Northern Ireland Assembly

COMMITTEE FOR SOCIAL DEVELOPMENT

OFFICIAL REPORT (Hansard)

June Monitoring Round

3 June 2010

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:
Mr Simon Hamilton (Chairperson)
Ms Carál Ní Chuilín (Deputy Chairperson)
Mrs Mary Bradley
Mr Mickey Brady
Mr Alex Easton
Mr David Hilditch
Mr Fra McCann

Witnesses:

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

The Chairperson (Mr Hamilton):
Joining the Committee to discuss the June monitoring round are witnesses from the Department for Social Development (DSD). Stephen McMurray is the Department's director of finance; Barney McGahan is the deputy secretary of the resources, housing and social security group (RHSSG); and Mel Higgins from the urban regeneration strategy directorate. You are all very welcome.

Today's proceedings are being recorded by Hansard. I ask that all mobile phones be switched off, because they interfere with the recording.

Mr Barney McGahan (Department for Social Development):
Good morning. When we have appeared before the Committee in the past to discuss monitoring returns, we have invariably stressed the need to address the major shortfall in the housing budget. However, as Committee members will realise from Stephen's letter of 28 May 2010, the Department now has a major shortfall in its regeneration budget, which is the Department's current number one priority. In case I do not have enough detailed knowledge to answer members' questions on that issue, Mel Higgins has accompanied Stephen and me.

When the investment strategy for Northern Ireland was being updated in 2007, the Department sought between £60 million and £65 million for urban regeneration for each of the two years 2008-09 and 2009-2010. Those sums were broadly in line with proposals from the Strategic Investment Board (SIB). However, the Treasury then introduced a rule for major developments of more than £20 million, and that meant that the Department, facilitating such a development through vesting, had to hold financial cover for the estimated cost of the vesting, and those moneys would then be recovered from developers. That was a break from the past and meant that the Department had to cover one project — the Royal Exchange project — to the tune of £110 million in 2010-11, which, back in 2007, was the estimate according to the development timetable. The only way in which to provide that cover was to use the £60 million to £65 million planned for normal regeneration in 2010-11, plus some additional funding provided from the centre. There was a clear understanding among SIB, the Department of Finance and Personnel (DFP) and DSD that that would leave a hole in the 2010-11 budget for normal regeneration, which the Department had to plan to fill between 2007 and now. The expectation was that DSD could sell some of its land to generate that additional money. However, the economic downturn stymied that proposal.

In case there is any misunderstanding, the Royal Exchange project has not been shelved, despite headlines in some papers in recent weeks. The development timetable has merely slipped, which will move the need for the Department's debtor cover of £110 million from this financial year into the next comprehensive spending review (CSR) period. The Department believes that the Executive are about to kick off with that very soon. Financial rules require the Department to surrender the £110 million in the Department's current baseline for the project and to bid against it during the current monitoring round. The Executive will then decide what the relevant priorities are on the basis of the bids received from all Departments. I hope that that explains the matter for Committee members.

Two other matters have changed slightly since Stephen's letter of last Friday. The Department had indicated that it would probably not bid again for the mortgage rescue scheme. However, we held further conversations with the Minister this week, and he believes that we should try to get those funds again. The Department has also given some consideration to the target of building 5,250 houses contained in the three-year social housing development programme. Committee members will remember that the Department was approximately 350 houses short of that target in 2008-09, owing to funding restrictions. DSD recovered some 80 or 90 houses during the past financial year, but is still 276 houses short, so we will be bidding in the June monitoring round for additional resources to recover the shortfall.

The Department will appear before the Committee again next week to discuss its progress against public service agreement (PSA) targets, and we are on target to create the 10,000 social and affordable homes over the five-year period of the Programme for Government. However, it is the three-year corporate plan target of 5,250 houses that we are trying to get back on track.

That is all that I want to say at this point. I am happy to take questions from Committee members.

Mr Hilditch:

My question concerns urban regeneration. I declare an interest as a member of Carrickfergus Borough Council and as the chairman of the steering group for the implementation of the Carrickfergus master plan.

Master plans are in place for a number of provincial towns, and some are about to be launched in the next few weeks. I hate to get into a city versus country argument, but what will the Minister do once the master plans have been launched? Will they just gather dust on a shelf somewhere? How will they be portrayed in these reduced financial circumstances?

Mr McGahan:

If I may speak generally for a moment —

Mr Hilditch:

Is there any plan at this stage?

