Northern Ireland Assembly

Committee for Social Development

OFFICIAL REPORT (Hansard)

Budget 2016-17: DSD Officials

4 February 2016

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:
Mr Fra McCann (Deputy Chairperson)
Mr Jim Allister
Mr Roy Beggs
Ms Paula Bradley
Mr Gregory Campbell
Mr Stewart Dickson
Mr Phil Flanagan
Mr Adrian McQuillan

Witnesses:

Ms Deborah Brown	Department for Social Development
Mr Paul Killen	Department for Social Development
Mr Ian Snowden	Department for Social Development
Ms Joyce Bill	Social Security Agency

The Deputy Chairperson (Mr F McCann): I welcome Ian Snowden, acting deputy secretary of resources and social policy group, Deborah Brown, director of financial management, Joyce Bill, director of finance at the Social Security Agency (SSA), and Paul Killen, from the analytical services unit in the Department for Social Development (DSD). Are you leading off, Ian?

Mr Ian Snowden (Department for Social Development): Deborah will lead off for us.

Ms Deborah Brown (Department for Social Development): Good morning. Thank you for the opportunity to update you on the 2016-17 position. We last gave you a presentation on this on 10 December, and there have been further announcements since. We continue to look at the departmental budget for 2016-17 and seek to finalise the allocations.

The 2016-17 Vote on Account is scheduled for the plenary sitting on 8 February, and the Second Stage of the Budget Bill is scheduled for the plenary sitting on 9 February. As the Main Estimates and Budget Bill are prepared to pass the Assembly after the start of the financial year, there is a Vote on Account, and, usually, that is for 45% of the year's provision in the February Budget Bill. This year, it will provide 60% due to the creation of the new Departments. This will ensure the seamless continuation of services and the flow of cash to Departments until the Main Estimates in the Budget Act — the balance of the resources required — are presented, debated and passed by the Assembly, usually in June. This is just a total figure for resource and cash requirements and does not go down to the level of detail that we are discussing today. The Department of Finance and Personnel (DFP) has stated that full flexibility will be provided in June monitoring to adjust the budget allocations as required and changes can be made until this date. This means that we are not restricted by the normal de minimis rule of £1 million, which presents the risk that, when you surrender money in one area and bid for it in another, the bid is not met.

The Department will take on board the Committee's comments today and include them in its presentation to the Minister. We will report to the Committee on our agreed position. Business areas and the arm's-length bodies (ALBs) will then be notified of their 2016-17 budget allocations to ensure that they can be spent from 1 April 2016. However, it should be noted that the incoming Minister for Communities will take up post on 7 May and that he or she could change the decisions that are taken now on the 2016-17 budget allocation.

As we still have significant work to do before we agree a strategy and present proposals to the new Minister, we are not in a position today to provide detailed analysis and concrete proposals to achieve the savings that are required. However, we will outline the scale of the cut, the other pressures that have to be managed and our proposed strategy to address the total savings required.

As outlined in the briefing paper, the Department has already absorbed £63 million of cuts in 2015-16. In addition, £18 million must be found by other areas to reinstate the SSA budget, which was redistributed to other areas during 2015-16. You may be aware that the spending review settlement reduced the Northern Ireland budgets by 5·3% overall in real terms over the four years to 2020. However, as agreed by the Executive on 17 December, in the 2016-17 Budget, additional resource funding was provided to the Department of Health — £133 million; to the Department of Education — £40 million; to the Department of Justice — £15 million; and to the Department for Regional Development — £20 million. That left the Executive with a pressure of £263·2 million, and that required the remaining Departments to find a cut of 5·7%.

As you are aware from our previous briefing, we requested that housing benefit rates, the social fund, welfare reform and Supporting People all be protected from the cuts. However, only the social fund and housing benefit rates were protected. After the removal of those two areas from the budget, the 5·7% reduction equates to £25·7 million. We placed a number of bids during the 2016-17 exercise, but they were not met. If we were to add them to the cut, that would increase the pressure that has to be met. We will seek our Minister's views on those that he wishes the Department to try to manage.

