

Stephen McMurray
Director of Financial Management

Lighthouse Building
4th Floor
1 Cromac Place
Gasworks Business Park
Ormeau Road
Belfast BT7 2JB
Tel: 02890 829016
Fax: 02890 829516

Email: Stephen.McMurray@dsdni.gov.uk

CLERK TO COMMITTEE FOR SOCIAL DEVELOPMENT

Mr Peter McCallion
Room 412
Parliament Buildings
BELFAST
BT4 3XX

2 February 2011

Dear *Peter*

RE: UPDATE TO SOCIAL DEVELOPMENT COMMITTEE ON ISSUES RAISED AFTER THE BRIEFING ON 13 JANUARY

1. Following the meeting mentioned above, the Committee sought further information via your letters to the Department's Assembly Liaison Officer (DALO) of 18 and 19 January. The information requested is set out in the following paragraphs.
2. **NI Housing Executive**
Can the Department advise on the level of increase of NIHE rents for the period 2011-2015?
As the NIHE rent increase is set on an annual basis by the sitting DSD Minister it is not possible to provide the level of rent increases over the Budget 2010 period. The annual rent increase approved takes account of many factors including the prevailing inflation rate as measured by the Retail Price Index, affordability, similar rents in the other UK jurisdictions and the estimated income levels required to maintain the NIHE stock.

Can the Department also advise on the impact of rent rises on the expenditure profile for the Housing Executive?

3. Each 1% increase in rent will generate an additional £2.4m of income on an annual basis. In general, increases in rent are re-invested in the various maintenance programmes and to meet the cost of inflationary increases.

Can the Department indicate the expected changes to the number of posts within the Housing Executive during the budget period – including the number of expected redundancies both compulsory (if any) and voluntary and the level of natural wastage?

4. The Housing Executive is currently drawing up their detailed budgets based on the draft allocations in Budget 2010 and at this stage is unable to supply information on the impact on staffing numbers and possible redundancies. Early indications are that any reduction in staffing can be met through natural wastage and voluntary redundancies, and that compulsory redundancies will not be necessary. The DSD Minister is determined that the staffing structure and complement is what the NIHE, CMED and SSA need – not more and not less.

The capital allocation for bringing NIHE homes up to the Decent Homes Standard appears to be around one third of the Department's bid (made in September 2010). Can the Department advise on the number of NIHE homes that will be brought up to the Decent Homes Standard during the budget period – will this be around 250 rather than the planned 800?

5. The Housing Executive is currently drawing up their detailed budgets based on the draft allocations in Budget 2010 and at this stage specific figures on how the allocations will impact on the number of properties to be increased to the Decent Homes Standard is being determined. NIHE is developing a maintenance investment strategy which will prioritise the Decent Homes Standard schemes to ensure the maximum outputs for those most in need. While the interventions necessary to the various properties will differ in terms of the extent of works needed and the costs involved, as the capital allocation for Decent Homes is around one third of the bid, the outcome will fall short of the bid proposal.

Invest to Save – Severe Cold Weather Measures

Can the Department advise on the details of its Invest to Save proposal which is designed to limit the impact on NIHE tenures of future severe cold weather events?

6. A bid has been made for £12.2 million over the four years of the Budget 2010 period. This includes lagging of pipes and roof space insulation, trace heater installation and cavity wall insulation to Housing Executive properties. The proposal is based on lagging & insulation in 2,000 properties in each of the four years, trace heater devices installed in 9,000 properties in year 1 and 12,000 cavity wall insulations completed in years 1 and 2. These works are of a preventative nature and it is therefore difficult to estimate the savings which would result to the Housing Executive. The recent period of severe weather generated a level of response maintenance call-outs which was significantly greater than that normally experienced during a winter period. The December 2010 response measures are currently being costed but are estimated to have

cost around £10m. If it is assumed – and this is an assumption to be cautious about - that the recent weather conditions could be viewed as a 1 in 25 year event, suggesting a probability of occurrence of 4%. Applying this to the higher range of the estimate, £10 million, produces an average annual costed risk of £400k over a 25 year horizon. This could be used as a proxy indicator of potential annual savings (assuming the investment targets the most vulnerable properties) although any single event could cost £10 million and, of course, could happen at any time during the winter.

Warm Homes

The Department's Warm Homes bid was £20m pa. Officials advised that the capital allocation of around £12m pa was to be supplemented so as to maintain expenditure at current levels. Can the Department confirm whether Warm Homes expenditure in private housing will be maintained at £20m pa and if the performance targets for this scheme will be altered in 2011-15?

