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Jack Layberry
Department of Finance and Personnel
Rathgael House
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3 January 2012

Dear Jack,

2011-2012 Public Expenditure – December 2011/January 2012 Monitoring

The purpose of this letter is to formally set out the Department's agreed position in relation to the final monitoring round of this financial year. The subsequent paragraphs detail one proposed Housing bid and reduced cash and non-cash requirements across all Departmental business areas – see the table at Section 6 for a summary of the composite figurework.

1. Background

- 1.1 Our return sets out one housing-related capital bid for £2m; reduced cash requirements totalling £4.19m; and a non-cash reduced requirement of £0.10m. The Housing bid relates to the previous partially met bid in October for the Housing Executive's thermal improvements programme. The reduced cash requirements relate to: project slippage and associated cost reductions in the **Urban Regeneration Group**; additional loan repayments and receipts in **Housing**; as well as reduced Independent Living Fund cost

projections in the **Core Department**. As in previous rounds, the reduced non-cash requirements reflect reduced depreciation / impairment charges.

2. Bids

Thermal improvements to NIHE stock - £2m capital bid

- 2.1 The Housing Executive is currently pursuing a capital improvement programme aimed at upgrading thermal efficiency in its stock. The programme is focussed on the delivery of double-glazing windows to those dwellings on a priority basis. The original 2011-12 agreed programme included an allocation of £2m, which was to upgrade glazing in Housing Executive properties. An additional allocation of £2m would permit the upgrading of a further 900 homes, mainly in multi-storey blocks. The unit cost of upgrading glazing in multi-storey premises is higher than those for single dwellings, due the additional operational safeguards necessary in high-rise accommodation. The recent ministerial announcement to ensure all Housing Executive stock is double-glazed by the end of 2014-15 has initiated a number of schemes that could be undertaken in the current 2011-12 period costing £2m.

3. Reduced requirements - £4.19m (cash)

- 3.1 Reduced requirements totalling £4.19m (resource & capital) have been identified across the main Business Areas as follows:

Urban Regeneration & Community Development

£1.56m admin/resource + £1.20m capital – stemming mainly from slippage across a range of projects and resulting in reduced costs, particularly in consultancy and maintenance.

Housing

£1.03m in Housing easements comprises **£0.16 in resource and £0.87m in capital**, with increased loan repayment receipts (interest and capital) accounting for £0.36m of the total. The balancing figure of £0.67m relates to the expected recovery of Housing Association Grant from the HELM Housing Association, following issues with their overall governance and financial control arrangements.

Core Department – Independent Living Fund

The **£0.4m in resource easements** identified arises from reduced expenditure projections for the Independent Living Fund. This is due to a reduction in ILF staffing and associated accommodation costs; claimant attrition rates being greater than anticipated and cost rises in funding packages being less than anticipated. Due to rising costs, the ILF was closed to new applicants from June 2011.

Reduced Non-Cash requirements

- 3.2 In the Core Department, reduced non-cash requirements of £0.10m have also been identified, stemming from reduced depreciation and impairment costs.

Proposed Reduction / Reallocation

- 1.3 Co-Ownership Housing Association has confirmed that although they initially received a significant level of interest in the First Time Buy initiative pilot, the number of applicants assessed as eligible and likely to apply in the short-term has reduced. Out of 214 registrants, only 10 are now categorised as planning to apply. It would appear that mortgage lenders are gearing up for the Co-Ownership Scheme in preference to the First Time Buy initiative, as the funding allocation for the core scheme offers both market volume and stability. Co-Ownership Housing Association has suggested that the aims of the First Time Buy Initiative can best be delivered through Co-Ownership going forward. For these reasons we are proposing a reduction & reallocation of

£3.25m from the First Time Buy funding to the normal Co-Ownership fund. Any First Time Buy applications would be carried over and funded from the normal scheme to ensure no-one is disadvantaged. Depending on the proportion of any property purchased, the number of additional co-ownership applicants helped by this reallocation (if approved) could be between 50 and 100.

2. The O'Brien Case

- 4.1 In my previous letter to you with October monitoring round details, I mentioned that we would be taking steps to cover a substantial liability arising from the outcome of the above case. Dermod O'Brien QC, who sat as a Crown Court Recorder for 27 years, is challenging the decision by the Ministry of Justice not to grant him a judicial pension on his retirement because he was a part-time judicial office holder paid a daily fee. A full time judicial office holder would have received a pension. A number of similar claims are currently stayed in the Employment Tribunal pending the decision of the Supreme Court and the judgement would apply to fee paid tribunal judges here.
- 4.2 I should advise that in the course of this round we have taken the necessary action to re-distribute funding cover to meet this liability.

5. Technical Adjustments

- 5.1 We completed the majority of our technical adjustments on 7 December as required. However, there are a number of further adjustments to be transacted, including a transfer of funding between this Department and the Department of Agriculture and Rural Development relating to the disposal of the former military base at Forkhill.

6. Summary

- 6.1 For ease of reference, the table below summarises the single proposed bid; detailed cash / non-cash reductions; and the proposed reduction/reallocation as depicted in the preceding paragraphs.

Table: December 2011/January 2012 Monitoring Round proposals

<u>Housing bid</u>	<u>Amount (£m)</u>
General improvement programme	2.00 (capital)
<u>Reduced requirements (Cash)</u>	
Urban Group	1.56 (admin+ resource) 1.20 (capital)
Housing	0.16 (resource) 0.87 (capital/grant)
Core Department	0.40 (resource)
<u>Reduced requirements (Non-cash)</u>	
Core Department	0.10
<u>Proposed reduction / reallocation</u>	
From First Time Buy to Co-ownership Housing	3.25

The net position for our final monitoring return of 2011-12 is therefore as follows:

- £ 2.00m capital Housing-related bid;
- £ 4.19m in reduced cash requirements;
- £ 0.10m in reduced non-cash requirements; and
- £ 3.25m proposed capital reduction/reallocation to Co-ownership.

6.2 The relevant bid & other proformas have been completed and I am happy to discuss any of the detail if necessary as usual.

Stephen McMurray

STEPHEN McMURRAY

Director of Financial Management

cc. Board members
Stephen Brimstone (SpAD)
John McKenna (OFMDFM)
Joanne McBurney & Berni Mooney (DFP)