



Northern Ireland
Assembly

**COMMITTEE FOR SOCIAL
DEVELOPMENT**

**OFFICIAL REPORT
(Hansard)**

**Departmental briefing on revised
departmental expenditure plans**

28 January 2010

NORTHERN IRELAND ASSEMBLY

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SOCIAL DEVELOPMENT**

Departmental briefing on revised departmental expenditure plans

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Members present for all or part of the proceedings:

Mr Simon Hamilton (Chairperson)
Mr David Hilditch (Deputy Chairperson)
Mr Billy Armstrong
Mrs Mary Bradley
Mr Mickey Brady
Mr Thomas Burns
Mr Jonathan Craig
Mr Alex Easton
Ms Anna Lo
Mr Fra McCann
Ms Carál Ní Chuilín

Witnesses:

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

The Chairperson (Mr Hamilton):

Joining us today are Barney McGahan, the deputy secretary of resources at the Department for Social Development (DSD), and Stephen McMurray, the finance director at the Department. You are very welcome.

Included in the Committee papers is a cover note from the Committee Clerk, the Department's

letter to the Committee Clerk, dated 21 January 2010, the timeline for Committee scrutiny, and the Department of Finance and Personnel's (DFP) consultation document on the revised spending plans. Also included is further briefing material from the Department.

This session is being recorded by Hansard, and it will contribute to the report that the Committee for Finance and Personnel will produce.

I invite the witnesses to make a few brief introductory remarks before I open the meeting up for questions.

Mr Barney McGahan (Department for Social Development):

Thank you for your kind welcome, Chairman, and good morning.

It strikes me, as I am sure that it strikes the Committee, that my attendances before the Committee to discuss financial matters are always either fairly early in the analysis stage of the process, as with today, or fairly late, as with next week's discussion on the February monitoring round. I trust that members appreciate that that is a result of the Department's desire to involve the Committee at the earliest possible opportunity in discussions on key financial challenges so that we can take account of the Committee's views as we develop our proposals and thinking. At the end of the process, as that thinking becomes firm proposals, we can take account of the Committee's views again. Therefore, I confirm that today's discussion will be followed in four or five weeks with another discussion on the specific proposals for the 2010-11 budgets for our business areas. Hopefully, that discussion will be led by the Minister.

At this stage, business areas are considering the potential impact of the additional savings, capital and revenue that the Minister of Finance and Personnel announced on 12 January 2010. The business areas are also considering the potential impact of the equal pay settlement, the ongoing shortfall in house and land sales for sites and developer contributions, the deferment of the start of the Royal Exchange project, workload increases falling to the Social Security Agency, and other demands and projects for increased spending.

From the conversations that we have had since May 2007, you will know that finances have been tight for some time. The period 2010-11 was always going to be difficult, and it is now more difficult because of the range of issues that I just described. We have no choice but to

examine all business areas and all expenditure lines to find ways to live within a reduced budget while providing the best service that we can.

I would like to promise the Committee that the areas that each of you hold dear will not be affected. However, no such promise is possible as we set the budgets for 1 April.

The Chairperson:

We probably would not believe it if you did make that promise

Mr McGahan:

I can promise you that we will do everything that we can to secure extra funding in-year, whether through additional asset sales or bids in monitoring rounds, to allow us to reinstate the unavoidable reductions in expenditure.

Our time this morning will be best spent if I hear from Committee members. Therefore, that is all that I want to say for now.

The Chairperson:

Thank you, Barney.

I want to ask for some clarity about something in the Department of Finance and Personnel's submission. Included in the review of 2010-11 spending plans for Departments is a table that illustrates adjustments to current expenditure for all Departments. According to the footnote to the column that lists technical changes, the figures for the Department for Social Development relate to the impact of changes in budgeting guidance, transfer of functions and reduced requirements declared in the strategic stocktake. The table includes the overall saving of £13.4 million, but the difference between the opening position and the revised position is relatively small in comparison with that additional saving. Can you explain what the technical changes are and what their impact is? Given that the figures are listed as technical changes, I imagine that the answer will probably also be quite technical. I presume that that is not additional cash that was received at a previous stage and that it is previous adjustments to budget lines.

Mr McGahan:

As that is a technical issue, I will ask Stephen to deal with it.

Mr Stephen McMurray (Department for Social Development):

Those figures appear on the resource side and the capital side. There is £1.9 million on the capital side for the integrated development fund. Those funds are allocated to the Department at the start of the year. That is the mechanism for getting the money into our budget line, and it goes on a range of urban regeneration projects.

The figure on the resource side is £12.9 million. That is made up of £11.2 million for the independent living fund, which is a technical transfer out of annually managed expenditure into direct expenditure. That allows us to use that £11.2 million during the year. Another £4 million is coming to us in technical adjustments for international financial reporting standards that are being introduced. That is intended to be budget neutral for all Departments because there are budget implications. There is a further negative £2.4 million, which relates to cost of capital. That, too, is a technical matter relating to the cost of our investments. Overall, that amounts to £12.9 million on the resource side.

