



Northern Ireland
Assembly

**COMMITTEE FOR
SOCIAL DEVELOPMENT**

**OFFICIAL REPORT
(Hansard)**

Draft Budget 2011-15

10 February 2011

NORTHERN IRELAND ASSEMBLY

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SOCIAL DEVELOPMENT**

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Members present for all or part of the proceedings:

Mr Simon Hamilton (Chairperson)
Ms Carál Ní Chuilín (Deputy Chairperson)
Mr Sydney Anderson
Mrs Mary Bradley
Mr Mickey Brady
Mr Jonathan Craig
Mr Alex Easton
Mr Tommy Gallagher
Ms Anna Lo
Mr John McCallister
Mr Fra McCann

Witnesses:

| | | |
|-----------------------|---|-----------------------------------|
| Mr David Ferguson |) | |
| Mr Will Haire |) | |
| Ms Catherine McCallum |) | Department for Social Development |
| Mr Barney McGahan |) | |
| Mr Tommy O'Reilly |) | |

The Chairperson (Mr Hamilton):

To brief the Committee on the Department's draft budget for 2011-15, we are joined by permanent secretary, Will Haire; deputy secretary responsible for the resources, housing and social security group, Barney McGahan; deputy secretary responsible for urban regeneration and

community development, David Ferguson; chief executive of the Social Security Agency (SSA), Tommy O'Reilly; and acting head of the Child Maintenance and Enforcement Division (CMED), Catherine McCallum. You are all welcome.

Members' papers include correspondence from the Department on its draft budget consultation document and a copy of the Department's draft budget consultation. There is also an Assembly research briefing note on the poorest income quintile, recent correspondence from stakeholder groups on the draft budget and a copy of the Poverty and Social Exclusion (PSE) document, 'Response to Northern Ireland's Draft Budget'.

I invite the witnesses to make a few opening comments. I do not know whether Will Haire wants to do that on behalf of everybody or whether each witness will touch on his or her area of responsibility.

Mr Will Haire (Department for Social Development):

Barney McGahan has been here before and made a presentation. The objective in bringing a senior team along is to make sure that all areas are covered in answering members' questions. We do not really want to make too much of an opening statement.

Obviously, the Committee is looking at the departmental expenditure limit (DEL) aspect of the draft budget. We calculate that about £450 million will be lost from the annually managed expenditure (AME) budget because of welfare reforms. As the Department responsible, in a sense, for tackling deprivation and poverty, the Minister's focus has been on seeing how we can use our different resources. We face the task of accomplishing the significant reform of welfare in the next five or seven years. There is also work for CMED in light of reforms that will take place there. Neighbourhood renewal and work with communities must be done at the same time as we address housing issues, including need. Therefore, the Minister faces complicated decisions in getting a balance across the budget to ensure that we can tackle, and have an impact on, the real challenge of deprivation and poverty. We are open to the Committee's questions.

The Chairperson:

When you accompanied the Minister when he briefed the Committee recently, we discussed

Housing Executive rents, the increase in which, I notice, has been set at 3.75%. Will you clarify what that will raise? The discussion that we had at that time suggested that there may be an additional £12 million for the housing budget. What does that 3.75% increase raise? Will that go exclusively into the housing budget for more projects?

Mr Haire:

I believe that that will raise £9 million, which will go to the housing side of the budget.

Mr Barney McGahan (Department for Social Development):

In round terms, it will be £9 million, which will be in addition to the Housing Executive budget. It will go into its revenue budget and we expect it to support the maintenance side of the budget. However, at the moment, the Housing Executive is number-crunching all the figures, looking at the range of services that it provides and developing a budget paper to go to its board later in February. We will talk to the Housing Executive about that in the coming weeks to add to its understanding of the Department's priorities.

The Chairperson:

The Committee will be keen to see what that additional £9 million income will achieve. On another housing issue, there has been some public discussion about the £20 million a year that it is proposed to obtain from housing associations. That has been characterised by some as a sort of raid on reserves. Everybody understands that that is not the case. To do that would be foolhardy, stupid and counterproductive. However, there is scope for working with housing associations to try to leverage more out of what they have. The Committee has received correspondence, as I think has the Department, from the Federation of Housing Associations that I find curious in parts. I cannot remember the figure offhand, but the correspondence mentions the figure of £14 million "in kind" by the good grace of its board members.

Ms Ní Chuilín:

Split equity, it is called.

The Chairperson:

I find it interesting; let me put it like that. It is a unique sort of figure. More seriously, what

discussions are ongoing from the Department's end with the housing association movement to see what can be done? The federation has come forward with the paper. That element of it is quite strange, but at least it has, on paper, anyway, moved from a position at which it was extremely protectionist — to use the Minister's language — to one at which it is at least more open to discussion about the issue. What discussions are you having to try to realise that sort of £20 million a year figure?

Mr Haire:

The Department has, for a long time, been working on high-level issues, such as the use of other lands and joint procurement. We are all about trying to work with the housing associations to get the maximum social housing out of that investment. There is a real altruism in that contribution, but we have to make sure they are financially sound for the long term, so it is a careful balance. The Minister has been in very active discussions over the past couple of weeks with them at senior level. We have also followed up at official level to try to get a better handle on that. We are still very much trying to get behind the element to get a sense of what the figure would be in the process to come forward. It is also an issue that has been discussed by the Budget review group and Executive.

Mr McGahan:

When Budget 2007 was settled, grant rates were, on average, slightly over 70%. It would have been higher and lower than that at different schemes. By the current year, we have that down to, on average, about 60%. Towards the end of last summer, it was pretty clear that there was going to be a very difficult settlement for Northern Ireland, particularly on the capital front. We opened up conversations, as the Minister explained when he was last here, with housing associations in August, September and October. At the Budget review group, the Minister discussed opportunities for additional sources of revenue and capital income. I think that all Departments were doing that. The Minister explained how he had asked the housing associations to report by February on what they might do. However, the draft Budget paper, which was published in December, highlighted the £20 million a year that the Chairman mentioned. We asked them to bring forward their considerations into January so that we could get a better feel as part of our consultation response. That, in part, led to the letter that the Chairman referred to. However, we were not fully satisfied with that, and the Minister had a conversation with a number of the

associations last week. Work is ongoing actively to try to see what can be done.

