



Northern Ireland
Assembly

**COMMITTEE FOR
SOCIAL DEVELOPMENT**

**OFFICIAL REPORT
(Hansard)**

**February Monitoring Round:
Departmental Briefing**

3 February 2011

NORTHERN IRELAND ASSEMBLY

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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
Mr Tommy Gallagher
Ms Anna Lo
Mr Fra McCann

Witnesses:

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

The Chairperson (Mr Hamilton):

Joining us from the Department are, as usual on this subject, Barney McGahan, deputy secretary and Stephen McMurray, director of finance. You are both very welcome. This session will be recorded by Hansard. I invite you to give us a run-through of what is and is not in the departmental submission and what we are going to do when we do not get any money.

Mr Barney McGahan (Department for Social Development):

Good morning, Chairperson and members. As is usual at this time of the year, we are doing

February monitoring, which is usually a tidying-up monitoring period. It deals with any final surrenders or technical adjustments that need to be done. However, there are three big items in our submission that I want to refer to.

The first is social security. On the face of it, we have reduced requirements of £5.4 million; £1.9 million of which is real cash. That ties in, as it says in the briefing, with the slowing down of the modernisation programme in Great Britain as the Department for Work and Pensions (DWP) moves away from the last Government's modernisation programme into the coalition Government's modernisation programme. Therefore, money that has been held by the agency to parallel that is not needed to the same extent for payments for, for example, computer system development, as they have fallen to the same degree.

The bigger item in social security is what we call the non-cash adjustment. Members may remember that there was a qualification or a note in the accounts about a disagreement last year between the Audit Office and the Social Security Agency (SSA) about how to deal with certain assets. Those were assets, mainly workstations, that the agency pays DWP for out of revenue. The agency pays a regular charge, and the debate was whether that should be capitalised. If it has to be capitalised, the agency would also have to depreciate it and make provision for the non-cash depreciation. Discussions with the Audit Office have moved on significantly in the past couple of months, and indications are that there will be agreement that it will not be capitalised. At this stage of the year, the agency is using the February monitoring round to tidy up that technical matter.

The other two big issues are on the housing front. One ties in to the cost of putting right heating systems, pipes, insulation and so on in houses affected by the adverse weather conditions over Christmas and the New Year. The acting chief executive of the Housing Executive has estimated that that could cost up to £10 million. We had to have urgent conversations with the Department of Finance and Personnel (DFP) during January because the estimates were about to be finalised and a particular situation exists whereby you can only spend up to the level of the headroom in the estimates.

We had to negotiate with DFP as to what headroom could be put in. We got agreement to

build in headroom of £3 million extra; therefore, we are bidding for an extra £3 million in this monitoring round. If we submitted a bid for £5 million, £7 million or £10 million and got it, we would only be able to spend £3 million of it because of the headroom situation. That is why the bid is at £3 million.

The Housing Executive is still processing the invoices for that work. Some work is still outstanding as people are aware, and the final figures will not be known for a few weeks. The Housing Executive will absorb whatever extra cost there is over and above the £3 million within its existing maintenance budget.

The other item is the capital grant requirements, where the profile of claims for the year has not materialised. People will be aware that applications are made and approved, and it is then up to the person doing the work to make a claim as it is completed. There is around £26 million for grants in this year's budget. The amount of claims this year is not as high as was profiled at the start of the year, and we are taking the opportunity to bid to transfer that £3 million into the newbuild budget, in the knowledge that next year's newbuild budget is a bit less than anticipated. We will see whether we can do anything to help address that in the short term.

There are a couple of minor issues around child maintenance and core department work; for example, there is a ring-fenced element to the independent living fund. We are agents for that. It is dealt with by DWP and, because the fund closed to new applicants from June 2010, the forecast demand was less than it turned out to be. We are not making a bid for additional funding for the special purchase of evacuated dwellings (SPED) scheme because we believe that the purchases and sales will be pretty close to each other, and the Housing Executive can manage the difference.

