DRAFT BUDGET 2015-16:

DEPARTMENT FOR SOCIAL DEVELOPMENT SPENDING AND SAVINGS PROPOSALS

4th December 2014

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Introduction

1. DSD's vision is to 'help people change their lives for the better', working with our delivery partners to tackle disadvantage and build sustainable communities. Through major programmes such as social security, housing, supporting people, neighbourhood renewal and urban regeneration, our focus is on initiatives that tackle disadvantage and promote social prosperity and, which make our towns and cities more attractive places to invest in and visit**.**

2. The NI Executive's 'Draft Budget 2015-16' was announced by the Minister for Finance and Personnel on 3 November 2014. The Executive's Draft Budget provides proposed departmental current expenditure and capital investment allocations for the one year Budget period. To allow Ministers time to make decisions on their own priorities, the proposed allocations were presented at an overall departmental level. The announcement of the Draft Budget triggered the commencement of public consultation period, the closing date for which is **29 December 2014**. A copy of the Executive's *'Draft Budget 2015-16'* can be accessed on the Budget website: www.northernireland.gov.uk/budget.

3. The purpose of this paper is to set out an initial assessment of the impact of the Draft Budget on the Department for Social Development's (DSD) spending for the 2015-16 year. It also contains details of DSD's savings proposals. The public consultation period on the Department's spending and savings proposals runs concurrently with the public consultation on the Executive's Draft Budget.

4. All Business areas across DSD, i.e. the Social Security Agency, Child Maintenance Service, Housing services (including the NI Housing

Executive) and Urban Regeneration will be affected by the recently announced budget reductions. It is important to note that this Budget does not cover benefits actually paid to claimants.

5. The Department has considered a number of options to address the significant budget cuts which have to be delivered in 2015-16 and the proposals in this document present a balance across competing priorities.

6. This document is available in a range of formats on request. Please contact us with your requirements on 028 90 829478 or by emailing consultation@dsdni.gov.uk.

Consultation Arrangements

7. The Department will consult with the Assembly Committee for Social Development in agreeing its spending proposals. This document will be published on its website: www.dsdni.gov.uk and the consultation process will commence with key stakeholders.

8. Work is ongoing to develop savings plans which will be published on the Departmental website too.

9. DSD welcomes interest and comment on any aspects of this document. Interested parties are encouraged to make responses by the consultation closing date of **29th December 2014.**

Contact Details

10. You may wish to make representations to the Department directly or to the Assembly Committee for Social Development. In the case of the Department, please send written responses to:

Budget Consultation
Financial Management Directorate
Department for Social Development
Lighthouse Building
1 Cromac Place
Gasworks Business Park
Ormeau Road
BELFAST
BT7 2JB

Alternatively you can contact the Department by email at:
consultation@dsdni.gov.uk

DSD's Draft Budget for 2015/16

Revenue

11. The proposed resource budget for DSD amounts to £654m.

12. This is intended to cover the administration of Social Security, Housing, Urban Regeneration and the Child Maintenance Service. It also includes a ring fenced amount of £125m for Housing Benefits Rates.

13. The total budget has been reduced by £64.8m which, after adjusting for the ring fenced Housing Benefit Rates issue above, represents a cut of 12.3%.

14. In addition to this significant reduction in funding, the Department faces a number of recurrent pressures which are unfunded such as pay and price. Taking account of these pressures, savings totalling some £79m have to be made in year in order to balance income and expenditure.

Capital

15. The proposed capital budget for DSD is £119m. This is to cover investment in existing social housing, building new social housing, disabled facilities grants, energy improvement schemes, urban regeneration and SSA capital requirements for a range of capital programmes including the maintenance of social security buildings.

16. The budget is some £17m lower than the capital budget for 14-15.

17. The overall (capital and revenue) position is summarised below

	2014-15 £'m	2015-16 £'m
Net Current Expenditure **(Excluding ringfenced Housing Benefit Rates and non-cash budgets)**	528.0m	463.2m
Net Capital Investment	136.7m	119.3m

Developing a savings strategy

18. In 'helping people change their lives for the better' the Department seeks to:

- Contribute to tackling poverty and social needs experienced by the most vulnerable in society, bringing divided communities together and encouraging social responsibility;

- Create urban centres which are sustainable, welcoming and accessible to all to live, work and relax in peace; and

- Build the foundations for a shared future through access to decent, affordable, sustainable homes and housing support services.