You will recall — this was discussed at the previous meeting — the PricewaterhouseCoopers report, which explained why housing associations need to hold reserves. It is really important that, as we try to get them to sweat their assets, we do not in any way undermine their ongoing financial stability. We want them to sweat their assets and increase their gearing ratio to borrow more money to help us buy more houses, but, in doing so, maintain their stability in the long term. The current stage of the conversation is about what is doable in a safe, structured and organised way.

The Chairperson:

That is fine. I just wanted to clear up some of the confusion. The issue has been raised and the £20 million figure was queried, which almost suggested that zero was the more realistic figure. I just wanted to put it on record that there were discussions ongoing about realising what could be done. I am happy with that.

Ms Ní Chuilín:

The 2010 equality impact assessment on the social housing guidelines identified that two differentials were impacting on those with disabilities and on Catholics, but it does not say how those will be addressed. How will those inequalities be tackled through the current budget?

My other question may be for David, and is about urban regeneration and neighbourhood renewal. I think that the Minister was at the Lisburn Civic Centre yesterday. He talked almost as if the programme has been set out. He spoke about early interventions from nought to six, not duplicating the Department of Education and various programmes. He said that all projects will get one year's funding and that some will get four years' funding. We need to know what the criteria and processes will be for those projects.

We also need to know what the Department means by more joined-up work. Already, groups have speculated or have been told by officers in the Belfast Regeneration Office (BRO) that more joined-up work will mean less duplication by administrators and a possible sharing of resources. It is important that those rumours are quashed. What is the process for that?

My last question is on urban renewal areas (URAs). The Department's update to the Committee suggested that there will be an impact in that area with a reduced vesting of houses in the Parkside, Glandore and Woodvale areas, and the possibility of an impact on physical developments in Belfast's middle core, 11 areas in Derry and in Limavady and Strabane. Will you explain what that will actually mean? As you know, there has been a lot of hope of redevelopment, particularly in URAs. People are in the process of going through phased advanced purchase and they need to know what will happen.

Mr McGahan:

I will answer your last question on urban renewal areas first. You will see that there is money in the budget to address those areas. It is not as much as we would have liked, and we may need to consider the scale of phasing over the four-year period. However, our intention is to meet the commitments that are there and to move forward with that.

I do not think that you asked about the equality impact assessment on the draft budget proposals. Did you?

Ms Ní Chuilín:

No, it was the EQIA on the strategic guidelines for social housing development. How will the areas that are identified in that exercise impact on the draft budget?

Mr McGahan:

As we roll out the deliverables under the draft budget, we must ensure that we target those areas that are in the greatest need. In the social housing programmes that will be developed next year and in future years, we will take account of the need that there is in different areas across the Province.

Ms Ní Chuilín:

How will you do that when you removed ring-fencing?

Mr McGahan:

You have had several separate responses on that issue. Ring-fencing was found not to serve its purpose and the decision was taken that it was no longer needed. There will still be a targeting of need across the Province.

Ms Ní Chuilín:

OK. We will wait and see.

Mr David Ferguson (Department for Social Development):

There were three questions, two of which were linked. In Lisburn yesterday, the Minister said that he is keen for more of an emphasis on early-years intervention, because of the long-term returns of that investment. Indeed, Detective Chief Superintendent John Carnochan, from the Violence Reduction Unit of Scotland, gave a very powerful presentation yesterday, which vividly made that point, and everyone who was at the event was struck by that. There will be further detail on what the Minister means, but he took the opportunity at yesterday's neighbourhood renewal event to signal clearly that he wants more skewing of resources, to the extent that that is possible, to those projects that are involved in early-years intervention. That is particularly the case for those projects for children aged nought to three, but also for those aged three to six. He wants that to be done in a way that does not get in the way of the other organisations or Departments that are putting money into that area.

The other two questions are linked. The Minister made it clear that he wants to protect front line service delivery carried out through neighbourhood renewal, and that he wants to protect the budget for that front line service delivery. He feels that it is reasonable, depending on the size of the project, to ask those projects that are in receipt of money what they are doing to secure efficiency savings that can be ploughed back into front line service delivery. In broad terms, where it is evident that an organisation has shown that it can drive out administrative savings, and, better still, that it can work with other organisations that are providing the same type of service to maximise those savings, those types of projects will receive four years' funding. Where that is not the case, the proposal is to give those projects one year's funding, in the hope and expectation that they will work towards driving out the efficiency savings that will secure them a three-year contract for the remainder of the Budget period. The focus is primarily on

administrative savings.

Ms Ní Chuilín:

When I talk about neighbourhood renewal, I actually mean a whole family of benefits and funding for areas at risk, special areas of deprivation, and so on. Does that also apply to them or is it separate?

Mr Ferguson:

Again, the Minister has made it clear that, in the case of areas at risk and SPODs, the front line service delivery element of the budget will be protected. If there are efficiency savings to be made in those areas, they will be ploughed back into front line service delivery.

Mr Craig:

It is good to see you, Will. From what I heard last week, I think that the Committee was missing you. Are there any guarantees in any way, shape or form that at least a percentage of those rent increases by the Housing Executive will be used to increase maintenance of existing housing stock? One thing that was abundantly clear during the freeze a few months ago was that the effect of bad weather on Housing Executive stock compared with housing associations' stock was disproportionate. In other words, there is not enough insulation of pipework — or insulation, full stop — in Housing Executive stock. That is simply down to the age of stock as opposed to anything else. Whatever happens, I would like to see an increase in maintenance and not just a continuation of massive overheads in the organisation. I beg your indulgence, Chairman. That is my first question.