Paragraph 4.2 is about the SSA's treatment of DWP costs, which I mentioned earlier.

The Chairperson:

You said that the final price tag associated with responding to the extreme cold weather is not yet known and that there is a bid for £3 million, which is largely for technical reasons. Perhaps you are still awaiting information from the Housing Executive, but I presume that a lot of the work that was carried out in this financial year was probably scheduled to be carried out next year or

the year after, and, therefore, that money will not need to be spent in future years. Clearly, adjustments will need to be made, but the estimated bill of £10 million may not fully be an additional £10 million. Some of that is extra and was completely unplanned, but some of it may have been planned anyway.

Mr McGahan:

That is absolutely right. The Housing Executive said that some of that work would have been done this year and some in future years. That is not a full additional cost, but it is a cost to be borne.

The Chairperson:

That is right. Bills have to be paid within 10 days even if they are accounted for in future years.

Mr Easton:

You have a bid for £3 million for the repairs over the winter period. However, you estimated that the cost would be about £10 million. Do you have enough in the maintenance budget to make that up?

Mr McGahan:

Stewart Cuddy, who is the acting chief executive of the Housing Executive, said that it could be up to £10 million when he was interviewed a few weeks ago. In any event, that work would have been part of other maintenance that was due, and, as the Chairman said, it will negate the need for future years' maintenance. It will be picked up in the budget to the extent that the £3 million is not enough.

Mr Easton:

I have one tricky question. You have not used £3 million of your capital grants and you are going to give them elsewhere: can I have that to sort out my Bloomfield bungalows?

The Chairperson:

Are you bidding as a contractor?

Mr Easton:

Absolutely, Chairperson. Anything to get the money.

The Chairperson:

I think that you would have a better chance if you did them; you would get them done quicker.

Mr F McCann:

A caravan site.

The Chairperson:

Perhaps we do not need to address a specific constituency issue, but the principle —

Mr McGahan:

I will refer that to the Housing Executive. Off the top of my head, I am not sure whether Bloomfield bungalows fall under revenue or capital.

The Chairperson:

We will move on very quickly from constituency issues. Fra, do not take me somewhere in west Belfast; ask a strategic question.

Mr F McCann:

It is to pick up on what was said by Alex.

The Chairperson:

About Bloomfield?

Mr F McCann:

No.

Mr Easton:

Do you want it as well? You want it for a caravan business.

Mr F McCann:

You made a bid for £3 million to partially take care of what happened in the winter. Will the other £7 million come out of the present maintenance budget or future ones? Has there been an assessment of the impact that that would have on maintenance budgets?

Mr McGahan:

I cannot confirm that the full cost will be £10 million because that was an early estimate that was given by the chief executive.

Mr F McCann:

It might be more.

Mr McGahan:

He felt that that is an upper limit and that the total will be less than that. Clearly, the impact of that will have to be managed. Hopefully, we will get the £3 million, which is a realistic sum at the moment.

Mr F McCann:

Will we be kept informed of the impact?

Mr McGahan:

I will make sure that the Committee is advised.

Mr F McCann:

We live in a time when people are being told that money is not available for grants and different aspects of maintenance.

Mr McGahan:

I will make sure that the Committee gets a report on that.

Mr F McCann:

There is a proposal to move £3 million from the grants. Has an assessment been done of the

long-term impact that that will have on people who want to bring their house up to a proper standard?

Mr McGahan:

The grants that have been approved will be paid when they are claimed for; it is just that people have not claimed for them yet.

Mr F McCann:

So, every grant that is with the Housing Executive at the minute that has passed will be paid?

Mr McGahan:

Yes. Every approved grant will be paid.

The Chairperson:

Is that adjustment being made because of a reduction in demand, or is that just a stop on —

Mr McGahan:

No, it is because there is a profile over the years of when grants are claimed for, and people have not claimed just as much. They might not ever claim.