The Chairperson:

I would like to reduce what you are saying to a level that is basic enough for me to understand. I appreciate that those figures do not refer to cash.

Mr McGahan:

Just to explain, those figures give us no additional spending power.

The Chairperson:

I understand that, but —

Mr McGahan:

The independent and imponderables continue to be spent, but they are under a different heading. The rest are two accounting adjustments.

The Chairperson:

Had it increased the Department's budget position at a previous stage?

Mr McGahan:

No. It is like having money in one pocket, taking it out and putting it into another pocket. The sum total of the two pockets still adds up to the same amount.

The Chairperson:

Yes; OK.

Mr McMurray:

The independent living fund has been there for a long time and is akin to a benefit.

Mr F McCann:

I want to ask about the departmental budget and the £13.4 million as laid out in the Department's letter to the Committee Clerk. I was under the impression that efficiencies did not mean cuts to front line services. However, surely a reduction of £13.4 million, especially given the way that they are laid out in the letter, will have an impact on the delivery of front line services in each of the listed allocations.

Mr McGahan:

Yes; the budget has been reduced by £13.4 million. We were asked to find a way to deliver that under the banner of efficiencies, as you said. Our aim is to try to maintain service to the customers, whether that is through the speed of processing applications or the accuracy of claim processing. However, we will not be able to do that if we have the same number of staff, for example, or if we spend the same amount on our IT systems as we have. We have to find a way to reduce costs. We are trying, as far as possible, to maintain service provision, but in a reduced cost envelope.

Mr F McCann:

I was going to say that I understand what you were saying, but I did not really understand it. The letter lists reductions of £5.2 million for the Social Security Agency and a £6.1 million reduction in the housing budget. However, the document does not explain where those reductions are coming from. Does it mean that there will be a serious reduction in staff in the Department? Is it doing things differently, allowing you to cut back, or will there be a direct cut to the likes of the Egan contracts over the next year and a cut to the number of houses that will be built. We must bear in mind that the Social Security Agency is under a lot of pressure with reviews and

restructuring? Considerable amounts of money have been removed from the agency already. Surely a reduction of another £5.2 million will have a further impact.

Mr McGahan:

The letter does not give the details of how we will achieve those reductions because they have not yet been worked out. Work on that is ongoing. You are right to say that the reductions have to come out of some budget, whether that is the staff budget, an overtime budget or an expenses budget for, say, telephone calls. They have to come out of some budget. At the end of the day, given that approximately 80% of Social Security Agency spending is on staff, it would be unlikely that some element of the reductions will not fall on that.

The Social Security Agency is looking at its spending. It is looking at overtime and at sickness levels; staff sickness means employing temporary staff to provide cover. Therefore, if sickness can be reduced, there will be an opportunity to reduce the number of temporary staff that are employed.

If we consider housing, the Housing Executive's main revenue spend is on staff and maintenance. It will need to look at those areas. You will know from previous conversations that the Supporting People budget was protected for the three-year period and, indeed, got an extra £1 million in the current year. At present, no decision has been made to change that position. Having said that, no decisions have been made on anything; everything is up for discussion at this point. Therefore, we have to look at all areas to see where that £13.4 million can be saved.

Mr F McCann:

At some stage in the near future, will we receive a broadsheet that lists in detail the areas where cuts will be made?

Mr McGahan:

As I said, we hope to come back in four or five weeks with the relevant details on each of the budget areas and discuss them with the Committee.

The Chairperson:

I want to go back to what Fra said. You have received your suggested adjustment figure of £13.4 million from DFP. I appreciate that we do not have specific details yet and that they will come

later. On the basis of the figures that you have presented, and in the overall context of trying to protect front line services as far as possible, what criteria have you used to apportion £5.2 million to the Social Security Agency, £500,000 to the child maintenance and enforcement division (CMED), and so on?

Mr McGahan:

That is the pro rata spread of the £13.4 million across budget lines.

The Chairperson:

I asked the question knowing the answer, because it is clear that 2.6% is the overall adjustment. Every spending area has received a 2.6% cut, which, to put it frankly, is pretty crude.

Mr McGahan:

In the same way that the Executive had a conversation about whether to have targeted or pro rata reductions and, in the main, ended up with pro rata reductions, the departmental board and the Minister discussed whether we could protect, for example, social security from that £5.2 million reduction. If we could, we could take the £5.2 million and spread it throughout the rest of the Department. That would effect a 5.5% reduction across the other expenditure heads, that is, housing and urban regeneration. Those areas are all that are left when you take out social security and child maintenance. Given the pressures that exist in those areas, we took the view that it would be unreasonable to try to target a 5% or 5.5% reduction at them. There is no easy way to make cuts. We could move a cut from one area to another, but that would only increase the level of cuts.