My other question is about housing associations. I notice that you talk about £14 million in kind, expertise plus finance, coming from them. That has made me curious. What does that actually mean?

The Chairperson:

I am not sure that anybody knows.

Mr Craig:

I will leave it up to the permanent secretary to explain that one. Another intriguing statement is that you are going to move ahead with the idea to let housing associations build to sell. That is a good move. I am not opposed to that at all. It is a good idea because it will help, perhaps, to self-fund some of the newbuilds that, frankly, the Government can no longer fund. What sort of timescale do you envisage for that?

Mr Haire:

The key point, as Barney has emphasised, is that £9 million comes from the £3.7 million. The Housing Executive board meets and it comes back with its proposals on issues. Its budget goes generally towards maintenance. Certainly, I know from talking to Brian Rowtree and Stewart Cuddy that maintenance of the housing stock is a big issue for them. The whole question of where we are on insulation and other matters are also big issues for the Minister. Therefore, undoubtedly, we have to take very much to heart the lessons of the past couple of months and what that tells us about where we should go in the process. We will work that out with the Housing Executive. Obviously, we will come back to Committee as you look at the Housing Executive budget.

The £14 million is not a DSD figure; it is a Federation of Housing Associations figure. I emphasise that we recognise that many people have a great deal of time for housing associations. The Department also has responsibility for the voluntary and community sector, of which they are a key part. We recognise that. I suppose that as a boring, grey accounting officer, I raise my eyebrows slightly and say that I am not sure exactly how I can use that money. Therefore, that is slightly difficult. As I said, and as Barney has emphasised, a major part of our budget discussions is how we can work with that voluntarism, the strength of the system here, to get the maximum return for social housing.

There are very tough questions for the Department and housing associations. There are issues about rationalisation, using resources, and making sure that we are not duplicating activities so that we get a real response. That has been a major area of growth and there is major strength there to deliver the services so we want to work with that.

Mr McGahan:

I want to pick up on the rent increase issue. We agree that any funding that the Housing Executive has available should be targeted at front line services, of which maintenance is the key element. It has to take steps, as the Department does, to cut back on other spending, whether cleaning, conferences and courses, or travelling. The Minister has made that very clear for this and future years. Although we all know that Savills identified Housing Executive stock as some of the best in the UK, there are very bad pockets of stock within it. The Housing Executive accepts that that is where it should be targeting its efforts in the coming years. That extra money from the rent increase will help it to do that.

You must be reading from the housing associations' letter; it is not ours. I, too, welcome the amount of voluntary effort that people put in. Some associations already carry out build-to-sell proposals. They have arm's-length companies that allow them to sell and generate surpluses that they can invest in their own association. The state of the housing market at the moment makes that not too successful. There is nothing that we need to do to let them start to do that. It is already there. We are quite happy for them to continue to do that as long as they do so in a proper fashion.

Mr Craig:

I am intrigued because I am aware of a number of cases where that happened. Is the Department really saying that everything is in place to allow housing associations to do that at present? I know that those were seen as exceptional cases. Would the Department then encourage them where there is difficulty funding a newbuild to go ahead and do that?

Mr McGahan:

They can do that at the moment. Sometimes, they have to set up arm's-length companies and then need the financing from that. They cannot use our financing to do that so they have to have some of their own generated surpluses to be able to invest in that. Of course, they could borrow money separately from our grant. If all that can be put in place, we have no objections to them doing that.

Mr Easton:

You spoke about efficiency savings on the administration side from those who deliver neighbourhood renewal. What percentage are you looking at? A lot of staff who deliver that at the community level are on protective notice. Will you be able to give them a concrete answer soon?

Mr Ferguson:

The short answer to your first question is that I cannot give you a percentage, although a percentage is being talked about. I was asked a question that threw me at a recent event at the Northern Ireland Council for Voluntary Action when I was told that groups were being asked for savings of 10%. That figure seems to have its origins from way back last year when, through our voluntary and community unit, not through the neighbourhood renewal side, we were telling organisations to prepare for pretty severe cuts, although we could not be definite or specific. We asked them at that time through our voluntary and community unit on the community development side to think about what they might do if they had to secure savings of 10% on resource, revenue or administrative costs, particularly the bigger organisations.

That figure seems to have passed into folklore because it seems to have become a request from the Department to find savings of 10%. That is not the case. We are trying to find out on a project-by-project basis, working with individual groups, what would be a reasonable savings percentage, given where they are in comparison with other groups that provide similar services elsewhere or in the vicinity. We are not saying that they must provide savings of 3%, 5% or 7%. We are simply asking for savings — some sort of reductions where we think that might be possible. If a group offers up those savings, they will be ploughed back into front line services, and that group will then be given a four-year contract rather than a one-year contract.

In answer to your second question, we would have dearly loved not to be in a position where people are under protective notice. However, the fact that they are is a reflection of the time that it has taken to get to this stage in the Budget process. As soon as we have definite figures on the Budget, we will tell people. We are doing everything possible at ground level to make sure that everything is teed up to allow that to happen.

Mr Easton:

Will the moneys saved through efficiencies go into at-risk areas in SPOD?

Mr Ferguson:

Efficiencies that are made there will be ploughed back into front line services. The front line services budget will not be reduced. In fact, the Minister is determined to try to increase that, if at all possible.

Mr Easton:

This is my last question. Are you seeking to move capital to revenue or vice versa, and if so, how much?