Mr F McCann:

I know that, as we speak, people are phoning the Housing Executive and being advised that no money is available.

Mr McGahan:

That is quite possible for new approvals.

Mr F McCann:

When will that come into operation? Is it in operation now or will it come into operation during the next month, two months or three months?

Mr McGahan:

Could I ask for clarification? When will what come into operation?

Mr F McCann:

I know people who applied for a grant months ago. They were told that money was unavailable at that time and that they needed to reapply when money became available. That has been in operation for a considerable period. What I am trying to get at is that £3 million is being moved away from that. That is bound to impact on people's ability to apply for grants to renovate their homes.

Mr McGahan:

The £3 million, in itself, does not increase or decrease people's ability to apply. The Housing Executive's current criteria will continue to apply within the overall budget structure. That relates to schemes that have been approved. People could have claimed in the current year. That would have been paid. It would have to be paid when they claimed it. Unfortunately, it does not allow new applications to be received and approved.

Mr F McCann:

The money is surplus to requirements.

Mr McGahan:

It is not surplus to overall requirements. If people have not claimed it this year, and they claim it next year, it will have to be provided for next year.

Mr Brady:

That depends on whether it is there next year.

Mr McGahan:

It would have to be paid next year.

Mr F McCann:

It will take me a while to figure that one out.

Mr Gallagher:

Grants for rural housing have dried up. As far as I am aware, grants are available only for disabled facilities. What allowance have you made to continue grants for unfit rural housing, which still exists?

Mr McGahan:

I will deal first with disabled facilities grants. They are a legislative, statutory requirement. They will always be assessed and approved. The scale of the work that is carried out has to be agreed between the Housing Executive and the Health Service. However, there is no discretion with regard to those grants. There is money for them in next year's budget.

As regards other grants for rural housing, the Housing Executive continues to operate the scheme that is in place within its budget limits. If criteria are met, the grant will be considered, approved and funded in due course, when work is carried out.

Mr Gallagher:

That does not really stack up with the perception of some people who live in extremely poor housing conditions and who need a replacement grant to do small jobs, such as replacing doors and windows. They are being told that there is simply no money to do that.

Mr McGahan:

I accept that money is not available for everything that people want to do. The Housing Executive has a set of criteria against which to assess grants. Those criteria have not changed during the past 12 months. The movement of money from grants to newbuild, if we can get DFP to agree to that, does not change those criteria in any way. Those criteria are still there and, because of the overall restriction, not every grant application will be successful.

The Chairperson:

At a time, the SPED non-bid was an issue. Is that a trend that is developing or is the scheme self-sufficient now?

Mr McGahan:

The level of sales and purchases this year are coming in pretty close. We are still actively pursuing sales. There are still two months left in the current financial year in which to do that. That said, there could be a demand for purchases. Some houses that we have had to buy have cost up to £600,000 or £800,000. If such cases come out of the woodwork unexpectedly, it will cause a pressure.

The Chairperson:

It is encouraging that the bid has not had to be made and that the scheme has been more or less balanced.

Mr S Anderson:

I want to return briefly to the £10 million estimate for repairs.

Mr McGahan:

The Housing Executive's acting chief executive quoted that figure in early January. We have agreed a bid of over £3 million with DFP. It has allowed us to increase the Department's headroom.

Mr S Anderson:

Everyone knows how much work was needed following the big freeze. A lot of properties have been identified as needing an upgrade. Is that money for carrying out repairs? What about the upgrading of some of those properties? Has money been factored in for that?

Mr McGahan:

I will come back to that next week. The Department is lodging an invest to save bid that will enable us to do some upgrading of insulation, pipe lagging and heating systems.

Mr S Anderson:

It was clearly identified that that work will need to be done, at a cost. It has been taken on board.

The Chairperson:

Thank you for attending this morning's Committee meeting.