The Chairperson:

There is certainly no easy way to make cuts. I am sure that everyone appreciates that. However, whenever you take a reduction and spread it crudely at the same percentage, you are actually passing the buck. You are saying to every expenditure area — SSA, CMED, the Housing Executive and so on — that that is the pain that you have received and that you are going to send it down the line for them to deal with, rather than looking at it with perspective. That might end up being the best way to apportion the reduction. However, you have just decided that because the reduction is 2.6% for the Department, it is, therefore, 2.6% for everybody else.

Mr McGahan:

Perhaps I have not been clear. We did not do that. We sat down, discussed and debated whether we could target areas in the Department. I need to stress that we do not consider social security to be a separate part of the Department; we are all one family. Therefore, we sat down and talked about it together. It is not as though I, in isolation, threw that out to other business areas.

The heads of the four business areas — the chief executive, Bryan Davis, Mary Quinn, me, and David Ferguson — had a collective discussion, along with the permanent secretary, about whether it was fair to target one area at the expense of another, or whether that was feasible given the scale of reductions that would be made in other areas. Having had that conversation, and having looked at the numbers and thought about the impact that diverting the £5.2 million reduction from social security to somewhere else would have on, for example, housing or regeneration, we concluded that that was not reasonable. The scale of reductions in other areas would have been much too great.

As you know, the social security budget is large. The Executive have decided that there has to be cuts in expenditure. We have told SSA, as we have told each of our business areas, to look at lower-priority spending and areas where it can cut back and make more efficiencies without impacting on service delivery. By that, I do not mean staff; service delivery is the speed and accuracy of processing and getting the job done. We asked the SSA to look at how it can maintain service delivery and live within its new budget.

I do not accept that we have unilaterally apportioned salami-sliced reductions as some people have suggested.

The Chairperson:

Perhaps you did not just do that; perhaps you thought about it and then did it.

Mr McGahan:

As I have tried to explain, we have done more than think about it.

The Chairperson:

I welcome the clarification that it was not simply an apportionment when you received it, but ultimately, that is what you have made it. In my view, that is not an approach that always best

elicits efficiencies as a global approach to what is going on. I am not stating a personal view as to whether that is the best approach, but it is less likely to achieve genuine efficiencies by apportioning it to everybody and everybody taking their equal measure of the pain rather than —

Mr McGahan:

Efficiency is an interesting issue. It is invariably about doing the same thing with less money and getting greater output for less input. The larger bastions of staff in the Department are in social security and child maintenance, so if the same output for less input could be achieved, it would be in those areas.

Housing is a maintenance expenditure that is passed out to contractors, and urban regeneration is a grant-based expenditure that is passed out to other people. That means that we have less control over achieving efficiencies in those areas. We are putting budget cuts in place and saying to voluntary organisations that they should become more efficient. We do not have the ability to make those programme spends more efficient; all we have is the ability to constrain the amount of programme expenditure and ask other delivery organisations to make themselves efficient.

The Chairperson:

It is difficult for us as a Committee to determine at this stage whether they are efficiencies, because we have just got bare, broad figures. We will come to that determination in due course.

Mr McGahan:

I accept that.

Mr Brady:

Thank you for your presentation. Even the closest families can fall out, but I will not go into that.

As regards the implementation of cuts, will there be additional efficiencies under the strategic business review/Customer First? I am concerned about the effect that it will have on front line social security staff who are already seeing their morale affected because of their workload targets and so on. Have additional staff been brought in to the Department in the past two years? I know that the Minister mentioned 150 additional staff. Are any figures available on that, particularly for additional efficiencies under the strategic business review/Customer First?

Mr McGahan:

We will not levy any additional efficiencies over and above what has been levied on the Department at this point in time. The strategic business review set out to improve customer service, which is why it was renamed Customer First. The desire is to try to continue to provide the best level of service more efficiently. The outcome may contribute to meeting those efficiency savings. Social Security Agency representatives could say more about this than I could, but as you are probably aware, a pilot scheme is being carried out next year, the outworkings of which will determine the future approach. We would not imagine that the contribution to those efficiency savings would be in any way significant in the short term.

Mr Brady:

Thank you. Customer First tends to be more of a euphemism than reality. “Strategic business review” sounds more realistic than putting the customer first. The two sound like a contradiction in terms in many ways. However, that is only a personal observation.

Mr McGahan:

My recollection is that when the agency produced its annual report for the year ending March 2009, taken in the round, it showed one of the best customer service performances ever, including targets being met, accuracy levels and throughput levels. That was because the agency was trying to put its customers at the heart of its service. We hope that we can continue to do that.