You will see in the briefing paper that one of the pressures detailed relates to the Lagan dredging, and the Committee was particularly concerned about that at our last session. We now have a draft report that suggests that we may be able to delay the dredging until 2017-18. However, we will have to consider the consequence of that in the context of possible further cuts in 2017-18. We are hopeful that the £20 million bid for welfare reform will be met, and our Minister has written to the Finance Minister on that issue. We also have savings coming out of the exit scheme. In 2015-16, due to the timing of those exits, we have saved approximately £3 million, and we anticipate that it will generate savings into 2016-17 of approximately £6 million. However, we have pay and price pressures to incorporate on top of that. At this stage, they are estimated to be about £5 million, but we are working our way through those figures and testing some of our assumptions on pay and price increases. We will also need to consider the impact of a cut being levied against Supporting People. As you know, we bid for additional money for Supporting People and have asked the Housing Executive, when considering various scenarios, to look at what the implications of protecting the Supporting People budget would be. That will be considered in the wider DSD budget.

If we assume that we will meet the pay and price pressures and bids not previously met on, for example, the social enterprise hubs, the women's childcare centres and the Charity Commission, for example, we estimate that we will probably need to find somewhere in the region of £31 million. You should note that we have not planned to budget for the advice centres or the increase in women's participation in community development, on the assumption that they were included in 'A Fresh Start' and will be provided by the Executive. Our Minister has written to the Finance Minister on that issue.

It will be for our new Minister to state his or her priorities, but our proposed strategy is to levy a 5.7% cut against SSA, which would equate to £11.7 million. That would be found from a combination of staff, general administrative expenditure (GAE) and other costs. We will look to achieve staff savings of, possibly, around the £1 million mark in the rest of the Department. However, we must be mindful of the fact that there is no exit scheme in 2016-17, so the only mechanism to achieve savings from staffing will be through natural wastage and the possible redeployment of staff into the welfare reform new business. We will have to be very careful about what can be achieved from staff savings in 2016-17.

We will examine all budgets to identify any cost efficiencies and savings across areas to identify where cuts might be made to some projects. We will look at areas in which we could make cuts but where activity could be ramped up again in the event that we made additional savings elsewhere. Those areas are in consultancy, marketing and promotion. We also have some areas that could contribute to the cut. We see possible reductions in the social housing reform programme consultancy and with the closure of Ilex. The opportunities for reduced requirements in the Department are very limited. Work continues to assess the amount of the savings required and the options that will be presented to our Minister. We are mindful of the need for organisations to have confirmed budgets to allow decisions to be taken in advance of 1 April 2016, and we hope to be in a position to confirm the 2016 budget allocations by the end of February.

Our briefing paper outlines the capital position. You will see that DSD has been allocated £216 million of capital. That is in addition to £11 million of financial transactions capital, which is for the affordable home loan fund, and £4·75 million of Together: Building a United Community (T:BUC) funding was allocated to housing for mixed tenure loans. Although that is less than what we had bid for, we will, first, meet the inescapable projects where there are firm, legal and contractual obligations, and the Minister will then consider the options for the remainder of the allocations, looking at those listed under the high-priority and desirable categories. We have listed some of those areas, including the social housing development programme, the capital investment in Housing Executive housing stock, the affordable warmth scheme, the boiler replacement scheme, additional funding for urban regeneration projects and investment in new and renovated social security offices. The allocation also includes £94 million of receipts, and, of course, if those receipts are not realised, it will reduce the spending power on capital. Of that £94 million, £79·5 million relates to housing across house and land receipts, Housing Executive loan repayments, and housing association grant and loan repayments; £14·3 million is for social fund receipts in the SSA from crisis loans and funeral loans; and half a million pounds is for urban land sales.

That is an outline of the current position for the Department. We are happy to take any questions that the Committee has at this stage.

The Deputy Chairperson (Mr F McCann): Thank you very much, Deborah. Ian, do any others in your team wish to speak?

Mr Snowden: No. We will take any questions that members have.

The Deputy Chairperson (Mr F McCann): OK. Before I bring members in, I have to say something. Very rarely do we get Paul coming to the Committee, and I have to say that I enjoy the housing bulletins and all the other information that is provided by the analytical services unit.

Mr Paul Killen (Department for Social Development): Thank you very much.

The Deputy Chairperson (Mr F McCann): It is well worth reading any information that it provides.