Mr McGahan:

We are not specifically looking at that. The Budget paper gives us the opportunity to move revenue to capital at the Minister's decision and to move capital to revenue at the Executive's decision. At this point, the budgets for revenue and, in particular, capital are quite tight, so we would not contemplate moving anything from capital to revenue. The revenue budget is not that easy either. We are concentrating mostly on the capital budget, which, taken in the round, has about a 40% cut on previous years. It is a bit less than 18% in revenue, but then there are slightly more than 18% of additional funds. So, by the end of the four-year period, we will be slightly up on the revenue side. However, there are still plenty of challenges across that period, not least on the capital front, where we have been offered only £900 million of our £2 billion bid. Those challenges apply extensively to the housing side of the capital budget. I know that other Departments are also flagging up the amount that they would need to be able to stand still.

We had built our newbuild projections on 2,500 units, which would have been about 10,000 units over that period. However, the money currently on offer will give us only about 4,000 units. We do not want to make little of that significant gap. At this point, we have no plans to move money from revenue to capital or vice versa.

Mr Haire:

The Minister has said, as emphasised during the consultation period, that he is looking at the

figures, is listening to what is going on and is seeing issues around that issue.

The Chairperson:

Anna, you are next.

Mr Easton:

Sorry, this is very important.

The Chairperson:

Are we going to Bloomfield?

Mr Easton:

No, and we are not going to Kilcooley either. What is happening with the women's childcare fund?

Mr Ferguson:

The Minister has indicated that he wants to protect the funding provision that we currently provide through that fund, pending agreement on an overarching strategy for children and young people that OFMDFM is currently taking forward. The strategy and funding for its implementation have yet to be agreed. However, pending that, the Minister has indicated clearly through the Budget statement that he wants to protect that fund.

Mr Easton:

So, it is not certain?

Mr Ferguson:

He is determined to make sure that it is protected.

The Chairperson:

It is definitely your turn now, Anna.

Ms Lo:

Thank you, Chair. Fred overlooked me twice yesterday.

The Chairperson:

That is OK, Anna. You have your very public revenge on him now.

Ms Lo:

I am concerned about the figure that you gave for the suggested receipt from the sales of homes and land. Nobody can tell what will happen in the next four years, but how realistic are those figures? I know that you said that you are going to get an increase in rental income of £9 million. However, 4,000 units over four years are nothing like the numbers that have been built over the past four years. Last year alone we got 1,750 units and we need 2,000 units. Are we going to have a longer waiting list after four years?

Mr McGahan:

I will pick up on the income from sales. I know that the figures show £100 million, £96 million and £91 million. That includes interest and capital repayments from the Housing Executive, which is built into the budget and which is safe. It is a technical issue. The figures also show £27 million for land and house sales, of which £20 million belongs to the Housing Executive and £7 million belongs to regeneration. The current forecast for housing land sales at the Housing Executive this year is £20 million to £21 million, based on a forecast that we made earlier in the year, and we think that that is realistic going forward. We did not want to use the inflated assumption from three years ago, which was £60 million to £80 million. The Housing Executive is forecasting £20 million a year in each of the next four years, and we think that that is conservative.

Ms Lo:

It is realistic; it is achievable.

Mr McGahan:

The rent and newbuild are two separate matters. As other members have recognised, the money coming in from rent will support the revenue budget, which will help to support the maintenance

of existing buildings. The newbuild can only come from a combination of grant from the Department and borrowing by housing associations. With the current amount of money available forgetting the £80 million extra, around 4,000 units could be built. If we get £80 million over the four years, that would be around another 1,000 units, depending on what grant rates are like. That would be 5,000 units, which is significantly less than it has been over the past three years. We are looking for whatever avenues are available to try to improve that.

We are talking with our colleagues in the Department of the Environment about the introduction of developer contributions. There is agreement in principle, but we need to get the housing policy statement sorted out.

Ms Lo:

It is going to take a long time to get there.

Mr Haire:

It will take a long time to work through.

Ms Lo:

I was talking to a voluntary sector organisation yesterday about getting match funding, and it foresees huge problems in getting that funding from other Departments, the trusts, the Department for Employment and Learning (DEL) and others. Will there be some flexibility for the voluntary and community sector in getting match funding to funding from DSD?

Mr Ferguson:

Is it a particular organisation?

Ms Lo:

I do not want to mention the organisation. It is talking in general terms and anticipating problems with match funding.

Mr Ferguson:

When you say flexibility —

Ms Lo:

From what you give them. They may have to get another 15% to 20% match funding, and they say that it will be very difficult to get it from the health and social care trusts and, for example, from DEL.

Mr Ferguson:

All I can do is give you a general answer, and I am not sure whether it will help the particular organisation that you refer to. Each case will be looked at on its merits. However, money is tight: it is tight on the capital side and on the revenue side, and we would have to look at each case on its merits. Nevertheless, I am happy to talk to you afterwards about the particular case, or, if you let me know what the particular case is, I will look into it.

Mr Haire:

At the beginning of the process, we organised a meeting of all finance officers in all the Departments with the Northern Ireland Council for Voluntary Action (NICVA) to make the point that the focus must be always on the delivery of the public service through the voluntary and community sector. Easy cuts should not just be made because they might be easy; it is about the quality of service. The Department has also run a number of sessions with each Department and the level of engagement has been good. I am not going to say that it will be perfect, but it is about service delivery ultimately. That point is well made round the entire system, and Ministers have supported that general point.

Mr Cobain:

I have a question about housing stock, and Barney has answered part of my question. You said that you will build about 40% of what we need, and that will have an effect on homelessness and people moving out of the social sector into the private sector. There could be huge social problems down the line.

Where did the figure come from for the contribution from the housing associations? Did it come from the Department?

Mr Haire:

It came from the Budget process. It came from The Department of Finance and Personnel (DFP) and the Office of the First Minister and deputy First Minister (OFMDFM). The £80 million was not from us.

Mr Cobain:

Was it inserted by DFP and not you?

Mr Haire:

We have certainly never ventured that figure.

Mr Cobain:

I have another couple of questions about housing associations. Some of the additional housing to be built is predicated on getting that £80 million. The most likely scenario for getting the £80 million is to cut the grant. The Department will not physically get the £80 million from housing associations, will it?