19. Inevitably, the people who benefit most from the services of the Department are those most in need and the level of reductions are such that adverse impacts on services cannot be avoided.

20. Delivery against these strategic objectives within the proposed budget therefore needs to take full account of a number of factors including:

- the need for the Department to take what steps it can to make sure that persons and families including the most vulnerable in our society are protected from the harsher affects of the budget cuts;
- the important contribution that child maintenance makes to tackling poverty and improving life chances;
- the continuing economic conditions, the subsequent demand for the safety net of the social welfare system, services to help people back into employment and to support those who are unable to work;
- continuing and increasing housing pressures arising from fuel poverty, poor housing conditions and the risk of homelessness; and
- the need to support and help regenerate disadvantaged areas and communities.

21. In agreeing proposed allocations for the Department's business areas and Non-Departmental Public Bodies, the Department considered its Departmental priorities, representations from all areas and the achievability of savings.

22. To help guide where reductions should fall, the following priorities were agreed with the Minister:

- Within the constraints of the budget, we should seek to provide an acceptable level of service in discharging our statutory responsibilities

- we should seek to protect as far as possible the level of support available from the Social Fund, and the support available to help people to continue to live independently in their own homes (Supporting People)

- management and administrative overheads should be kept as low as possible, so that frontline services are sustained as far as possible

- where alternative sources of finance exist for specific services these should be considered in order to ensure we get the most out of the departmental budget that is available, for example Financial Transactions Capital (FTC).

Capital

23. The Department is facing a £17.1m reduction in its 2014-15 capital budget which is effectively a 12.5% cut. In addition the Department faces a number of new and emerging pressures which require consideration.

24. A number of capital proposals have been put forward by each business area within the Department. In determining the way forward, the following priorities were agreed with the Minister:

- honour existing capital commitments;
- in Housing, strike an appropriate balance between meeting the needs of new and existing tenants;
- sustain our investment in fuel poverty;
- exploit the potential of other funding sources; and
- sustain urban regeneration investment as far as possible.

Savings proposals

25. The overall net resource saving the Department will have to make is £64.8m which will be increased by the unavoidable internal pressures being faced by the Department in terms of pay and general price increases, increases in demand led benefits and a range of reform initiatives. Taking account of these the total recurring savings required amounts to £79m.

26. The Department continues to thoroughly review its expenditure to determine where the required level of savings could be delivered while

minimising the impact on frontline services. It is however inevitable that a budget cut of this magnitude will have a detrimental impact on the services DSD provides. Once final decisions on the Savings Delivery Plan are taken, it will be published on the Departmental website.

27. The basic question is whether the proposed savings are allocated to business areas on a straight pro rata basis or how far steps can be taken to protect frontline services. As indicated above, the Minister has determined that we should protect vital programmes which target the most vulnerable households such as Supporting People and the Social Fund. The Department must also be in a position to implement any reform changes as and when they are introduced.

28. The current proposed savings across business areas are summarised in the paragraphs below.

SSA

29. The opening baseline budget of the Social Security Agency (prior to reduction) amounted to £246m. This included some £36m allocated specifically for Welfare Reform and £19m for the Social Fund. The balance of £190m represents the amounts available to the Social Security Agency to assess and make payments to pensioners, the disabled and those out of work as well as delivering benefit uptake and protecting public monies by reducing fraud and error in the benefit system and recovering debt.

30. Should Welfare Reform be agreed, there will be a considerable increase in the volume of work as there will be a period of time when the new and legacy social security systems will be running simultaneously and claimants are transitioned between the benefits. Over time the £36milllion allocation will be fully utilised and indeed further bids for resources will be required in future years. Reducing this budget would therefore represent a false economy as savings cannot be realised on a recurrent basis.

31. With regard to the Social Fund, this represents financial support for the most vulnerable in our society. It is demand led and the Department is not able to control or influence the demand, nor would it be justifiable to do so. This funding will also form the budget for the future Discretionary Support Scheme.