Mr Brady:

Set against other criteria, it represented the best performance ever.

Mr McGahan:

I accept that, yes.

Ms Ní Chuilín:

I understand your argument about targeting versus apportionment or pro rata reductions, but it seems a bit like a slice-and-dice method. I am not from a financial background, but globally, it means that those Departments that are not under so much pressure to create efficiencies, or the areas that need the money most, are not getting it because they need it; rather, people who do not need it so much are getting it. That does not stack up for me, and the Executive may need to examine that.

My concerns are about urban regeneration and its redevelopment aspect, particularly where small pockets of deprivation, community investment funding and neighbourhood renewal are concerned. These reductions will have a big impact.

Mr McGahan:

We are aware of that, and we have not targeted any specific area at this time. David Ferguson and his team are considering their levels of spend to see where they can find their share.

Ms Ní Chuilín:

That is what I am worried about.

Mr McGahan:

You made a good point. The Executive tried to identify the priority areas at departmental level, and it would be no surprise if the remits of the Department of Health, Social Services and Public Safety (DHSSPS) or, perhaps, the Department of Education were everybody's priority. Each Department made a case as to why it should take priority at the expense of other Departments. The Executive were left in the invidious position of how to choose between a person's healthcare treatment, supplying a house, putting a child through school or fixing water arrangements. They reached a similar conclusion to ours, which was that they are all high priority areas at this time and that everybody must do their best to continue to live within the available budget and hope that better times are ahead.

Ms Ní Chuilín:

The equality impact assessments (EQIA), the strategic choices and the revised plans have been referred to. Those documents and strategies are on the DSD website, and good relations could be included. It seems that that is the kind of easier target that we go for.

Mr McGahan:

We have been asked to complete equality impact assessments on our proposals by the middle of next month.

Ms Ní Chuilín:

Will decisions be taken before those equality impact assessments are completed?

Mr McGahan:

No; they will be done in conjunction with each other. We need to know the outcome of the equality impact assessment before any final decisions are taken, because we are required to consider any measures that might temper any adverse impact. Therefore, it will all be done as part and parcel of the same process.

The Chairperson:

You presented a column with four different figures. However, if you have an EQIA on the basis of your proposals, you must know where you will target.

Ms Ní Chuilín:

Exactly.

Mr McGahan:

We know that we are going to target social security, urban regeneration, community development and child maintenance.

The Chairperson:

Do you know the details?

Mr McGahan:

We do not know the specific details of those amounts. However, those are the four areas that the total sum will target. As we develop specific proposals in the areas, each must develop an equality impact assessment on what those proposals will mean.

The Chairperson:

In order to assess the impact, you must know where it will go.

Mr McGahan:

We do not know yet. One difficulty is the timing to make it all fit together.

The Chairperson:

If you do not know, what is the value of the EQIA?

Mr McGahan:

It will be completed only when we know. It is not complete yet; in fact, it might not have started yet in some places. It has not been done.

The Chairperson:

At what stage will you know the detail?

Mr McGahan:

As I say, we are working on that at the minute, and it will be completed in the next three or four weeks. We have been given a very tight timescale from the centre.

Ms Ní Chuilín:

You are becoming more cynical than me, Chairperson; I am honestly beginning to worry about you.

Mr McGahan:

In the broadest sense, our spend will address areas of need. If we spend less in those areas, that is bound to have a negative impact on whatever group the money ends up not being spent on. What are the mitigating circumstances that we can consider? Given that we have no other budget to apply, the mitigating circumstances will be limited. However, that will be examined for each proposal that we develop over the next few weeks.

Ms Ní Chuilín:

Is the Royal Exchange project involved in those proposals?

Mr McGahan:

The Royal Exchange is interesting. We are having conversations with the Department of Finance and Personnel, and the money for Royal Exchange is in next year's Budget. Given the recent announcement on that, the Committee will know that the timeline has been elongated for a variety of reasons.

Ms Ní Chuilín:

Will that be before announcements from the Minister?

Mr McGahan:

There is a view in the Department of Finance and Personnel that that is a reduced requirement that needs be returned to the centre. Everybody is aware that that £110 million was the result of an accounting treatment. It was a specific Treasury requirement to cover a debtor. If Royal Exchange ends up being self-financing, the money that we pay out to help vest properties will be repaid to us by the developer. Therefore, it is a net cost to the public funds. However, Treasury requirements for schemes over £20 million required us to have a matching debtor in our accounts. When that became clear and when the regional investment strategy was due to be completed towards the end of 2007, the regeneration spending proposals in the strategy had to be put to one side, and we agreed to deal with the matter in year 3, which happens to be next year. So, we are having conversations with the Department of Finance and Personnel to ensure that we have funding for the raft of regeneration priorities and contractual commitments that will arise.