Mr McGahan:

It is fair to say that the only way to get that money from housing associations, given their legal status, is to reduce the amount of grant payable to them and expect them to find mechanisms to use their reserves or to borrow money.

Mr Cobain:

Therefore, are we asking housing associations to build more houses with less grant aid?

Mr McGahan:

The proposal in the budget paper is that that is doable. We are exploring the extent to which it is doable with the housing associations.

Mr Cobain:

Are you telling us that, to raise the £80 million, you will reduce the amount of money that you give to housing associations in the form of a grant, but you also want housing associations to take

up the slack and to build more houses with less grant aid? That is basically it, is it not?

Mr McGahan:

The only caveat that I would include is that we are not yet satisfied that we can reduce the grant to a sufficient extent to make up the £80 million. Leaving that aside, yes: your proposition is quite right.

Mr Cobain:

OK. Just to finish that point: housing associations will have to borrow more money, which will mean an increase in rents.

Mr McGahan:

That is part of the analysis that is going on at the moment. Were we to try to get them to contribute £80 million in some way, how would they get it? What would it cost them? What would it do to rents? How doable, how deliverable is this aspect?

Mr Cobain:

May I work out the scenario, so that I can clear my mind? We are building about 40% of houses below the level of need. We will increase the number of homeless people looking for social housing. We will drive many people out of the social sector into the private sector. We will ask housing associations to contribute more to the building of homes, which means that they will borrow more, their costs will rise and we will be again in the vicious circle of rents increasing. That is the scenario that we face. Therefore, if housing associations decide not to borrow any more money or build more homes but to stay where they are, the people most obviously affected will be those at the bottom. That is the proposition that is placed in front of us.

Mr McGahan:

I think that that is very fair comment. I explained that we put in a bid for 2,500 units a year, because that was our estimated need. The money made available to us at this point meets about 40% of our estimated need. If we can get the £80 million, it may push that up to 50%, but there will still be a huge gap.

Mr Cobain:

Yes, but to do that, you are asking housing associations to borrow more money.

Mr McGahan:

That would be the only way to do it.

Mr Cobain:

They would have to pay for borrowing more money, and their tenants will pay for that.

Mr McGahan:

That is correct.

Mr Cobain:

What percentage difference is there between Housing Executive and housing association rents?

Mr McGahan:

It may be 20% or 25%, off the top of my head. I would not like to be quoted.

Ms Ní Chuilín:

There also is a difference between different housing associations.

Mr McGahan:

I accept that there is a difference.

Mr Cobain:

Housing associations are more expensive than the Housing Executive?

Mr McGahan:

That is correct.

Mr Cobain:

Therefore, to do this, we will push up that differential.

Mr McGahan:

That is possible. That is one of the consequences that we are currently examining, yes.

Mr Cobain:

OK.

The Chairperson:

To pick up on what Fra McCann said, I think that Barney McGahan said that the level of housing association grant was now down to an average of about 60%. Baroness Ford's report recommended that we drop the housing association grant to the GB level, which is lower than 60%. Are they sitting at around 50%?

Mr McGahan:

Before the economic slump, some grants were down in the 40% range, but they had to be raised in the past couple of years. There are variable factors across England, Scotland and Wales. I cannot give you an average at this point. I will try to find out, if you wish.

The Chairperson:

Yes, that would be useful. I was right: Baroness Ford's report recommended that we reduce the grant from 60%.

Mr F McCann:

I want to go back to the question about neighbourhood renewal and the voluntary and community sector. The figure of 10% savings has been floating about for a considerable time. Are you saying that it will be nowhere near 10%, it will be 10% or it will be over 10% when it comes to cutbacks and efficiencies in administration?

Mr Ferguson:

I am not saying anything about a percentage. I am not saying that we are demanding any percentage or expecting any particular percentage.

Mr F McCann:

You are asking groups to cut. Rather than the carrot and the stick, it is like the stick and the carrot with a reward if they are able to deliver. The difficulty is how they cut back and the impact of that on a sector that has been feeling the pinch of underfunding for quite a number of years.

Mr Ferguson:

That is not the frontline service element of what those groups provide; it is their administrative costs. I will give a small example. We know of one area with three groups within a short distance of each other that are, essentially, providing the same services. The services are needed but each group has a finance officer and other core services. In that instance, we would be looking to those groups to share the running costs of their organisations to drive out efficiencies that way.

We do not know at this stage what that percentage would be, but we are trying to get particular organisations to co-operate and make collaborative efforts. Obviously, very little, if anything, can be squeezed out of what it costs to run some smaller groups. Yet it should be possible to drive out at least some efficiency savings. However, we are not starting from a prior position of saying that we are looking for an average across all groups of x%. Nor are we starting from the position of saying that we are looking for x% from this type of organisation and y% from that type of slightly bigger organisation. Each case is being looked at on its merits. In some instances, it will be obvious that some organisations are running as efficiently as they possibly can and there is nothing further that they can do. In other instances, it is difficult to accept an argument that there is no scope for some savings. I stress that those savings are on the administrative cost of running the organisation rather than the cost of providing the frontline service.

Mr Haire:

NICVA has been very much working with such groups to try to achieve that themselves. They recognise that that can be achieved in the sector, and we have been very supportive of the work that they are doing. It is recognised in the sector that this is the right thing to do.

Mr F McCann:

I take it that NICVA is doing the same itself?

Ms Ní Chuilín:

We need to be careful if we are using NICVA in this argument. That is not my understanding. I think that it is talking about auditors and audit fees rather than expecting groups to work together. To be fair to it, I think that it is being misrepresented.