Mr McGahan:

The Department does not intend the master plans to be dust-gathering exercises. The work that is done on regeneration in cities, towns and rural areas is very important. It sustains employment, local regeneration and communities, and the Department wants to do everything in its power to continue that work. We are all living with harsh financial realities, but whatever that envelope is, we want to stretch it as far as possible. Many of those schemes lever in funding from other sources, such as the voluntary sector, the Big Lottery Fund or even the private sector. We do not want to lose any of those opportunities.

Mr Mel Higgins (Department for Social Development):

There are a significant number of master plans. Carrick has been mentioned, and in almost every major town and city outside of Belfast — Newtownards, Newtownabbey, Lisburn, Downpatrick, Antrim — master plans are either being launched or are in the draft phase. Those master plans give communities and interested parties an ability to shape their town's future. However, investment is required in each of the master plans. The Department is bidding for £1·3 million in the June monitoring round for the Carrickfergus public realm scheme. The Minister sees that as a priority project.

Mr Hilditch:

I understand that, and I know what councils are doing, what Roads Service is doing and for what you are bidding. I do not want to know specifically about Carrick, or indeed Larne, both of which are in my constituency; I want to know generally what is going on from Newry to Coleraine to Strabane. I obviously have to mention Strabane.

Ms Ní Chuilín:

Claire is not here.

Mr Hilditch:

Someone has to mention it. Tell her that I have taken up the gauntlet.

Mr Higgins:

The Department will be placing bids in the next spending review to secure moneys to develop the master plans that have been published or launched. The Department's intention is to bid. The

Executive will assess those bids by priority, but the Department will seek to secure its normal baseline, which, as Barney mentioned, is around £60 million. That £60 million funds existing projects and allows the funding of new projects that will be presented in the master plans. It is the Department's intention to carry on bidding to secure moneys to develop the master plans once they are finalised. However, the Executive will prioritise.

Mr Easton:

How much money is in the pot in this financial year for maintenance schemes? For example, how much money is available for the pensioners' bungalows on the Bloomfield estate in Bangor?

Ms Ní Chuilín:

Shame on you.

The Chairperson:

You knew that he would say "For example".

Mr Easton:

Did the Minister spend the extra £20 million that was allocated to her last year?

Mr McGahan:

That £20 million was allocated in the June monitoring round for a combination of private sector grants and disabled grants, and that money was all spent on what it was allocated for.

Mr Easton:

What is the situation with maintenance in the current financial year?

Mr McGahan:

Maintenance is a revenue issue for the Housing Executive. Some maintenance programmes have been curtailed. Members will be aware of the Savills report, which was debated in the House, and the excellent quality of the vast majority of the Housing Executive houses. In the short term, maintenance will be cut back, but areas of need where there is high maintenance are still being attended to. I do not have the figures for the Housing Executive programme at my fingertips, but if the Committee wants the figures, we can obtain them.

Mr Easton:

Can we get a breakdown of schemes across Northern Ireland? Schemes keep slipping and disappearing. We do not know where we are with them.

The Chairperson:

We will take note of that and request the information.

Ms Ní Chuilín:

Thank you, Barney, Mel and Stephen. You must feel like part of the furniture at this stage. I have two concerns. First, under urban regeneration, what is the situation with neighbourhood renewal? Are the moneys that were in the Department's budget for that purpose still there and how long will those moneys remain, given that the review of public administration (RPA) has not yet been sorted out, although it probably will be?

My second concern is about the Royal Exchange project. I understand that £110 million has been set aside as a result of the outworkings of the new DFP policy on large capital builds of £20 million and over. Will that money be ring-fenced or will it go to other projects? I know that you cannot advise the Committee, but perhaps you can comment on that.

There is a strong belief that the Royal Exchange development would be on course had the sequencing been done properly. There is a feeling that opportunities have been lost. I do not know whether that has filtered down to the Department. Private developers were willing to come in and work on that development. In people's minds, that project is finished. However, the Department is saying that that is not the case. Will that money slip or will it be ring-fenced? Can you comment on the sequencing? Is it something that the Department can go back to? If the money goes back to the Department, will it be used for the social housing development programme, since it is 276 units short this year?

Mr McGahan:

I will try to answer all your questions. I do not often defend DFP, but I should do so in this instance, because it was HM Treasury that changed the rules for the entire UK.

Ms Ní Chuilín:

You did not say that at the start, Barney. I am glad that you have this opportunity to clarify that.

Mr McGahan:

I apologise for maligning DFP unnecessarily.

Ms Ní Chuilín:

You did a wee bit.