We are not looking for efficiency savings on the Royal Exchange regeneration project, because it does not exist yet, but we are trying to allocate money to cover our contractual commitments and obligations for regeneration next year.

Mr Easton:

Working out how you will do that properly certainly puts you in an awkward situation. It is not so much that you have to do it — we all accept that — it is how you will do it. I was struck by what Carál Ní Chuilín said. If the SPED scheme, the neighbourhood renewal programme, the areas at risk programme or even funding for community workers is touched, there will be a huge negative impact on local communities, so I urge you to be very careful about how you handle such decisions.

You have announced a £13.4 million reduction in current expenditure, with £6.1 million from the housing budget. Will that £6.1 million come from maintenance schemes or from the newbuild budget?

Mr McGahan:

That is on the revenue side of the budget, so it covers the Housing Executive's running costs for staff, etc and maintenance schemes. Newbuild is on the capital side.

Mr Easton:

You are cutting back £16.9 million in capital expenditure. Excuse the crudeness of my thinking, but am I correct in thinking that you are getting money from Europe for newbuild?

Mr McGahan:

Housing associations are able to access financing through the European Investment Bank.

Mr Easton:

How much?

The Chairperson:

£30 million.

Mr Easton:

In light of that extra money, is the Department getting more newbuild than was originally planned?

Mr McGahan:

No; it does not work that way.

The Chairperson:

The £30 million helps housing associations to finance the portion of newbuild cost that they would have raised by other means. For instance, the housing association grant accounts for just over 60% of the cost, and the relevant association must then finance the rest through loans, effectively. The European Investment Bank offers a preferential rate.

Mr Easton:

So, there has not been an increase in the amount of money available for newbuild?

The Chairperson:

There has been no overall increase.

Mr Easton:

That scuppers my argument. *[Laughter.]*

Nevertheless, I urge you to be very careful about the schemes that I mentioned. For example, in north Down people have been waiting years for investment in the pensioner bungalows at Bloomfield; if you cut that budget any more, you will have pensioners protesting on the streets. It is that serious. Therefore, I urge you to be very careful about where you skew money from and to try not to inflict too much pain on the community.

The Chairperson:

You could have made an argument for the reduction of the housing association grant, but we will not get into that at this stage.

Mr McGahan:

We might be thinking about that ourselves.

Mr Burns:

Everybody has to realise that cuts will be painful. You cannot take £13.4 million out of current expenditure without inflicting drastic pain. Obviously, the Minister will play a big role when she decides her priorities. In last year's budget, she prioritised newbuild, Investors in People and the warm homes scheme. As the Chairperson said, your figures suggest that you are simply taking 2.6% from every budget. This is only a preliminary discussion, we will come back to the subject when there is more meat on the bone and the Minister has given her input. Are you going to come back to us with the actual budget and with information on where cuts will be made or what each Department will have to spend this year? Is that what is going to happen next?

Mr McGahan:

That is our intention. You may recall that we came to the Committee in March 2009 with a draft budget and a draft business plan to show how the money that we were going to spend would meet our business objectives for the current year. We intend to do that again in late February or early March, subject to the ministerial timetable.

Mr Burns:

You are talking about cutting the social security budget, and, as Mickey says, many people on benefits are under a lot of stress and pressure, and more people are becoming unemployed all the time. That is a problem. It is difficult to see where such a savage cut of £5.2 million could be

made. I would prefer to wait and see what the Minister's priorities are.

Mr McGahan:

I stress that the Social Security Agency is aware of what it calls the statutory responsibilities to process benefit applications and pay benefits. The agency will do its utmost to protect those responsibilities as far as is possible. Until it comes up with specific proposals, I cannot share them with the Committee because I do not have them.

Mr F McCann:

Carál asked a question about the Royal Exchange. Did you say that for the purposes of this year's budget, the funding for the Royal Exchange was a paper exercise and that money would not be available until next year? I was concerned that, two or three monitoring rounds ago, a bid was put in to move money from the Royal Exchange project across to social newbuild. However, in the February monitoring round no bid was put in at all.

Mr McGahan:

Do you mean the December monitoring round? In June we had roughly £75 million in pressures across a range of housing programmes — not the newbuild, but the others. We had asked to advance approximately £75 million from next year into this year, but the Executive decided that that was inappropriate. That decision having been made, there was no point in our bidding again in September or December to do the same thing. That is why we did not carry that bid forward.

The money for the Royal Exchange is really there. I was trying to say that we will have to pay it out and receive it back slightly later. It cancels itself out over a two-year period and there is no net effect on the overall spend. However, in the year in which it is spent it must be real money.

Mr F McCann:

Surely if the money is available, and given the nature of the front line core services that the Department delivers, it would have been better to put a case and make a bid for money from the Royal Exchange in the most recent monitoring round to cover possible cuts in front line services at this time.