7. The allocation provided for Warm Homes in the Draft Budget has been set at a similar level to the spend expected in the current year (£12.2m). This level of funding is sufficient to meet the PSA target of 9,000 interventions and there are no plans to alter the performance targets for this scheme. However this issue is under active consideration by the Minister.

Can the Department also advise on spend on other fuel poverty measures and whether current levels of expenditure on fuel poverty / Warm Homes are to be maintained in the budget period?

8. The £20.5m allocation in the current year is directed at both the Warm Homes scheme and the fuel poverty measures being carried out in the NIHE stock. These latter fuel poverty measures are of a capital nature and generally relate to schemes to retrofit old and inefficient heating systems. Any remaining capital fuel poverty measures will be completed as part of larger Decent Homes Standard schemes and funded from that budget. NIHE will also complete other fuel poverty interventions such as insulation etc through its revenue funding as alone these are not regarded as capital expenditure.

Supporting People

Can the Department clarify if the current expenditure for Supporting People will continue at current levels (of around £65m pa) or if it is to increase to reflect inflationary pressures or if it is to increase to fully fund the recommendations of the Bamford Review?

9. Funding for Supporting People over the budget period will continue at £64 million but we need to look for innovation and creativity in the delivery of Supporting People Services and by reducing overheads and discretionary costs providers can help to protect frontline services, thus stretching available revenue funding. The Bamford Review proposals will be funded from Budget 2010 allocations.

The capital allocation for Supporting People (Bamford Review) appears to be around £35m less than the Department's bid in September 2010 for the 2011-2015 period. Can the Department advise if the target of 1168 new build units of specially adapted accommodation is to be reduced or spread over a longer time period?

10. The Housing Executive is currently drawing up their detailed budgets based on the draft allocations in Budget 2010. The final numbers delivered will depend on the agreed priority groups and the specific schemes determined by DHSSPS and DSD as the complexity and design of schemes will change across different client groups. The Department will utilize the allocated funding to maximize the units provided for the priority groups identified in the Bamford review.

Can the Department advise if the Department of Health, Social Services and Public Safety is to meet the extra care costs accrued as a result of delaying independent living provisions for long-term care facility residents?

11. The Department of Health, Social Services and Public Safety will continue to cover the costs for long-term care facility residents until they are catered for under Bamford Review proposals.

Housing

The capital allocation for the Social Housing Development Programme appears to be less than the Department's bid (in September 2010). Can the Department advise on the number of new social houses it intends to start pa in the budget period?

12. The Housing Executive are currently drawing up their detailed budgets based on the draft allocations in Budget 2010, However based on the actual budget allocation and using today's prices, the Social Housing Development Programme would provide 4,000 units over the four year period. This figure does not take account of the potential additional funding which can be accessed through housing association reserves, where the Minister has grave concerns around the approach taken by the Executive.

Can the Department advise on the impact on other programmes of possible reallocations of non-ring-fenced funds to the Social Housing Development Programme?

13. £10 million has been allocated from the Decent Homes budget and it is inevitable that the level of Decent Homes interventions will have to be reduced as a result. However the draft allocations when combined with inflationary rent increase each year are estimated to be sufficient to allow the Housing Executive to continue to maintain their properties to the Decent Homes Standard and invest in high priority improvements.

Can the Department advise on the quantum of the increased contribution which is to be sought from Housing Associations to support new house-building?

14. The Minister does not accept the level of additional revenue which is available from Housing Association reserves and has highlighted previously that a proportion of reserves are needed to fund major repairs, repay private finance and enable associations to be in a position to cope with unexpected events. While he believes there is scope to make better use of Housing Association reserves, it is important that any action taken does not jeopardise the Associations ability to access future borrowing which supplements the public grants provided. The Minister believes that the Housing Association movement requires positive reform around internal costs, procurement and numbers. However while there are reserves that can be used for new-build, the £80 million over four years in the draft budget is arbitrary and produced without consultation. The Department is working to identify what is the appropriate level of reserve that can be used directed towards funding the new build programme.

Can the Department advise on the progress of Housing Associations in securing procurement efficiencies?

15. The Procurement Strategy for the Social Housing Development Programme is a 5 year strategy. One of its objectives is to achieve a noticeable increase in efficiency with a minimum target of 10% cost efficiency over the period of the Strategy. Procurement Groups have been operational since April 2009 and have mechanisms in place to capture and record efficiencies. It is, however, too early in the implementation of the Strategy to advise on the progress of Housing Associations in securing procurement efficiencies.