Mr McGahan:

The money will go back to the centre, and it will not be ring-fenced as part of the monitoring round. That money will form one of the surrenders that all Departments must make. The Departments' bids are stacked up against the amount of money surrendered, and the Executive then decide how that money is spent. For example, if the Executive give the Department for Social Development £35 million for the regeneration projects, the Department must spent that money on those projects. If they give the Department £5 million for the mortgage rescue scheme, the Department must spent the money on that. If they give the Department £15 million for newbuilds, the Department must spend the money on that. Like all Departments, DSD must make bids for capital and policy development to address all its needs for the next three years as part of the next comprehensive spending review. That has always been the case.

I am not the right person to comment on sequencing, because I do not know enough about it. That is a question for David Ferguson and Jackie Johnston. I know that questions are being asked elsewhere and that responses are being prepared. I hope that those responses will address that concern.

When we appeared before the Committee at the end of March, we mentioned what the budget would be after the additional share of efficiency savings. Allowances have been made in the budget for neighbourhood renewal projects, and those will be applied this year.

Mr Higgins:

I will pick up on the on the issue of neighbourhood renewal. The Minister announced that £60 million will be provided for neighbourhood renewal over the three years of the CSR period; therefore, £20 million of revenue has been secured for the current year. We are bidding for capital in the June monitoring round. At present, the Department requires roughly £7 million to introduce a number of projects, including the Skainos project and the Connswater community greenway project, which are probably the two biggest neighbourhood renewal projects. That is why we are placing a bid for £7 million for neighbourhood renewal in the June monitoring round.

You mentioned the RPA issue. At this stage, we are waiting on that to unfold through the Department of the Environment (DOE) and the Executive. The Minister always intended to transfer whatever budget was secured for neighbourhood renewal to local councils.

Ms Ní Chuilín:
I wish to ask a supplementary question. I have raised this issue before. Your comments are reassuring for members who work with neighbourhood renewal projects in their communities. There was a great deal of uncertainty about areas at risk. However, the unanswered question remains: will the budget that is transferred to local councils be equality-proofed? Will the money be spent on the agreed action plan? I confess that I do not have much experience of councils, but I did spend a couple of years on one, and I know that money was not always spent where there was need and that political carve-ups occurred. That must not be allowed to happen with neighbourhood renewal projects, because they are about addressing deprivation. I am not asking you to comment on carve-ups, but I am asking you to comment on whether the Department can feed in to the DOE's proposed legislation on the transfer of functions for equality-proofing budgets for neighbourhood renewal.

Mr Higgins:
The Department has fed into DOE legislation when drawing up its own legislation, and it will work with individual councils to develop a governance arrangement and a performance measurement. That will stipulate, at a high level, the specific targets that councils must deliver on neighbourhood renewal and will also link to the Department's own targets in the Programme for Government and in PSAs. However, ultimately, councils will probably be able to indicate or decide which groups they will fund. However, the main aim is to contribute to the Department's targets for the neighbourhood renewal strategy.

The Chairperson:
Unfortunately, I have to leave soon, but I want to ask a question about the mortgage rescue scheme before I go. You said that Ministers decided that they wanted to make a bid but did not do so. Fra will be able to back that up. Obviously, the Committee is very interested in the scheme, and we investigated why DFP had not awarded funding for it even though repeated bids

had been made. It was not simply owing to a lack of resources, although I am sure that that was an issue. There was an additional issue with the non-receipt of an evaluation. Has DFP now received that evaluation?

Mr McGahan:

No. The evaluation is due to be completed over the summer months and will be shared with DFP as soon as it is —

The Chairperson:

In effect, that means that the scheme has no hope.

Mr McGahan:

I hope that it will have some hope. You attended the Chartered Institute of Housing conference last week, at which you heard the Housing Rights Service say how good a service it provides to help people avoid repossessions. That information is being fed into the evaluation. The choice was whether to leave the evaluation in June and wait until September to do it. September monitoring will probably be decided in late September or early October, and that gives us less than half the year to try to make progress. The other option was to flag it up as a continuing pressure at this stage, and the decision was taken to do that.

The Chairperson:

The bid has been made three, four or however many times, and DFP has said — you were in the room when we asked the question — that it has not received an evaluation, so the scheme cannot proceed. If the evaluation has not been received by now, it will not get the go-ahead.

Mr McGahan:

We had to allow the scheme to run for a year so that we could carry out the evaluation. It could not have been completed any earlier. As soon as it can be completed, it will be given to DFP.

The Chairperson:

I am not a betting man, but there is a fair chance that there is no chance.