Mr McGahan:

That is the plan. We could not do it in the most recent monitoring round because it is next year's

money, and, as I said, we could not bring next year's money into this financial year. For the next financial year, we are working up a bid for those pressures against the Royal Exchange, which will be dealt with in the June 2010 monitoring round, because it happens to be 2010-11 money rather than 2009-2010 money. However, your point is valid, and that is what we will be doing.

Ms Lo:

I want to follow up on Alex Easton's question about the £6.1 million reduction in the housing budget. It is not the biggest of the proposed cuts, but what areas of the housing budget would be affected by that cut? Would the SPED programme be affected?

Mr McGahan:

No, the SPED programme would not; it is meant to be self-financing. We sell the properties that we buy, which covers those costs. That is the problem this year; there are notional budgets of £1.5 million expenditure and £1.5 million receipts, which cancel each other out. Unfortunately, because properties are not selling, we are spending, but we will not touch the SPED programme. We hope that it will self-finance.

We will look at all the other revenue budgets. Mr Burns said earlier that the Minister set out her priorities for last year, and she has indicated that she will have similar priorities for this year. We will consider what we can do in the areas of fuel poverty, the warm homes scheme, newbuild homes, decent homes and Supporting People. However, that consideration will be made in view of the fact that £6 million less will be available.

There are hopes that, on the housing front, the situation will not be as bad as last year. You will remember that figures from the December 2009 monitoring round showed a slight increase in the level of property sales. Next year's forecast income from property sales is around £16 million. A year ago, the estimate was £6 million, so sales of £16 million would bring a £10 million easement. It is still a long way short of bringing in £60 million, but it is not as bad as bringing in only £6 million. That might help to alleviate the additional reductions that might come along, and we are working with the Housing Executive on its forecasts for next year.

This week, news came that the economy has begun to grow, but that growth has been so small that people think that it might shrink again. We cannot afford to be too over-optimistic in our expectation of receipts, because if those receipts did not materialise, that would create a bigger

problem halfway through the year.

The Chairperson:

Some of the early indicators in this financial year were positive, such as the figures on the growth in the number of sales and the amount of money that that was raising. Those figures were in contrast to the previous financial year, which may have been the worst year in living memory, but it now all appears to be heading in the right direction.

Ms Lo:

Yesterday, the Committee for Employment and Learning heard evidence from officials from the Department for Employment and Learning's finance branch, who were quite optimistic about cuts. The Department is supposed to receive a year-on-year increase based on growth. The officials said that the Department's cuts will come from the growth increase, so it will not have as big a growth percentage as last year, but the cuts do not seem to be affecting the Department that much.

Mr McGahan:

That Department is lucky. No growth is built into our forward figures. If I may be light hearted for a moment, that may be the reason why our permanent secretary is leaving us to move to the Department for Employment and Learning. *[Laughter.]*

Ms Lo:

What is the ongoing impact of the Civil Service equal pay claim?

Mr McGahan:

The ongoing impact has been estimated to be in the region of £25 million to £30 million. That has not been firmed up, because individual arrangements have to be worked out. Assuming that the cost will be around £25 million, and, based on the number of staff in DSD, around half of the cost will have to be borne by the Department.

That is another challenge with which we are struggling, and we are doing so without the full information being available. Much work is going on among the central personnel directorate of the Department of Finance and Personnel, trade unions and staff to firm that up. I am not sure when payments will start to be made, but the arrears and this year's cost will be paid by the

centre. Next year's cost will be met by individual Departments.

Ms Lo:

Where will that money come from?

Mr McGahan:

That money can come only from increased efficiencies, on top of the £13.4 million that is to be found already.

The Chairperson:

It is a big issue.

Ms Ní Chuilín:

In relation to the equality impact assessment, it seems that the four areas have been identified, the equality impact assessment will happen and the result is predetermined. That is what I am hearing. You almost know what you will need out of the equality impact assessment, and I am concerned that it will not be robust enough, given the pressures to make efficiencies and the fact that, previously, a decision was made on social housing guidelines even before the equality impact assessment was produced. That is not necessarily to do with your end of the Department, but, globally, the Department's track record on equality impact assessments is not good. We will probably have more detail the next time we discuss the matter, but I wanted to flag it up now. As Anna Lo pointed out, DEL has money in one or two of its pockets.

Mr Hilditch:

It is using its hip pocket as well. *[Laughter.]*

Ms Ní Chuilín:

Exactly, and it probably has a couple of scores of pounds shoved into its wee jeans pocket.

It goes back to the pro rata versus targeting argument, which I understand is an Executive decision. However, given all that and given the process that we are going through with the EQIAs, the situation does not seem to stack up.

Mr McGahan:

I assure the member that we have not predetermined the outcome of the equality impact assessment. At this stage, the only thing that is predetermined is the level of budget reduction that we must find in our services. As everybody has indicated, there are needy services across everything that the Department does. Any reductions in any of those must be carried out in a sensitive way, so that the end service continues to meet users' needs.