I will start. A number of members have indicated that they have questions. What areas does the £100 million Fresh Start outworkings bid that was met encompass? How is that different from the £20 million welfare reform bid that was not met? When are you likely to receive written confirmation that the £20 million will be allocated through the June monitoring round?

Ms Joyce Bill (Social Security Agency): Effectively, the £100 million includes £75 million for Professor Evason, which was reflected in the draft Budget. It also includes £25 million of additional money for fraud and error that was included in the Fresh Start Agreement. The £20 million bid for welfare reform is outside that. We bid for that as part of the draft Budget process. It was not included within the Budget. As for when we expect to get clarification or confirmation, that is a matter for the Finance Minister. We continue to engage with DFP on that bid and are very hopeful that it will be given priority in June monitoring.

The Deputy Chairperson (Mr F McCann): Thank you very much for that.

Have you had any feedback from the Housing Executive that it can protect its Supporting People budget within the funding allocation for regional services? You stated that this may require the Housing Executive:

"to reduce the number of staff employed in its Regional Services directorate and cut some of the other strategic housing programmes."

Do you have any more detail on that? Are those savings deliverable in the time frame?

Mr Snowden: The Housing Executive finance people are working through the scenarios on that, one of which includes protecting the Supporting People budget. Broadly speaking, the Housing Executive has put the position to us that it essentially spends money on two things: mainly, the Supporting People programme; and the people it employs. Clearly, if the Supporting People budget is to be protected, it means that more pressure falls on the staffing levels. We want to get into a detailed discussion with them. We have not worked our way through all the work at this point about how much capital budget might be available and what the staffing reductions in the Housing Executive might be to try to protect the capital programme delivery. There are important considerations. It is a complex piece of work that is still under way.

The Deputy Chairperson (Mr F McCann): It sends out difficult messages, especially to organisations like the Department and the Housing Executive. In many ways, they have been cut to the bare bone and expertise has been lost. I know that it places you and those at the front line who provide essential services in the community in a very difficult position.

Given that it is possible that the Department may be advised that dredging the River Lagan cannot be delayed until 2017-18, will you remind the Committee of the likely cost that the Department could be required to meet in 2016-17? In addition, when you look into some of the stuff about the dredging, you see that it needs to be done continuously. Would that have an impact on flooding levels for people who live beside the Lagan?

Mr Snowden: The cost is estimated at a bit more than £3 million. At the minute, we are getting a report done. You need a licence to dump the dredged material out at sea, so environmental reports have to be produced for the Environment Agency to get the licence for that. That is the position that we are in at the minute. Also, with the salmon runs, the work has to be done at a certain time of the year. So, there are timing considerations, and it all falls within one financial year and does not straddle the March/April boundary.

The role of the Lagan in the flood defences in Belfast is that, if a large amount of storm water run-off is expected, the barrier will be reduced, the level of the Lagan will be allowed to fall down, and it acts as a kind of catchment basin for the storm water run-off. Obviously, if the Lagan is not dredged, the amount of space inside the river itself is reduced, so that does have an impact on the flooding response.

The Deputy Chairperson (Mr F McCann): Will this be monitored? I know that it is a big concern for people in the east and south of the city who have suffered in the past through severe flooding.

Mr Snowden: Clearly, it needs to be done fairly soon — either this year or next year. It cannot be delayed beyond that.

Mr Beggs: I would like to raise the issue of the £20 million for welfare reform not being included. Is that for staff training or a new IT system? What exactly is the £20 million that has not been provided for?

Ms Bill: Effectively, this £20 million is to cover the raft of projects associated with welfare reform, including measures such as universal credit (UC), the personal independence payment (PIP) and the replacement for the social fund. Effectively, it covers staffing, training, IT and contractor costs. It covers that vast raft of what is required to deliver the new benefit systems.

Mr Beggs: This is essential; it is not optional. It must happen.

Ms Bill: Yes, this is essential.

Mr Beggs: If this is essential, why have you brought forward a budget that does not deal with it?

Ms Bill: We have bid for the money to the Executive, and we have been told that it will be looked upon as a priority in the June monitoring round.

Mr Beggs: But you need this to happen now. You need to sign contracts now. You need the training to happen. You need the IT system in place. People cannot suddenly magic a new IT system in June or July.

