



**Northern Ireland  
Assembly**

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**COMMITTEE FOR  
SOCIAL DEVELOPMENT**

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**OFFICIAL REPORT  
(Hansard)**

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**December Monitoring Round**

2 December 2010

**NORTHERN IRELAND ASSEMBLY**

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**COMMITTEE FOR  
SOCIAL DEVELOPMENT**

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2 December 2010

**Members present for all or part of the proceedings:**

Mr Simon Hamilton (Chairperson)  
Mr Sydney Anderson  
Mrs Mary Bradley  
Mr Mickey Brady  
Mr Jonathan Craig  
Mr Alex Easton  
Ms Anna Lo  
Mr Fra McCann

**Witnesses:**

Mr Barney McGahan                    ) Department of Social Development  
Mr Stephen McMurray                )

**The Chairperson (Mr Hamilton):**

The Committee will now receive a briefing from departmental officials Barney McGahan, deputy secretary of the resources, housing and social security group in the Department for Social Development; and Stephen McMurray, also from the resources, housing and social security group.

Members' packs include a copy of the Department's draft December monitoring round

submission and recent correspondence from the Department that sets out the results of previous monitoring round submissions until the present day.

Barney and Stephen, you know the drill: the session is being recorded by Hansard, so please switch off your mobiles phones. I invite you to run through your submission, after which I will open up the session to members' questions.

**Mr Barney McGahan (Department for Social Development):**

Thank you, Chairman. As you said, we have submitted a brief overview of the main aspects of the December monitoring return. That has yet to be finalised, but, as is often the case, exact numbers will be tied down over the next 24 hours. Nevertheless, we are working to the broad themes outlined.

The big issue relates to the shortfall in land sales on urban regeneration. The Department has been unable to move forward a couple of land sales on which it has been working actively this year. Although those deals might close, the signs are that they will not close before 31 March, and we have got to cover the budget implications of that. We have been proactive on the housing side. It is almost a quid pro quo. In previous years, regeneration helped out housing, and, this time, housing has to help regeneration. The good news is that we are able to do so without there being any impact on the main housing targets, whether they are around Warm Homes, fuel poverty measures or newbuild. Those are all on target, as you will hear from the Minister in a few moments. However, we have had to be careful about discretionary grants and the scheduling of multi-element improvement. We are heading for single-element improvement instead, as we move forward. That has allowed us to identify, proactively, £11.5 million, which will be transferred, with the Executive's agreement, from housing to regeneration to cover that shortfall.

One issue that we have raised in previous years, and which we have talked about, is housing association loan repayments. When the previous budget was set, the Department of Finance and Personnel (DFP) assumed that the amount of loan repayments would be static across the period. It failed to understand that, as loans are repaid, the amount of interest to be repaid will fall off slightly each year. We have to cover the gap each year, and you will have seen that we have done that in previous years.

There are reduced requirements in social security and child maintenance. Social security reduced requirements are due to changes within the Department for Work and Pensions following the election in May and the slowing down of certain welfare reform projects that the previous Government had planned and for which money was held. They are now speeding up as part of the new welfare reform agenda for change that will take place next year and the following year. That leaves some free money, which, unfortunately, we are not able to use in-year, because of its nature. Furthermore, the Civil Service-wide recruitment freeze means that there have been vacancies across social security and child maintenance, in particular. Although we have done our best to cover those with temporary staff and temporary promotions, it has led to an element of underspending, and we are declaring that as a reduced requirement for this year. Those are the main issues that I wanted to flag up, and I am happy to take questions.

**The Chairperson:**

The property market is no better than it was at this time last year or even the year before; in fact, it may be worse. Has there been any discernible improvement in receipts from land sales? Has there been movement on house sales, for instance? You talk about the moving of £11.5 million from housing to regeneration. I suppose that is a combination of a number of factors: perhaps certain projects are delayed or, perhaps, are cheaper than anticipated. The moving of that money from housing to regeneration must be due to a combination of factors.

**Mr McGahan:**

You may recall that the Housing Executive came in with extra sales when we were doing the budget in January/February. I think that it was hitting £20 million to £21 million. In discussion with the Housing Executive, we agreed to set a stretching target of £30 million. The Housing Executive is saying that, in reality, it should just about hit £21 million. As an illustration, it has £30 million of land on the market and offers for that land to the value of about £20 million. However, many of those offers are subject to planning permission. If they are not moved forward in the next two or three months, the deals will not be made until the new year. Therefore, our optimism, which was fuelled by increases last year, has not borne fruit this year.

When we were putting in our bids for the new Budget round — we might cover this topic later

— we limited income from house and land sales to £20 million a year, rather than being too optimistic. Therefore, we will not face similar problems next year, although the lack of available capital overall will present its own difficulties.

**The Chairperson:**

How does the £21 million that you have anticipated for this year compare with the past two years?

**Mr McGahan:**

In each of the three Budget years, we were expecting between £60 million and £70 million. In year three of the Budget, which we are in, we anticipated around £68 million or £69 million. It is £40 million to £50 million short. It is on a par with the past two years.