Mr F McCann:

I have raised the issue a number of times, because I want some type of mortgage rescue scheme to be put in place. The former Minister and others said that the lack of a scheme is not for their want of trying to raise the money and suggested that we should perhaps lobby our own Ministers. However, during all that time, DFP officials have told us that there is no chance of a scheme being considered until a review is done. Therefore, Barney, the figures in front of us count for nothing, because they will not even be looked at. However, the figures do give the impression that the Department or the Minister is pushing for additional money for a mortgage rescue scheme.

Mr McGahan:
I assure you that we are pushing for money. We are not merely trying to create an impression. We are pushing, and we believe that we could use the money effectively if DFP has it in its coffers to allocate to us.

Mr F McCann:
That is not the issue. DFP is saying that it cannot allocate the additional money until the evaluation is done.

The Chairperson:
It will not get off the ground.

Mr McGahan:
We will continue to argue that enough empirical evidence is available from the information and advice service to show the positive benefits. In our opinion, that should be enough to convince DFP.

The Chairperson:
The Committee is here to assist the Minister in making a case for the scheme, and we certainly make the case for a mortgage rescue scheme on its merits. However, it is very difficult for us to back the Minister on the bid when we know that it will not get off the ground. We have been told that. You know that, I know that and everybody here knows that. Therefore, we risk our credibility by backing a statement, because the Minister of Finance and Personnel will come back and say that he has told us before that the scheme cannot proceed without there being an evaluation. Therefore, although we welcome any progress, it is difficult to support.

Mr McGahan:

The evaluation is not about a mortgage rescue scheme but about the information and advice service that is provided through the Housing Rights Service. That is a separate issue and has been beneficial. We heard that at last week's conference. The mortgage rescue scheme is over and above that.

Mr Brady:

Thank you for your presentation, Barney. My first question concerns the, I think, £12 million reduction in the Social Security Agency (SSA) budget in 2010-11 and the reduction in its overtime. There is obviously a pressure around the equal pay settlement. Has that pressure started and how will it impact on the Welfare Reform Bill, for example? Presumably, this year's reduction will have a knock-on effect. The system is already under extreme pressure. From talking to front line staff, I know that they are under tremendous pressure, as they always are. Therefore, I wonder what effect the reductions will have.

Carál mentioned neighbourhood renewal and community development programmes. How will funding for those schemes be affected?

(The Deputy Chairperson [Ms Ní Chuilín] in the Chair)

Mr McGahan:

You are right to say that the SSA's funding reductions are recurring and will carry forward into future years. It is likely, based on what the coalition Government in Great Britain has said, that further reductions will occur next year and the year after.

We are preparing a briefing for next week's Committee meeting on the back of members' questions at the previous meeting. One of those questions was on the specific impact that reductions will have on SSA front line services, and I hope to be able to answer your question in more detail at that stage.

Mr Brady:

I look forward to that.

Mr Higgins:

The Department is moving forward on community development, with approximately £14 million due to be released in the current financial year for revenue activities. In the June monitoring round, we are also bidding for £5 million to £6 million in capital moneys to secure a number of major projects in the modernisation programme.

Mr Hilditch:

I am interested in next week's information on the Social Security Agency. As a lay person, it often seems that overtime is to do with relieving pressures on benefit claims.

Given the situation that we find ourselves in, can you comment on the reduced figures for the special purchase of evacuated dwellings (SPED)?

Mr McGahan:

The SPED budget and income line of £1·5 million is a notional figure, one which we put forward each year, and will be adjusted throughout the year until the actual spend and receipts are known. I spoke to the Housing Executive on Tuesday, and, at this point, it is within budget, continuing to pursue sales and nowhere close to spending £1·5 million. However, we will be monitoring the situation monthly. If the pressure arises as was forecast, we will bid for that money in the September and December monitoring rounds. However, there is no immediate pressure.

Mr F McCann:

I am sorry that I am late, but I was caught up in another meeting. I want to pick up on what I have heard about moving neighbourhood renewal schemes to local councils. Quite often, priorities set in councils are different from those set in the Department. If large amounts of money are going to councils, how can it be ensured that that money is targeted to what it is supposed to be targeted to? I say that on the back of the shocking statistics that were released yesterday at a Northern Ireland Statistics and Research Agency (NISRA) briefing on social deprivation to the Committee for Finance and Personnel. In some areas, especially in the general Belfast area, levels of deprivation are much worse than they have ever been. If that is the case, the strategies that have been put in place have not worked. Therefore, how can there be a guarantee that councils will abide by strategies to tackle severe deprivation and need, especially if large sums of money are being handed over?