Mortgage Rescue Scheme

The Department's bid for funding for a Mortgage Rescue Scheme appears to have been unsuccessful. Can the Department advise if the Social Protection Fund is to be used to provide support for householders some of whom may have been in receipt of the Support for Mortgage Interest payment and who now face repossession?

16. It is recognised that, throughout the rest of the UK, mortgage rescue schemes are one element in the suite of Government support for helping people experiencing problems making mortgage repayments. As you are aware, the Minister has previously expressed his disappointment that funding has not been made available to allow a full mortgage rescue scheme to operate here. I understand that the Minister is currently giving consideration to potential bids to the Social Protection Fund; one possibility would enable support to be provided to homeowners facing repossession. However, the failure to have a Social Protection Fund of sufficient funds for each of the 4 years 2011-15 is unacceptable and needs to be rectified.

Community Development

Can the Department clarify the funding position for the Neighbourhood Renewal Strategy and related programmes such as Areas at Risk and Small Pockets of Deprivation? Is funding for these programmes to be maintained or increased in the budget period?

17. Neighbourhood Renewal - the allocation of the proposed Departmental budget reflects a commitment to maintain Neighbourhood Renewal at its current level, indeed a potential increase is being considered, thus the level of services – adjusted where necessary - currently being provided should be maintained. The Department is currently considering options intended to free up additional money through efficiencies which should enhance service delivery.

Areas at Risk - subject to the final budget settlement, it is intended that funding to the

Areas at Risk Pilot Programme will be at a level slightly above the level of spend in 2010/11.

Small Pockets of Deprivation - in relation to the Small Pockets of Deprivation, the intention is to at least maintain the budget allocation at its 2010/11 level. However, when the final budget is set, consideration will be given to the possibility of increasing this allocation.

Can the Department set out its plans to encourage organisations that receive funding to identify opportunities to collaborate, share services and merge to reduce costs and protect services?

18. Voluntary and Community Unit will continue to explore a number of avenues to encourage collaboration, shared services and mergers where appropriate including the insertion of appropriate clauses in contracts and one to one meetings between groups and members of the Voluntary and Community Unit Senior Management Team to explore options for managing activities differently. Voluntary and Community Unit has also recently bid for additional resources under the "Invest to Save" initiative to introduce a programme to assist bodies to pursue such arrangements.

Can the Department advise if, following the Neighbourhood Renewal Mid-Term Report, Neighbourhood Renewal Partnerships will be encouraged to merge where this enhances partnership working and delivery of outcomes?

19. Whilst there is nothing in the Mid-term review which seeks the merger of Neighbourhood Renewal Partnerships, groups that receive Neighbourhood Renewal funding are encouraged to identify opportunities to collaborate, share services and, if appropriate, merge in order to reduce costs and protect services. One example where this has been done successfully is Coleraine; two Partnerships covering the Coleraine East and Coleraine West Neighbourhood Renewal Areas merged in 2009 to create a single Neighbourhood Renewal Partnership facilitating the development of single projects where both areas experience the same needs. This is proving to be more efficient and is starting to deliver better outcomes.

Urban Regeneration

The capital allocation for the vesting of houses in declared Urban Regeneration Areas appears to be lower than the Department's bid. Can the Department advise on the impact of this on the vesting of housing in Urban Regeneration Areas in: Parkside; Glandore; Lawnbrook; Woodvale Avenue; the Village; and Upper New Lodge?

20. The Housing Executive is currently looking at this, assessing the implications in each of these areas and how to ensure vesting does and can occur.

The capital allocation for Physical Development projects appears to be about half of the Department's bid. Can the Department advise on the impact of the lower allocation on projects in Belfast's middle core (Lower Falls; Lower Shankill; Crumlin Road; York Road; Inner East Belfast); 11 areas in Londonderry, Limavady and Strabane and the redevelopment of Girdwood; Phases 2/3 of Belfast Streets Ahead. Etc.

21. 'Belfast's Middle Core' - the Department completed consultation last year on 5 draft Physical Regeneration Concept Masterplans. These documents proposed a set of measures such as public realm and environmental improvements and catalyst projects that would help to address dereliction and under utilisation of assets in these areas. A lower than hoped for allocation would therefore impact on the Department's ability to take forward the priorities expressed in the masterplans.

Eleven areas in Londonderry, Limavady and Strabane - the Minister is fully committed to playing his part in the regeneration of Derry and the North West. Public Realm, Environmental Improvement and Comprehensive Development schemes are currently in development and the Strabane bridge has been identified as a priority project. The reduced capital allocation may mean that some projects may be delayed although in- year bids will be placed at the appropriate monitoring rounds and the possibility of reallocating funds from the limited budget will also be explored in an effort to safeguard critical projects.