**The Chairperson:**

At least it has not gone down any further.

**Mr McGahan:**

That is correct.

**The Chairperson:**

However, there is no real cause for optimism in that respect.

**Mr McGahan:**

There is not at this point in time.

**The Chairperson:**

Although the £20 million of offers for £30 million worth of land shows that there is a gap, at least it shows some vibrancy in the market. That may be at a very low level, and the revenue from it may not be as high as we would like it to be, but at least it shows that something is happening.

**Mr McGahan:**

The Housing Executive and our regeneration colleagues are putting in a lot of effort to try to sell

the land.

**The Chairperson:**

It is not a criticism. It is positive that something is happening. There is an impression that nothing is happening, but garnering £20 million in current circumstances and having £20 million worth of offers on other land are at least positive signs that work is being done.

**Mr McGahan:**

Some of the £20 million that we will garner will come from sales of some of that land. There is not an extra £20 million, sadly.

**The Chairperson:**

That is bad news. I am only joking. At least efforts are being made. I appreciate that.

**Mr F McCann:**

Thanks for the presentation, Barney. Your paper refers to:

“Capital reallocation from housing to urban”.

What does that mean?

**Mr McGahan:**

Urban regeneration requires £13 million in income. However, it will only get £1.5 million, so there is a hole in the budget that has to be covered. In previous years, when there was a hole in the housing budget, money was moved out of urban regeneration to compensate. By managing the discretionary housing grants and concentrating on single-element improvement rather than multi-element improvement, and so on, we have been able to free up £11.5 million to move from housing to regeneration this year to cover the gap.

**Mr F McCann:**

Obviously, urban regeneration covers a wide range of issues. Is there anything specific that that money will be spent on?

**Mr McGahan:**

It will go into the capital budget. You will remember that we bid for extra money in the June and September monitoring rounds, and we got a bit. That meant that we could move forward certain capital projects. I am happy to let the Committee have a list of the areas in which those projects are. The £11.5 million is to fill the overall budget; it is not for a specific project.

**Mr F McCann:**

Will you explain the £700,000 underspend in the ring-fenced capital grant for the Colin Gateway project?

**Mr McGahan:**

It was £70,000 rather than £700,000.

**Mr F McCann:**

Yes, it was £70,000. I threw in a test to see if you would notice. *[Laughter.]* It is a good job that I am not writing the cheques, Barney.

**Mr McGahan:**

I suspect that the underspend is due to a little bit of slippage. The project was progressing quickly, but it has slipped back a wee bit, so that £70,000 will be needed next year rather than this year.

**Mr F McCann:**

That money will not be lost to the project?

**Mr McGahan:**

The money will be made up by the Department next year as it is needed.

**Mr F McCann:**

In the June monitoring round, £110 million was put back in from the Royal Exchange project. Is there any update on where that sits and on whether we will be able to get the money back for the project? That money was crucial for an element of vesting.

**Mr McGahan:**

We have bid again for the Royal Exchange as part of Budget 2010. The Executive and their Budget review group are considering the Budget proposals. When that decision is taken, we will know where we are with the Royal Exchange project, although I am optimistic.

**Mr F McCann:**

If we do not get the money back, will the prospects of the scheme going ahead be damaged?

**Mr McGahan:**

We are fighting hard to get the money back. We are optimistic that we will be successful.

**The Chairperson:**

Fra talked about the money going from housing to regeneration. The target is for 2,000 new homes to be started this year. Will that target be affected?

**Mr McGahan:**

No. As the Minister will tell you, we are on track to deliver the 2,000 homes.

**The Chairperson:**

Lifting the £11.5 million will not impact on that?

**Mr McGahan:**

No, it will not.

**Mr F McCann:**

That is an interesting issue. You talked about multi-element and single-element maintenance. Obviously, everybody is delighted that we will be getting 2,000 houses. However, most of the employment in the housing sector lies in the small and large maintenance sector. Therefore, any reduction in the budget for maintenance will have an impact on many communities.

Another concern is that the more you reduce activities, the more you will have to increase



them in the future to pick up the pieces.

**Mr McGahan:**

That is a fair point. We must strike a careful balance between investing in maintenance now and leaving it for the longer term. The Savills report showed we have some of the best maintained properties in the UK, but within those there are a handful of properties — somewhere in the region of 3,000 — that need significant work done to them. We are looking at how we can involve housing associations and access private finance to help us with that. DFP recently gave approval for a project in Rinmore, in Derry, in which Apex Housing Association, formerly the North and West Housing Association, will work with us to improve a number of homes. If that pilot is successful, we could use that mechanism to bring in extra money for other houses across Northern Ireland.

**Mr Craig:**

The use of the Apex Housing Association in that project is interesting. The chief executive of that organisation is very well paid.

Barney, your submission seems to show a reduced requirement for the child maintenance and enforcement division of £850,000. Is that correct?

**Mr McGahan:**

It is actually £800,000 in cash and £50,000 in depreciation and non-cash.

**Mr Craig:**

What led to that? Was there underspend?