Ms Bill: A lot of the IT systems that we are using are DWP systems.

Mr Beggs: Yes, but we have just had a briefing on the mitigation packages. Is that being paid for separately?

Ms Bill: The mitigation packages for the UC flexibilities are included in the Fresh Start money.

Mr Beggs: So, the IT system for the mitigation is paid for, but other changes for welfare reform are not paid for.

Ms Bill: We have some money for welfare reform; in fact, the Department has around £36 million that has been allocated for welfare reform, but we need additional funds to deliver the full ambit of what is required. We have bid for them as part of the draft Budget, and we are continuing to engage with DFP on that matter. Hopefully, we will get a conclusion in the June monitoring round, and we have been told that it will be viewed as a priority.

Mr Beggs: The £5 million Supporting People budget for specialist housing support has not been met. There is mention made of regional services. Are we talking about central headquarters losing staff, or are we talking about affecting front-line services? What exactly would be the impact if the £5 million is not met?

Mr Snowden: The Supporting People bid?

Mr Beggs: I know what Supporting People is about, but what would the impact be if the £5 million bid is not met? Would the whole system go?

Mr Snowden: The £5 million bid was to do with the fact that there had been no uplift in the contractor amounts paid to the people who provide the Supporting People services for several years. Obviously, that bid has not been met, so we will have to look at extracting more efficiencies out of the delivery.

The staff in the regional services part of the Housing Executive are based in headquarters but also in regional offices of the Housing Executive, where they administer the grant schemes, such as the affordable warmth and boiler replacement schemes and housing benefit. They are all front-line services in the sense that they deliver funding programmes and benefits to the customer.

Mr Beggs: There is an increase to the minimum wage. There are rates increases. There are some completely inescapable costs. How do you get savings out of that?

Mr Snowden: There are no standardised costs for the same service in the Supporting People programme — the Committee received a briefing on this, I think, in the past couple of weeks — so organisations providing equivalent services might be paid at different rates. So, there are opportunities to standardise the payment rates and so forth, which might help us to extract a little bit of efficiency out of it. However, the impact of the national living wage, which takes effect from April, will continue over a number of years, and there is no question that Supporting People providers will be under some pressure as a result.

Mr Beggs: You have indicated that, through the voluntary exit scheme (VES), you have reduced your staff by about 300 people over the past year, which will bring savings for this year; but you also indicate that there are further pressures coming the following year, and, if nothing else, the Lagan will need to be dredged, if not this year then next year, or there will be flooding — and you seem to be putting a certain amount of doubt there. However, you said that there are no plans for a further VES during the next financial year. I thought that £200 million a year was provided for such a scheme. Was there not further money to enable other people to opt to leave voluntarily?

Mr Snowden: There is £200 million for one year — the current financial year — not per year going forward.

Mr Beggs: I thought that there was £700 million —

Ms Brown: You net into future years. There was £200 million in the first year and then £100 million —

Mr Beggs: It is £100 million in subsequent years. Are there not moneys available during this year so that there will be savings and so that other inescapables can be looked after in subsequent years?

Mr Snowden: There is not a Civil Service scheme. There are schemes for other public services; the Housing Executive, for example, will be having a voluntary exit scheme for the next financial year. The Education and Health Departments will have schemes but the Civil Service will not.

Mr Beggs: Why are you not looking at that? Is that not an area where we need to get savings? Where are the savings going to come from?

Mr Snowden: Joyce has alluded to one of the issues, which is that we have to implement the welfare reform changes. The Department could have released a lot more people under the voluntary exit scheme in the current financial year, except for the fact that we knew that we have to take on extra staff in order to implement the welfare reform changes. There is an additional staffing requirement for that. It would have been completely nonsensical to use public money to let staff go and then recruit other staff to take their place. We have approached this from the angle of saying that instead of letting staff go, we will transfer the staff that we currently have into the work on welfare reform. That is how the staffing reductions are to be achieved. As the paper says, that is the only mechanism that is available to us. There are issues around the timing of those changes, how they are introduced, the number of staff, and the grade mix and so forth, which will affect how much we are able to do. Our estimate at the minute is a fairly conservative one about what we think we might achieve. We will try to do the maximum, but there is still work to be done around the planning and the details of the welfare reform changes and staffing requirements.