Mr F McCann:

I want to go back to the percentage issue. You said that it would be nowhere near 10% but you are unsure whether it could be 10% for many groups or over 10%. Administration is the core of many of those groups. I have no difficulty with mergers, but, to use the old saying, when is a cut not a cut? At the end of the day you are asking groups to cut themselves. So, when you say that the Minister said that he was maintaining neighbourhood renewal at the present level he is not. If you are forcing groups into a position of having to make administrative cuts with the carrot dangled to say: "If you do that, there will be a four-year funding package for you", that is tantamount to blackmail for many groups.

Mr Ferguson:

I will make a general point back. I am not going to mention any percentage. What I will say is that all organisations, including our own, that are providing frontline services are being asked to make sure that they are providing those services as efficiently and effectively as possible. The Minister is saying that that applies as much to the voluntary and community sector as it does to Departments and other agencies.

That is simply what we are doing as we renegotiate contracts with the groups that provide neighbourhood renewal services. We are asking them to make sure that they are operating as efficiently and effectively as possible. That does not seem unreasonable, but to start from a prior position and to say to every organisation that we expect them to make a minimum of x% is unreasonable. There is a huge amount of flexibility in the way in which we drive out the efficiency savings across the piece with the former approach rather than the latter.

Mr F McCann:

We can all play with words. At the end of the day, when you tell people that you expect the cut to be made, that is effectively what you are doing. I am talking about whether it could be 5%, 10% or more, and the answer is yes. You do not know.

Mr Ferguson:

As I have already said, we do not expect every organisation to make a cut. It will be apparent, particularly with the small organisations, if they are running as efficiently and effectively as they can.

Mr F McCann:

We will move on. The paper states that Supporting People will be maintained at its present level, so the inflationary freeze will be maintained. Even with that freeze, however, there has been an effective cut in that programme of maybe 10% over the past number of years. If there is an inflationary freeze over the next four years of the budget, there could be, depending on inflation, another 10% or 15% cut, which could have been used to deal with those who are in most need in society. Is that correct?

Mr McGahan:

On Supporting People, extra money is going into the budget across the four-year period on the back of the Bamford proposals. That will increase the amount of money that is available for Supporting People. The Housing Executive has committed, as it has done in the past, to consider each case on its merits in respect of the need for increases, whether for more services or to cover inflationary costs. That will continue into the future.

Mr F McCann:

There has been an effective cut over this past number of years. Reading the report, I thought that you were unsure about how much would be available to deal with Bamford.

Mr McGahan:

We have been given specific capital and revenue allocations for Bamford. The revenue will go into the Housing Executive's Supporting People budget across the years and will be tied to

individual schemes. That has to be linked, of course, to agreements with health and social care trusts, which will make use of the facilities. That Bamford money is in our budget paper and will go into the budget.

Mr F McCann:

I cannot go into exactly what the Housing Executive will spend because, as the Minister quite often says, it is difficult to interrogate the figures when we do not have them. We are waiting for the Housing Executive to break down its budget and come back with figures of what it will spend.

Mr McGahan:

That is correct, although I can confirm that, in relation to Bamford revenue, from next year onwards, £1.3 million, £4.5 million, £11.7 million and £16.7 million will be the increase going in to the Supporting People budget.

Mr F McCann:

I do not have time to ask for a breakdown on that. I will probably be told that it will be difficult to work out what that is.

Mr McGahan:

The breakdown on that will be for the specific schemes that will be developed across the Province.

Mr F McCann:

It will mostly be housing.

Mr McGahan:

Yes.

Mr F McCann:

The report says that it cannot be determined, in the present budget, how many houses will be built under Bamford.

Mr McGahan:

That is right, because we have to develop a specific scheme and identify its cost. Those types of houses are much more expensive than the normal social housing.

Mr F McCann:

I appreciate that.

I have one last question about the 3.75% increase in rents. Is that over the budgetary period or will there be increases next year and the year after? There is a concern. The Minister said that he was waiting for some review into rental incomes that was being done in Scotland. Are we heading towards the realignment of Housing Executive rents and housing association rents?

Mr McGahan:

The decision about the realignment of rents between the two organisations has not yet been made. The Minister said that steps are going on in Scotland on that front, but no decision has been made here. The 3.75% applies to the 2011-12 year. Separate consideration will have to be given to subsequent years, as we get nearer to them, by the Minister who happens to be in the Department at that time.

Mr F McCann:

We should probably expect another increase. It goes back to what Fred Cobain said earlier about housing association rents. There is a concern, given that the Housing Executive deals with those who are most in need. We are heading towards a stage at which there will be serious hikes in Housing Executive rents over a number of years.

Mr McGahan:

That is a fair concern for people to have, and there have been rent increases year-on-year for as long as I remember. Each year there is a consideration of the facts, such as about people's ability to pay, the rate of inflation, the costs borne by households and the impact of welfare reform. The Minister did that this year, and he reached what he thought was a balanced judgement and imposed a rate of increase that is slightly below the rate of inflation.

Mr S Anderson:

You referred to the social protection fund. There is a serious problem of homeowners having their homes repossessed, and that concerns me, as it will also concern other Committee members. It seems that those who have paid their mortgages for the longest time are suffering most, because they are at the lower end of the market. That is causing big concerns for some of my constituents.

I am concerned at the long-term knock-on effect of that. Following on from the good analysis that Fred gave us about rents, it is possible that a number of those people, if they have Housing Executive, housing association or private properties, will qualify, and that will cost the Department a lot of money? Have you factored in how that will affect your budget? What provision have you made for that?

The Minister talked about bringing in a mortgage rescue scheme, and whether that happens is another matter. Leaving that aside, where does the Department sit on the amount of money that may be needed to help those people? It is bad enough for people to lose their homes, but they have to either go to you or wait until rent and rates relief kick-in.