32. The Department therefore proposes to protect the current budget for the Social Fund and sustain it at current levels. No savings on this budget will be levied.

33. With regard to other Departmental services, savings on the balance of expenditure (£190m) of the SSA cannot be avoided. Whilst the proposals will not impact on the benefits actually paid to claimants, the level of service delivered will inevitably be impacted. It is proposed that this budget is reduced by £28m (15%) for 15-16.

34. Early estimates are that a £28m budget reduction will potentially lead to reductions in the funding for around 650 posts. This reduction could be partially offset by 300 new posts which would be required to take forward Welfare Reform. The overall reductions will impact services and lead to increases in claims clearance times as well as the processing of change of circumstances. In addition, financial accuracy rates will also reduce and this could lead to increased rates of fraud and error and debt. The impact on the local network of Jobs and Benefits offices is currently being assessed.

35. In order to meet in year pressures, the Department will make a further net adjustment of £13m from the SSA budget. This will be made on a one year basis to meet in year pressures and provide some lead in time in areas to prepare for the longer term implications of the cut. As we go into the next spending review period in 2016/17, this funding will then revert back to the SSA. This funding will be available to the Department in 15-16 only because of continued delays in Welfare Reform and the fact that

some costs will only be incurred in the period following the passage of legislation.

NIHE

36. The current proposal is that the allocation (exclusive of loan repayments) to the running costs of the NIHE should be reduced by £24m in 2015-16. This will be managed across both the landlord and regional activities within NIHE. Savings of £24m represent approximately 15% of the current allocation to NIHE.

37. The Housing Executive has been working on, as part of its 'Journey to Excellence' transformation programme, a restructuring programme which could allow the early release of funding for up to 300 posts. This would reflect improved ways of working and empowering staff to deliver services within flatter structures. This should provide around £11m of managed and planned savings. This is predicated upon the availability of a voluntary early release scheme that was requested by NIHE earlier in the year and is currently awaiting DFP approval.

38. The balance of savings to be found within the landlord service will be a matter for the NIHE. The NIHE is currently considering how best to address the proposed reductions.

39. With regard to the regional housing authority activities, the NIHE has produced a number of proposals some of which will release savings with limited impact on services through, for example, the release of flexibility in existing budgets. In line with ministerial priorities it is proposed to protect the Supporting People budget and to maintain it at its current level.

40. Other proposals relating to reductions in the level of funding for posts within the regional function will present greater challenges in terms of maintaining customer services. For example, delays in processing Housing Benefit claims will impact significantly on payments to customers and

landlords and could adversely impact the financial stability of some landlords. Reductions in funded posts for the grants organisation will slow down application processes for various grants including, for example, disabled facilities grants and the new affordable warmth schemes. It will also impact the delivery of any new grant based initiatives that are planned in the future. Reductions in the funding available for posts will also impact the administration of Housing Association Grants and therefore the new build schemes administration.

41. The proposals will require reductions to the cost base of the organisation. In total, savings of some £11m will be required from the regional housing authority part of the NIHE.

42. These proposals will impact on the funding available for posts within the Housing Executive and access to a voluntary exit scheme will be required. As noted above the Housing Executive is awaiting DFP approval for a Voluntary Early Release Scheme based on the planned early release of 300 posts from across the organisation (i.e. Landlord, Regional and Support Services). However, to meet the proposed budget reductions identified for Regional Services, the Housing Executive would need to reduce the funding available for posts, possibly in excess of 100. Not all the savings may be delivered at the beginning of the year and the savings programme will need to be bridged to allow time for further detailed planning to take place. In total, therefore, a reduction of over 400 posts may be required if savings targets are to be delivered.

CMS

43. The Child Maintenance Service is currently pursuing a major programme of reform which will fundamentally change the way its services are delivered. In addition to introducing the new approach, it must continue to deliver ‘business as usual’ services to existing families. In line with ministerial priorities, significant reductions in this budget would lead to

reduction in the monies being made available for children where parents have separated and who are unwilling to make their own arrangements for supporting their children. In line with Minister's priorities, it is proposed that this budget is protected.

44. Although CMS will be expected to deliver productivity savings these will be retained and redeployed to cover the cost of the introduction of the new system.

