separate. Within the £6 million, there is £3.5 million from efficiencies that have been realised through the procurement of maintenance contracts, for instance. Is there no way that the Housing Executive would be able to retain that for maintenance, given that it

is unable to carry out major renovations and is looking to transfer stock to housing associations for them to carry out those repairs?

Mr McMurray: It is my understanding that it could not take any more of its budget at this time of year and have it all done and spent by the end of March. If it could, it would.

Mr Durkan: That is on top of its underspend of £8 million in the previous monitoring round. That newbuild programme has subsequently gone to co-ownership. It is alarming that that amount of money is coming back and that the Housing Executive cannot or is not being enabled to —

The Chairperson: Is any further elaboration on that available, Stephen? I know that officials were with the Committee for the Office of the First Minister and deputy First Minister yesterday going through their monthly process of engaging with all budget holders and making sure that people are on top of their game in any project. They are making sure that there is not any unnecessary underspend. That is important.

Mr McMurray: The underspend is a wee bit different on this one, because these are efficiency savings. The Housing Executive is going to deliver what it said it would. It delivered it more cheaply than anticipated, and it will deliver all its targets. It is quite difficult to schedule this in at this time in the year. Contracts have been issued on certain things, and that takes time.

Mr Durkan: I am sure that the Housing Executive has major schemes for next year that it would be able to bring forward. I do not know how it could not.

Mr McMurray: That is my understanding. It looked at contracts to see what it could spend. I think that it has been able to spend more in other areas. This is just the rump of it, which it cannot spend.

Mr Durkan: I know, as, I am sure, will every member, of people sitting in streets and estates who have been waiting for years for new doors, kitchens or whatever, only to see money that cannot be spent on maintenance being handed back.

Mr McMurray: I can pass that back.

The Chairperson: I think that it is important. It may be to do with the process or it may be to do with the point that Mark is making. He would like to be satisfied that if there is an underspend, it is not a case of people not thinking well enough ahead and being prepared to bring schemes forward. Otherwise that money is lost.

I take the point that you are making that these easements are about efficiency savings. That is a good thing, on the face of it, but it means that a lot of other projects could be under way if the money were available.

Mr Durkan: I do not know whether it is a case of the Housing Executive's either not being able or not being allowed.

Mr McMurray: It would be allowed to bid if there were something over and above what it had planned to do already. I think the issue is one of practicality; it could not physically spend the money. You are always up against bidding at this time of year, getting money and not being able to spend it, because it could have gone to another Department that could have spent it.

The Chairperson: Further information on that would be helpful.

There are no more questions. Thank you very much, Stephen.