Mr Beggs: Finally, the commitments on the social enterprise innovation hubs and the women's centres childcare fund are not being met. Are other funds not available? I thought that there was underfunding of a £12 million childcare scheme, although I know that that was an OFMDFM scheme. Are you bidding for funds from other schemes that have not been utilised?

Mr Snowden: The childcare strategy is an OFMDFM strategy. The intention with the women's centres childcare fund originally, in 2007 or 2008 when it was introduced in DSD, was that it was to be an emergency measure between a European funding programme ending and the childcare strategy being agreed, and it has continued since then. The childcare strategy will not be implemented in the coming financial year, but we expect that it will be implemented from 2017 onwards. The money that we are looking at there is a one-year pressure while the childcare strategy is introduced. That is why we are putting the funding in to keep those projects going. The social enterprise innovation hub was a Delivering Social Change initiative. We had bid for £1·5 million, but we reached an agreement with DETI that, if we can find £750,000 of it, we will share the cost.

Mr Campbell: I want to ask about cost savings. Maybe I missed it, but the printout that we have for all the Departments shows that DSD has had a considerable increase in administration costs. Is that down to the welfare issue?

Mr Snowden: Some specific projects are included in that. For example, the social housing reform programme had quite a large set of consultancy expenditures to do with what is called the asset commission. Several million pounds was spent on a stock survey of Housing Executive stock. There are some issues related to welfare reform in there too. There are some additional one-off costs. If you were to strip all those out and look at the baseline of the administration costs, you would see that, like in other Departments, they have been pushed down over that time.

Mr Campbell: Does that mean that, say in 12 months or 24 months' time, hopefully if there are no more one-off projects, you will start to see reductions similar to other Departments?

Mr Snowden: The welfare appeals are also included in these administration costs. If the introduction of welfare reform means that there is an increase in the number of appeals against decisions, you could still see those costs increase because of that one specific requirement growing as well. Administration costs in that table include everything that is not front-line delivery; that might be back office-type work and policy development work. That would include things such as the appeals service, which you might not necessarily automatically consider to be an administrative cost in a straightforward sense.

Mr Campbell: I can understand that, but if you take that out of the picture, is there anything particularly exclusive to DSD that would not be applicable to other Departments to show a considerable increase when you look at other Departments showing modest or considerable reductions?

Mr Snowden: Those things are all specific to DSD. The appeals service is a DSD issue.

Mr Campbell: Yes, I meant apart from it.

Mr Snowden: The social housing reform programme is also specific to DSD, since we are responsible for social housing.

Mr Campbell: It appears to me that, from your reference to appeals, that is likely to be not only an ongoing cost but possibly an increasing cost. Is that probable?

Mr Snowden: It could be. I suppose that the issue at this point is quite difficult to predict. It is one of those things. We can make a certain number of assumptions, but they might be out slightly on either side. So, we will have to wait and see how the thing works out to know precisely how it would materialise.

Mr Allister: Can I ask you about the £25 million to tackle fraud and error in welfare? Is that departmental expenditure limit (DEL) funding or annually managed expenditure (AME) funding?

Ms Bill: That is DEL funding.

Mr Allister: If it does not achieve the anticipated savings, does the Department or the Executive in general have to fund the unachieved savings?

Ms Bill: I do not know the answer to that, Jim. The position as set out in the Fresh Start Agreement is that we were given the £25 million ring-fenced funding. The access to the share of the AME savings was on the basis that we would engage with the Office for Budget Responsibility (OBR) and that it would be content that how the AME savings were being measured was consistent with how forecasts for DWP were produced. The position at the minute is that we are starting our programme of engagement with OBR, and I cannot comment on the savings and the access to those savings until that programme is finished.

Mr Allister: So that we are clear: £25 million was given to try to find that quantity of savings in terms of error and fraud. If that £25 million comes our way, but we do not make those savings, and we make savings of only £5 million, what I am really interested in is whether we have to make up the shortfall, having been given the money to attain those savings.

Ms Bill: I do not know the answer to that question. That was part of what was agreed in the discussion between DFP and the Treasury.

Mr Allister: If we had to do that, would it have to come out of our DEL funding?