If, as the Chairman indicated at the beginning of the meeting, the reduction is achieved through efficiencies without reducing the present output, there should be no adverse equality impact. That is what we are trying to do, but I cannot say that it will work out with no adverse impact.

Ms Ní Chuilín:

Why does the SPED money come out of the DSD budget? Should it not come from the NIO?

Mr McGahan:

I have been asking that question for months. It goes back 25 or 30 years to when the SPED scheme was set up. It is not that it ever previously came out of our budget, per se, because in the times of good sales what was spent was quickly recovered in-year. Even if homes were selling for the price at which they were bought, without making a profit, the turnover was quick, so the budget always balanced. There were several years in the early 2000s when sales made a significant surplus, which was went back into the budget. To be fair, we bid against that surplus and got some of it.

The problem is that the market is slow at present; properties are not selling. We anticipate that that will pick up as house sales in the main do so. That said, many houses that we are forced to buy are more expensive than the houses that are selling currently. The market is quite active at the below average price properties, whereas many properties that we have to pick up are above average prices.

Ms Ní Chuilín:

Was there ever a train of thought that, depending on the category of the applicant, SPED could be sectioned off? So, for example, if a SPED applicant was involved in the PSNI or a judge, the NIO could pick up the cost, rather than DSD? I am not saying that the Department should make

efficiencies in SPED, but, given the market, it seems awful that DSD should pay for it all. I do not understand that rationale.

The Chairperson:

That is probably an issue that can be taken forward in a different context.

Ms Ní Chuilín:

I just wondered whether the Department had ever had any such approaches.

Mr McGahan:

We have initiated a review with the aim of seeing whether there is a way to move it on. Whether SPED remains a Northern Ireland Office issue or falls under the Department of justice, if we are to have one, we would simply be passing the problem over, because it is a market problem.

The Chairperson:

You might be just kicking it to another player on your own team.

Mr F McCann:

Mr McGahan mentioned a possible increase in the number of houses that will be sold over the next year. That may generate more money for the Department. Given that a total of 120,000 houses have been sold and a fall in re-lets has had a direct impact on the waiting list, has the Department ever reviewed the impact of house sales on the social housing sector? The Minister recently widened the right to buy, and that will also have an impact on the availability of houses for re-let.

Mr McGahan:

A number of reviews have been conducted over the years that there has been a right-to-buy scheme, but they have, invariably, been based around the entitlement criteria and the levels of discounts, rather than specifically looking at the long-term impact on the re-let market. In the short-term, there is little or no impact on the re-let market, because people who buy their houses continue to live in them. They do not go on the waiting list, so it is not affected in the short-term. It would have an impact further down the line, if, for example, a person dies and a family member takes their house over. It may be either sold or let privately, which can have a short-term impact on the waiting list. Research that was carried out in Great Britain, which was reflected in Kate

Barker's report in the early 2000s, showed that in the short-term, the sales scheme has no immediate impact on the waiting list. It is a longer-term issue.

Mr F McCann:

It is my understanding that you are beyond that stage at the moment. The right-to-buy scheme has a knock-on effect on re-lets. The fewer houses there are, the fewer re-lets there will be, which increases the number of people staying on the waiting list.

Mr McGahan:

As I said, in the short term those houses were not going to be re-let anyway, because the people were going to carry on living in them. They just happened to buy them rather than rent them. However, you are right; in the longer term, there is a marginal impact.

The Chairperson:

Perhaps we can turn to that issue in a later briefing with the housing commission. It is more a policy matter than an expenditure issue.

Ms Lo:

There is something that I have always meant to ask, because people ask me about it. We have something like 40,000 empty homes to be renovated. Why can we not sell them cheaply so that people can buy them and renovate them?

The Chairperson:

Again, that is something that can be discussed in a later session.

Ms Lo:

It would grow the pot of money.

The Chairperson:

I am not sure that all 40,000 houses are owned by the public sector.

Mr McGahan:

We do not have 40,000 empty homes.

The Chairperson:

Even the original 40,000 figure has been shown to be inaccurate. As you can tell, Mr McGahan, members are always keen to discuss financial issues and the impact of reductions. Detail is scarce at this stage, which makes it difficult for us to come to any determination. I will suggest to the Committee that we should seek more information and make our views known on that basis. I thank you both for your attendance.

Members, I do not feel that there is sufficient information available to give any view on what is before us. There is a global figure of £13.4 million that has to be carved up in some way, but it is very difficult for us to say yea or nay at this stage. We have raised the issue of the equality impact assessment and the point that we were trying to make was more about its timing and how things can be tested in the absence of any details. If that has to be done by mid-March, the details of what is being assessed must be determined pretty soon. Are members content to write to the Minister to ask for a briefing before the launch of that EQIA? We are on a tight timetable.