Mr Haire:

Mortgage interest rates have been running at a low level for the past two years. In light of the fact that that may come to an end and the other issues that were raised as the result of welfare reforms and the changes to the benefit system, the Minister put forward a remedies paper to the Executive for £30 million a year for each of the next four years. In the draft Budget, the Department received £20 million in year one, but the Minister emphasised that significantly more money needs to be released over that time. As I said, I think the bid was £30 million for each of the four years —

Mr McGahan:

It was £20 million.

Mr Haire:

Sorry. That bid was made to deal with that and a range of other issues, such as Sure Start, that are of concern to the Minister. A paper was worked up for the Executive on exactly how the

Department envisages that money being spent. Undoubtedly, the issue of housing and the impact of the mortgage issue is a major concern to the Department, because, as you said, it is likely to place more pressures on the social housing budget.

The Minister has been heavily engaged with the Council of Mortgage Lenders and has emphasised the role that they play. There are also major discussions ongoing in government circles on the responsibility of mortgage lenders not to precipitate other problems in the housing market and for householders at this time. We are avoiding pushing people out there, but we and the Minister are concerned at the level —

Mr S Anderson:

It is happening out there. It is affecting us all. We go out and talk to those people.

Mr Haire:

It is. It is one of the issues that the Minister has raised with the Department for Work and Pensions (DWP) as a concern. We have made provision for a social protection fund. We realise that the issue is significant and that it impacts more generally on social need.

Mr Brady:

I thank the witnesses for their presentation; I do not want Tommy and Catherine to feel left out. The Social Security Agency is faced with huge challenges, with so-called welfare reform to be implemented. There is also pressure on the Department to administer the system as it stands.

As I listened to the radio on the way down this morning, I heard that an analysis of the Budget has been done. It seems that DSD will probably suffer the most; that was what was coming out this morning. I think that there will be over £600 million of cuts to benefits by 2013-14. That is what is coming down the road. One of the things mentioned was that the Social Security Agency will face significant challenges in delivering the welfare reform agenda and the expansive changes envisaged in universal credit. Those are obviously huge changes. As regards the Customer First/Strategic Business Review, that was obviously a rationalisation — to use the Department's phraseology — of how the agency is going to cope. Given the added pressures of universal credit particularly in welfare reform, will cuts implemented to the same level? Are

there going to be particular problems in trying to administer a whole new system?

The other thing talked about was benefitting from procurement savings made by DWP through its IT provider contracts. However, one of the reasons why DWP's Child Support Agency in England failed was that the IT system was not fit for purpose. Therefore, unless something radical is done with the IT system, I am not sure how welfare reform, with all of its attendant problems, is going to be implemented. How is the IT system as it stands — I know that the Department uses the DWP system — going to cope? That will implode eventually unless something radical is done.

Another thing talked about was the agency's scaling back lower priority programmes, and one of the things mentioned was benefit uptake. I would have thought that benefit uptake, particularly pension credit, is very much a priority, particularly here in the North where almost £2 million is not taken up by people aged 16 and over. That is a huge amount of money that goes back to the Treasury instead of going into the local economy. I am just wondering whether that will be prioritised or whether it will be put on the back-burner. I know that there is lot in there.

Mr Tommy O'Reilly (Department for Social Development):

I have not seen that report to which you refer about the impact on DSD. However, as regards the Department's looking at the impact on welfare reform, our current estimate is that, over the SR10 period, Northern Ireland will see a reduction of about £450 million in spending on welfare as a result of the measures that were introduced during the June 2010 Budget and the most recent welfare reforms. Something is taking place there, and we are clearly looking at that. In the information provided to the Committee, there was a letter from the Treasury to DFP indicating that it is anticipating savings of about £250 million during the SR10 period.

The Department and the agency will clearly face significant challenges in trying to introduce a series of reforms, such as DLA reforms, the social fund and universal credit. We are going to have to move forward the service model that we currently provide to ensure that we can meet those challenges and provide the service in the most efficient manner possible.

Customer First does provide for us. We have gone through and completed the Customer First

pilot, and it has proven to be a real success because of the choice being provided to customers. We have looked at the issues around the equality groups and the different groups under section 75, and there has been no impact on the service. We have also been working with the voluntary and community sector on those issues. We have made a submission to the Minister, and he is currently considering that. We are thinking about how we are going to roll that forward, because we see it as one of the methods that will help to change the service in preparation for the introduction of universal credit. It is part of a continuing change that the agency needs to go through in order to meet the challenges coming forward.

As regards administration, DWP is currently facing a reduction of 26% in its core costs across the SR10 period. One of the issues that it has identified and that we are picking up on is around procurement. As you can imagine, DWP has a major spend on IT. The Government have been working through a process whereby all major IT suppliers have been brought in, and there has been a discussion about the level of savings that they are going to put back into central government.

We are hoping to benefit from that exercise as we go forward. Clearly, there is an ongoing piece of work that will help deliver the savings to help our efficiency programmes.

Finally, the lower priority savings were based on the 2010-11 Budget. We split the efficiencies up into priority 1 and priority 2. We delivered on all the priority 1 savings. However, given the level of attrition in the agency, and given where we are now with our SR10 budget, we are not anticipating that we will have to implement those. We wrote to the Committee recently confirming that the proposed savings in programme protection and the benefit uptake are not being implemented, and we intend to move those forward over the SR10 period.

Mr Brady:

Presumably the procurement issues around IT relate to the current model. I do not want to put you on the spot — I suppose I do in a way — do you think that the current IT system is fit for purpose for what is coming down the road at it? We are talking about the universal credit, the whole raft of welfare reform, and cutting back on training is also mentioned. Staff will be faced with a huge round of new administrative procedures. Unless something radical is done to redress

the imbalance there, the system can be introduced in the best way possible, but it will not be adequate unless there are the tools to do the job properly.

Mr O'Reilly:

There have been significant improvements in the IT systems in the Social Security Agency over the past few years. However, we still have the old legacy systems that run the JSA and the IS. Those systems will remain in place for at least the next six years, even with the introduction of universal credit, because people who are on those benefits will remain on those benefits until they go through some form of change of circumstances and move across to universal credit. It is about maintaining those and ensuring that they continue to be fit for purpose.