Ms Bill: I do not know the answer to that question. What I will say is that the £25 million is effectively based on three things. We are looking at sustaining levels of fraud and error at their current low levels. We are also looking at achieving additional fraud and error savings. It also includes some work in respect of debt transformation and critical activities related to —

Mr Allister: So, when do you expect that to crystallise in your discussions with the OBR?

Ms Bill: We are starting to engage with the OBR, and we will take that forward with DFP. We hope to get that concluded in the coming weeks and months.

Mr Allister: Can I ask you one other thing? You said that the gross capital budget is £216·1 million and that, with certain add-ons, it stretches to £231·9 million. We had a briefing last week that said that the total spending power of the Department on capital would be £253·6 million; in other words, £159·7 million plus £94 million from capital receipts. How do you reconcile those figures?

Mr Snowden: Is your briefing from the Department?

Mr Allister: Assembly research.

Ms Brown: That is the full DFC capital budget not the DSD element.

The Deputy Chairperson (Mr F McCann): It is page 15 in the tabled items.

Mr Snowden: The budget that we have referred to in our paper is the budget for the DSD functions transferring into the Department for Communities. It may be that the figure that you are quoting, though I do not have the paper in front of me —

Mr Allister: It is for the new Department.

Mr Snowden: Yes, the budget for the new Department for Communities.

Ms Brown: I recall that about £20 million of capital is DCAL's capital, but I do not have the figures with me.

Mr Allister: That explains it.

Ms Brown: That is probably the difference.

Mr Allister: You told us that £79·5 million of the £94 million in capital receipts comes from housing. Is that from housing sales?

Mr Snowden: House sales are part of it. The Housing Executive has a longstanding loan, which it has to repay in bits every year, and the housing associations repay grants if they sell properties that have been funded from —

Mr Allister: Yes, but the £79·5 million is all from house sales, is it?

Mr Snowden: No, it is not.

Mr Allister: You gave us a different figure for Housing Executive loan repayments.

Mr Snowden: The £79·5 million includes house and land sales by the Housing Executive, although the number and value of those has decreased significantly over the past few years.

Mr Allister: What is your expectation on house and land sales?

Mr Snowden: It is £12 million.

Mr Allister: What is the balance? What is the £67 million?

Mr Snowden: That comes from the Housing Executive's loan repayment. I do not have the figure in my head just at the minute. It was £50 million this year. It is a sizeable sum next year as well. It is declining, but it is still a sizeable sum. Then, there are repayments from housing associations of housing association grants. When they sell a house under the house sales scheme that has been funded by a grant, they are liable to repay the grant to the Department. There are also other loan repayments coming in next year.

Mr Allister: Are any of the component parts of the £94 million speculative?

Mr Snowden: I suppose that, until the sale is agreed, all of it is estimated. It is not confirmed until sales are agreed. There is the possibility that some of it may not materialise.

Mr Allister: And if it does not?

Mr Snowden: The spending power on capital budgets is decreased, and we are able to spend less money.

Mr Allister: Obviously. What suffers?

Mr Snowden: The lowest-priority projects on the list that have been agreed with the Minister will be *[Inaudible.]* would have to be delayed until the following year.

Ms P Bradley: I want to pick up on a point that Roy made about funding for women's childcare centres. It has probably already been answered. I know that, in Question Time, the Minister responded to a question from Mrs Kelly and a supplementary from me by saying that he had committed to finding the money for this financial year. We hope that the childcare strategy will be implemented at some stage in the near future. As we go forward to the Department for Communities, which I hope that this will fall into, is there any planning for that essential funding in the future in case the childcare strategy is not in place? We have had the women up here before us on occasions. We have been lobbied as individuals by the women's centres. I know the good work that they do. It is about making sure that that is kept at the forefront as we go ahead. You answered the majority of that question in response to Roy.

Mr Snowden: Funding for the women's centres childcare fund has never been included in the Department's baseline, so it is something that we have had to fund by actively managing other costs down a bit. If the childcare strategy is delayed further, I suppose that we will be in the same position this time next year.

The Deputy Chairperson (Mr F McCann): Do any other members wish to ask questions? If not, do you have anything else that you wish to say, Ian?

Mr Snowden: No, not at this point.

The Deputy Chairperson (Mr F McCann): Thank you very much for your presentation.