Mr McGahan:

At present, as we delegate the budget to councils, the plan is that a governance framework will be put in place that identifies the Department's priorities and targets. There will be a service level agreement between the Department and councils around what is to be done with that money. There will also be routine monitoring and measuring to see whether that is happening.

Mr F McCann:

How often would that take place?

Mr McGahan:

We do not have all the detail yet, because we are still talking about it. As you will appreciate, there is still some uncertainty about when the new councils will come into operation. It is impossible to work out all the detail until we have a firm timetable.

Mr F McCann:

As I said, we received a presentation yesterday on deprivation measures. We heard some shocking statistics, which took in Belfast, Derry and other places. I do not think that Newry and Mourne got a mention, Mickey.

Mr Brady:

It got a mention earlier, as it did yesterday.

Mr F McCann:

A new way needs to be found that allows you to start to tackle severe deprivation. Many of the strategies have been fairly piecemeal, in that they have not effectively tackled the build-up of severe deprivation.

Mr McGahan:

Our new Minister is saying exactly the same. I suspect that he will reinforce that for you when he comes to the Committee next week.

Mr F McCann:

I see that the Egan contracts are mentioned. Is there enough money in the budget to fulfil those contracts?

Mr McGahan:

There is more money in the budget for those maintenance contracts than there was 12 months ago. At this point, we are talking about a sum in the region of £25 million — do not tie me to that figure — whereas it may have been £10 million less than that this time last year.

Mr F McCann:

I do not know whether that is a yes or a no, Barney.

Mr McGahan:

If you are asking whether there is enough money, the answer is that there is never enough. People will always take more if they can get it.

The Deputy Chairperson:

Fra mentioned the maintenance budget and capital works. Will the Department implement the recommendation in the Savills report to reduce the capital works budget by around £40 million in 2010-11 compared with its 2008-09 level? Is the Department able to advise on any capital works that will not be undertaken as a consequence of any budget reduction? That is the sort of issue that has been raised time and time again.

Mr McGahan:

The budget that we set this year for capital was constrained more by the shortfall in income than anything else. This year's scenario is better than it was last year. This time last year, we were forecasting about £6 million in income, but we are forecasting up to £30 million at present. That eases the pressure, but it is still £30 million less than we thought when we set the budget two years ago. That is the major constraint on the capital side of the budget.

On the revenue side, the Savills report pointed out that there are opportunities to make reductions. We have not cut the budget by anything like the level that the report recommended, but it has been reduced by the additional efficiency savings that the Executive imposed on all Departments. Those efficiency savings are applied across the Department, the Social Security Agency, the Child Maintenance and Enforcement Division (CMED) and the Housing Executive. Therefore, there has been a reduction. However, the budget that we have set can still cover all essential maintenance that is required across all parts of Northern Ireland.

The Deputy Chairperson:
I thank the officials for the briefing and for the written information that was provided in advance of the meeting.

Are there any other issues that members want to raise? I do not know whether Mel Higgins will be back — he is very welcome to return — but Barney McGahan and Stephen McMurray will be back again and again.

Mr Brady:
Like the Terminator.

Mr F McCann:
Barney, you said that there will probably be a cut of £30 million on the back of the Savills report.

Mr McGahan:
No, let me be clear. The Hansard report will show what I did say. The capital budget is £30 million lower than we thought it would be three years ago, because of the reduction in income from house and land sales. That has been reflected in the spread across the capital budgets, whether they are for renovation grants, urban renewal areas, or whatever.

We have been able to make good on some aspects. For example, we have been able to deliver on our newbuild commitment by using more Housing Executive land. That has meant that housing associations do not have to buy land, so we have been able to reduce the levels of grant that housing associations receive. Therefore, we have consumed some of the reduction in that way.

At the end of March, we outlined to the Committee the capital budgets across the range of headings. That showed that, in the main, the capital budgets were on a par with last year's, and, in some cases, they were slightly better.

The Deputy Chairperson:
The Minister is appearing before the Committee next week. You have been given advance warning of the questions that will be asked. From one monitoring round to the next, you can

almost anticipate what members will ask, because the same questions are raised each time. Some of the questions that we raised today will be put to the Minister when he comes to the Committee with his officials next week. I am sure that you will be here next week in some capacity, Mr McGahan.

Mr McGahan:
Yes; I am happy to provide any extra information that Committee members would like.

The Deputy Chairperson:
Thank you very much.