With regard to priority and developing new IT systems like the universal credit, one of the big drivers will be automated service delivery. DWP is working on the process that will be about a 60% target. That is about trying to move the information so that it is owned by people, rather than being owned by the Department. There is no doubt that there are some big challenges there, and they will create additional costs for us, which is part of the reason why we have some additional moneys for the Welfare Reform Bill to meet those IT costs. There will be changes to DLA and there will be significant IT issues with the universal credit, and we intend to invest in those areas.

Mr Brady:

If you consider that the computerisation programme for social security in Britain and here was completed in 1993, which was the biggest computerisation outside the NASA space programme, which was huge, it went £55 million over budget. It seems that what was in place started off badly and has gone downhill since. I take your point: you can try to improve it, but you can only do so much with a system that is still not fit for purpose. Ultimately, the people who will bear the brunt of this are the customers. I have sat with people who take claims for employment and support allowance (ESA). A claim can come up on a computer screen in minutes, but it can still take two and a half months for people to get their benefits. Therein lies the problem.

Mr O'Reilly:

The quality of technology has moved on as we have moved away from the old administrative

systems. Remember how you used to walk into the old social security offices or into the benefits offices and there was paper everywhere. That does not exist in our new systems. It is much more about a telephony-based approach.

With regard to the two and a half months, the average time for ESA is just over 11 days. Clearly, there are exceptions and some cases will take longer.

Mr Brady:

As someone who was involved in the days of the paper trail, in many ways it was more efficient. However, the ultimate test is how quickly people get their benefit. With respect, people were getting their benefits a lot quicker in the 1970s, the 1980s and the early 1990s than they are now.

Mr O'Reilly:

You have more experience than I have.

Mr Gallagher:

It was never as difficult as it is now.

Mr Brady:

I take your point: things have changed. There may not be as much paper, but there may be less efficiency.

The Chairperson:

I have a question before we move completely off the social security and welfare reform issue. Obviously, the overall capital budget has taken an understandable hit, with a 40% reduction for the global Northern Ireland figure. The jobs and benefits offices programme was welcomed by everyone. It has slowed down noticeably. What are the plans for that programme over the next four years? Are there any particular schemes that are likely to move forward in the period, or will others be delayed even further?

Mr O'Reilly:

There are no capital allocations in the SR10 budgets for jobs and benefits offices. There is money

allocated to fund the refurbishment of the remaining eight offices. We made a bid, as part of the bidding process, for jobs and benefits offices. We have no money for those offices in the provisional allocations. We are starting to think about how we are going to deliver the services through the remaining offices. We intend to have discussions with the Department for Employment and Learning to determine where we can make changes to improve the service. However, it looks like there will not be any capital available for that project. We will have to deal with that issue over the next four years.

The Chairperson:

I have, unfortunately, provoked Fra into indicating that he wants to ask a question. *[Laughter.]*

Mr F McCann:

I wanted to make a point on the back of what Sydney said about mortgage relief. Over the past couple of days, I have heard that there has been a serious increase in the number of people who are being taken to court for possible repossession orders. That is expected to increase, especially once the cuts in benefits hit home. Has an impact assessment been carried out into the effect of hundreds and maybe thousands of people going onto the waiting lists? Can the system handle all those people? Sydney said that there is a big cost factor. Do people look at the cost?

Mr O'Reilly:

We have been looking at the issue of the number of people who are currently on the JSA scheme and who are being provided with mortgage support. We anticipate that approximately 500 people will come to the end of that two-year support this year. As the permanent secretary said, we are doing some work on the potential cost and the impact of that activity. We will put forward a paper under the social protection scheme to try to alleviate that situation.

Mr F McCann:

Has a cost been worked out?

Mr O'Reilly:

We are working out the cost by looking at the average subvention that people are getting from the Department through the welfare system and what they are losing when they move off it. We are

trying to establish the total number of people affected. We will look at the potential remedies for those individuals who are either moving into the private sector or into social housing.

The Chairperson:

Catherine, you are not going to get away as easily as you might have thought. Last week, we looked at DWP's proposed changes for child maintenance, which are, maybe, not as much in the spotlight as some of the welfare reform changes, but are, nonetheless, pretty significant. What impact will those changes have on the division? How are you gearing up for that? What are we likely to see coming through over the next Budget period?

Ms Catherine McCallum (Department for Social Development):

The Green Paper proposals are still out for consultation. The coalition Government has some quite radical views on the future of child maintenance, which, in essence, move people away from the dependence on the state via statutory schemes and push them towards private arrangements. That is thrust of the proposals, although there is provision for a future scheme that is intended to be implemented over the next year or so.

One of the members made a comment about the IT systems. Members will be pleased to know that child support is moving towards a third system, which, we are assured, will be much better and much more efficient than its predecessors.

The Chairperson:

Just like the last one.

Ms McCallum:

Things are still at an early stage, but we are linked into developments in Great Britain, which will have an impact on our organisation.

The vast majority of our budget — over 60% — comprises staff costs. We do not anticipate that jobs will be an issue in the first three years of the Budget period. We will look to mitigate any pressures that might arise in year 4 by making savings in some of our non-staff areas. We have no major concerns at this stage. That is not to say that challenges will not emerge from the

programme of reforms over the next few years.

The Chairperson:

A lot of the division's work that is based here is done on behalf of customers on the mainland. From what you have said, I take it that that has largely been protected as well. We had a concern about that.

Ms McCallum:

There always are concerns. We can never give any absolute guarantees. However, at this time, we have no reason to suspect that that is under threat.

The Chairperson:

OK. That was very thorough. Will, Barney, David, Catherine, Tommy — that sounds like a pop group — thank you very much for coming along. That was comprehensive and very useful.