Girdwood; Phases 2/3 of Belfast Streets Ahead – as with all schemes the Department's funding commitment to Girdwood and Phases 2/3 of Belfast Streets Ahead is subject to satisfactory appraisal, meeting all statutory planning requirements and the availability of funding. The Minister is fully committed to Girdwood and is determined that it proceeds. Urban renewal – including Belfast Arts Centre – is critical as a job, economy and tourist intervention.

The allocation for Ilex and the City of Culture appears to be about one third of the Department's bid. Can the Department comment on the impact on these projects of the lower allocation?

22. The full bid of £32m to support the Regeneration Plan and the redevelopment of Fort George has not been met with a sum of £10 million allocated for the City of Culture. A number of City of Culture projects are in development and in-year bids will be placed at the appropriate monitoring rounds while the possibility of

reallocating funds from the limited budget will also be explored in an effort to deliver priority projects. DSD was the only Department to make a City of Culture capital bid.

Can the Department confirm that the reduced capital allocation for the Royal Exchange will not delay the delivery of this project?

23. Decisions on the timescale for the delivery of Royal Exchange are dependent upon the project obtaining all statutory planning approvals and achieving viability. The Department therefore has sufficient time available to address issues arising from the reduced capital allocation in advance of firming-up the delivery timescale.

Child Maintenance & Enforcement Division

24. As a result of the allocation of additional revenue resources, as outlined in paragraph 9 of the Department's Draft Budget 2010 consultation paper, and savings that will now be generated from further rationalisation of the Division's accommodation, the Department expects to minimise the impact that budget cuts will have on staff numbers in the Division across the Budget 2010 period. No staff reductions are expected in years one to three and the Department will seek to minimise any reduction in staff numbers found to be necessary in year four.

Administrative Cost Controls

Can the Department set out the elements of its baseline current expenditure which are subject to administrative cost controls and are therefore not frontline expenditure?

25. The Committee will appreciate that all expenditure, including for front line services, is subject to cost control. Accordingly, we will be seeking to control expenditure in areas such as training, travel and subsistence, conferences, building costs (rent, rates, electricity etc), legal and other professional fees including consultancy. It should be noted that these expenditure categories exist in both back office and frontline service areas. The Minister has instructed significant savings on these cost headings and they are being usefully reduced.

DSD Posts

Can the Department indicate the expected changes to the number of posts within each of the business areas of the Department during the budget period – including the number of expected redundancies both compulsory (if any) and voluntary and the level of natural wastage?

26. Based on the Department's current draft budget, it is not anticipated that there will be a need for redundancies either compulsory or voluntary. It is expected that the normal staff turnover levels will be sufficient to maintain the necessary staff numbers at levels which can be funded from the reduced baselines.

NIHE Salaries

27. I can confirm that NIHE salaries will be subject to pay progression. The Minister has raised senior salary levels with the Board

NIHE Programmes

Can the Department set out the changes to the reactive and planned maintenance programmes for the Housing Executive? Can the Department also advise on the NIHE Emergency Response budget?

28. The Housing Executive is currently drawing up their detailed budgets based on the draft allocations in Budget 2010.

Social Protection Fund

Can the Department clarify on the revenue streams that it is to use to fund the Social Protection Fund after 2011-12?

29. Funding for 2011-12 has been set by the Executive which indicated that contributions from Departments will be required for future years. This position is not acceptable to our Minister.

Social Security Agency

Can the Department advise on whether the so-called lower priority SSA programmes such as “programme protection, benefit uptake, checking regime and measures to ensure accuracy, reduce fraud and error and debt recovery” are to be scaled back? Can the Department provide details of how such programmes are to be scaled back?

30. Whilst this was one of the options considered initially, having taken account of the significant welfare reform agenda and the need to continue to deliver business as usual, the Agency is not at this stage proposing to scale back these activities. In line with the Government’s focus on reducing the deficit across all aspects of public spending, the Agency recognises how these activities contribute directly to the control and accuracy of benefit payments.

Equality Impact Assessment

Will the Department make available at the earliest opportunity the Equality Impact Screening documents and where appropriate the full Impact Assessments for individual budget proposals?

31. It is the Department’s policy to make equality impact documents available as required. It should be noted however, that equality impact assessments completed last year will now have to be revisited on foot of the proposed draft budget allocations. When these assessments have been finalised, details will be posted on the internet site and made available to the Committee if required.

Conclusion

32. I trust the above provides the Committee with all the information required.

Yours sincerely

STEPHEN McMURRAY