**Mr McGahan:**

Following the recruitment freeze that I referred to earlier, there were also, quite surprisingly, higher than expected attrition rates, which led to more vacancies. There has been some use of temporary staff, but that has not been significant, and it has freed up some money. There has also been a slight drop in actual salary costs compared to estimated salary costs. That is because when the budget was put together at the start of the year, it included the pay award for junior staff.

However, it is mainly about attrition rates that were higher than people had anticipated.

**Mr Craig:**

That is good news. I am being careful, because the rows in the table in your submission do not really line up. What is happening with the Housing Executive's response maintenance budget? Is it minus or plus? It is hard to tell for your submission.

**Mr McGahan:**

The area of housing response maintenance is minus £960,000 and the area of housing association loan repayments is plus £960,000.

**Mr Craig:**

So, you took almost £1 million from the response maintenance budget.

**Mr McGahan:**

Yes. We have done that to deal with the housing association loan issue, which we explained in paragraph 3.2 of our letter to the Committee. That was because of the need to cover those loan repayments. The budget is set on a straight line by DFP, rather than on a reducing basis.

**Mr Craig:**

Did you rob the maintenance budget to cover that?

**Mr McGahan:**

We are managing the maintenance budget and ensuring that all essential and urgent repairs are carried out according to standard and target.

**Mr F McCann:**

It is all in the wording.

**Mr Craig:**

I know that that budget is under pressure. That is why I am asking the question.

**Mr McGahan:**

Like many of our budgets, it is heavily under pressure and we must prioritise.

**Ms Lo:**

I need some clarification. In your submission, you stated that your £22 million bid for social housing development budget was not met in the September monitoring round.

**Mr McGahan:**

Yes; that bid was made to try to recover the lost ground from year one of the three-year Budget. However, the Executive did not have the capital to meet it. We debated whether to lodge the bid again, in this monitoring round, but we would not have been able to spend that amount of money in the two or three months that remain of 2010. Newbuilds are tied into lead times for designing schemes and getting planning permission, and that activity cannot be squeezed through in a couple of months.

**Ms Lo:**

In the September monitoring round you were short by £22 million, yet two months later you have a surplus. How does that work?

**Mr McGahan:**

We were not short by £22 million. We did not complete our targeted 1,500 units in 2008-09. We wanted to try to fill that gap, and we bid for an extra £22 million in the September monitoring round to do the extra work. In the event, that money was not available to the Executive to give to us. Therefore, we are working to the target of 2,000 units, and we will, based on information that I received yesterday, deliver those 2,000 units.

**Ms Lo:**

Are you still on target?

**Mr McGahan:**

We are still on target.

**Ms Lo:**

Even though you did not get the £20 million in September?

**Mr McGahan:**

Had we got that extra money in September, we would probably have delivered 2,200 or 2,300 units.

**Ms Lo:**

OK. I have another question. You submitted a bid of £1.5 million for the Supporting People programme. That has not been met. What impact will that have on Supporting People?

**Mr McGahan:**

That was the inflation bid in September, and we are expecting —

**Ms Lo:**

It is the December bid.

**Mr McGahan:**

It must have been December 2009; it is not this year's bid.

**The Chairperson:**

The paper shows a history of recent bids.

**Ms Lo:**

OK. I am with you now. I am sorry; that is my fault.

**Mr S Anderson:**

I apologise for being late. If you had some funding, Barney, you could get the rural roads gritted.

**The Chairperson:**

That is not this Department's remit.

**Mr S Anderson:**

My understanding is that rent arrears are possibly in excess of £20 million. Could that issue cause difficulty with your budgets going forward?

**Mr McGahan:**

The Housing Executive sets its budgets each year on the basis of the level of income that it will get, and it works very actively to address rent arrears. The Audit Office produced a report on rent arrears last year, and a Public Accounts Committee hearing on it described in great detail the work that the Housing Executive is doing to address that. The extent to which we can reduce arrears will give us extra money, but, in setting the budget for the future, we forecast the level of receipts that we will get in.

**Mr S Anderson:**

Do you believe that you will get that money in, and is that factored into the budgets? Or will you write it off? It is in excess of £20 million.

**Mr McGahan:**

At any point, arrears are turning over. Therefore, the £20 million this year is not the same £20 million as last year. People will pay up arrears, and there will be delays in the payment of housing benefit. When that is paid in, it will reduce arrears, but another case will come along and will take a while to be processed. I am quite happy to organise a separate briefing for the Committee from the Housing Executive on rent arrears at an appropriate stage.

**The Chairperson:**

Before we do anything, it might be useful if you were to produce a paper on that. At a recent briefing, the area manager in the Newtownards district office area spoke about the £600,000 in rent arrears in that area. It is a sizeable amount. However, you are right; there are complexities with that issue. The £600,000 is not simply static; it is a fluid figure. We would appreciate a written briefing on how that is or is not factored into the budget.

**Mr S Anderson:**

I just wanted to determine how that is factored in.

**Mr McGahan:**

We are happy to do that.

**The Chairperson:**

You got off lightly this morning, Barney. That is perhaps a sign of the lack of money that is available. Thank you very much for coming along.