Ms Ní Chuilín:

We should copy the Committee for Finance and Personnel into that letter.

The Chairperson:

The Committee for Finance and Personnel has requested that each Committee submits its agreed position on the revised departmental expenditure plans before 5 February, which is the date of next week's meeting. A take note debate is due to take place after that. We should consider our options and decide whether to seek a further briefing from the Department or to write to the Committee for Finance and Personnel or the Minister of Finance and Personnel indicating that because the information is incomplete, we cannot make a determination.

Mr F McCann:

Yes, because it will affect your ability to talk with any expertise on the matter.

Ms Lo:

I do not know about other Committees, but the Committee for Employment and Learning was given quite detailed information yesterday.

The Chairperson:

In another Committee that I sit on, we got more detail than has been presented here.

Mrs M Bradley:

The Committee for Education received no information at all yesterday.

The Chairperson:

The Committee for Education has enough problems.

The information that we have got does not lend itself to a useful contribution to a take note debate. We would not be able to put forward a particularly good argument. Should we seek more information and hope to have it before next week?

Mr Craig:

Given that they have no detail and have not worked it out, my main concern is to do with revenue reductions, because when you talk about revenue, you are talking about service delivery. The grants that are available and the funding for workers on the ground should be ring-fenced, where possible, rather than the finances for the bureaucracy being protected. My gut feeling is that the bureaucracy will look after itself. The reductions in that area will be the lowest, whereas there will be huge cuts across the board in the actual delivery of services. We need to keep a very close eye on where the revenue cuts will fall.

The Chairperson:

That is, in part, why I raised concerns about crudely apportioning a 2.6% cut to everybody, because that means that the Department has passed it on. I am not saying that the Department could make £13.4 million of current expenditure savings centrally; however, it has passed it on to the agencies in large measures.

Mr Craig:

It is a very crude stick, and Departments could make crude reactions by, in their own self-interest, protecting their people and cutting delivery. The Minister, the Department and the Committee need to keep a very close eye on that. The pain must be felt equally across the board.

Ms Lo:

We need much more detail on the capital reduction as well. There is absolutely no information on that.

The Chairperson:

We should do our best to seek more information before next week's meeting. We will do so immediately. We may be able to take a general position or an outline position on some issues, such as equal pay, the Royal Exchange or the protection of front line services. We might be able to take general positions as opposed to specific ones. Nobody would be keen to say yea or nay on the basis of what is in front of us.

At the end of the day, we all accept the reality that reductions must be made. Even if we have the detail, we may not be happy or content. However, we would at least be able see the detail and point out the risks of making reductions in certain areas. That is the point: we will not say that this should not be done, because we realise that it must be done. However, we have a duty to at least point out the problems with making reductions in particular areas.

Mr F McCann:

Jonathan's point is relevant, because people already know that there will be cuts. The same groups continually take cuts, and many of the coalface groups are anticipating a major impact. Those groups ask why cuts do not seem to be made at the departmental level and why cuts are inflicted on them, thereby affecting their ability to survive.

Ms Ní Chuilín:

Some time ago, the Committee met representatives of NICVA, who talked about work that NICVA had done on bureaucracy. For example, there could be a situation in which one group might apply for 20 grants, and each grant maker asks the group to provide a set of accounts at £1,500 a pop. NICVA spoke about efficiencies and the back office issues in the community sector. Without wanting to displace anybody's job for the sake of it, the community sector has considered ways to improve efficiency and achieve better value for money. At one stage NICVA said, albeit vaguely, that when efficiencies come, they are passed down to those who are most affected.

Although additional information will be helpful, regardless of what information we receive by

next week, we will still be in the same position before the debate. We are being asked to rubber-stamp something in a vacuum.

The Chairperson:

I fear that you are right. That is why I am suggesting to the Committee that we cannot rubber-stamp.

Ms Ní Chuilín:

We cannot. I have a bugbear about the EQIA issue, particularly given what I have heard. I am not hiding behind the EQIA; I know that we all must take the pain, make difficult decisions and stand over them in our areas. However, I strongly suspect that there is a predetermined outcome, and we are being asked to rubber-stamp something that has even less detail.

It would be worthwhile to contact NICVA. It is not necessary to invite them here, but it would be useful to get an update from Frances McCandless and Seamus McAleavey, who have spoken to us before.

The Chairperson:

That would be useful. As members know, I am a great fan of EQIAs. My point is that if an EQIA is being worked up, it ought to be based on detail. It would not be possible to carry out a credible EQIA on the basis of the information that has been presented to us. How can the impact on any particular group be assessed based on what is before the Committee?

We do not know where we will end up, but we know where we are going. We will seek more information. Hopefully, we will have more to discuss next week.