45. The productivity improvements will be the equivalent of circa 9% savings

46. The budget for this area will therefore be sustained at current levels and no savings will be levied.

Urban Regeneration

47. Cuts in Urban Regeneration will impact a range of funded programmes and posts. As one of the largest areas of funding is Neighbourhood Renewal, it is here where there is likely to be the most significant impact. It is anticipated that this funding will reduce by approximately £2.5m. It is also anticipated that up to 30 posts within the Department will be suppressed during the year with a further reduction of 145 posts in preparation for the transfer to local government in April 2016.

48. The approach to Urban and Community Development will be to reduce the impact on frontline delivery and prioritise funding to those projects which demonstrate most effectively their impact in lifting people out of poverty. Due to the level of reductions that need to be found, the cuts will be felt throughout the community and voluntary sector. The level of reductions will mean a decrease in the budget which is earmarked for transfer to Councils including Neighbourhood Renewal.

49. The approach in Urban Regeneration will be to prioritise funding for those projects which demonstrate most effectively delivery against the objectives of the programme. There will also be reductions in our support for community based organisations. Funding to support the sustainability of the sector going forward, including support for Social Enterprises, will be prioritised. Funding will also be prioritised to continue support for the Women's Childcare Fund and voluntary advice services in 15-16. This will be the final year of support for this initiative as this was an emergency initiative which was designed to be replaced by a child care strategy.

50. Funding that the Department provides to Ilex and Laganside functions will also reduce.

Departmental Expenditure

51. In addition to the savings being proposed for the Social Security Agency, the Department recognises that its own budget must bear a proportional share of the total budget reductions imposed.

52. The budget for the Department is largely accounted for by staff costs related to policy development, support to Minister, governance and other corporate functions.

53. In line with the Ministers priorities and the focus on maintaining management and administrative overheads to a minimum, it is proposed that core departmental budgets are also reduced by some 15% (£8m).

54. These savings will be achieved through a number of measures, for example suppression of vacant posts, achievement of efficiencies in management and administration. But again, inevitably, the quality of service delivered will be adversely affected. It is anticipated that there will be a reduction of around 75 posts.

Capital

55. The draft budget has allocated £119.3m to DSD for capital purposes. This is some £17m less than the budget for 14-15. On the assumption that capital receipts of £97.1m will be generated, the allocation will finance gross expenditure of £216.4m. Included in the £119.3m are ring fenced allocations for £2.3m financial transaction capital and £10m for shared neighbourhoods under the Together Building a United Community programme. These resources may not be utilised for other purposes and therefore the net budget available for all other priorities is £107m (plus the £97.1m receipts).

Capital Receipts

56. The breakdown of the anticipated capital receipts is set out below:

HAG Loan and Grant repayment	6.2
House and Land Sales	15.0
Loan Repayment (NIHE)	56.7
Crisis Loan Repayments	14.2
Urban Regeneration Receipts	5.0
	£97.1m

57. To the extent that these receipts are not generated in 15-16, expenditure would have to be curtailed.

Proposed Expenditure

58. There are a number of inescapable or contractual commitments which cannot be avoided. These represent the roll forward of commitments from last year or ring fenced funding for initiatives.

59. These include TBUC initiatives associated with shared neighbourhoods (£10m), Urban Regeneration contractual commitments (circa £15m), Crisis Loans (£16m) and other commitments largely associated with JBO accommodation (£6m). In total these account for some £47m, and represent a first call against the overall budget.

60. This leaves some £157m for redeployment, taking account of the capital receipts of £97m.

61. A key priority for the Minister is the upkeep and provision of social housing to meet need as far as possible.

62. It is now clear that there is a considerable build up of capital investment requirements in the existing social housing infrastructure. Too many people are living in unacceptable accommodation and this needs to be addressed. The Housing Executive has identified a number of priority investments which need to start next year. This will allow work to be taken forward on tower blocks and non-traditional housing including no fines and bungalows. In addition there will also be a range of other high priority developments. It is proposed to provide £10m of capital towards these initiatives (a further £3m resource will also be made available).

63. A budget of some £98m will be set aside for social housing new build and land purchases, this is similar to the budget for 14-15. This should provide for 1500 new starts in 15-16. The Department intends to bid for additional resources in order to deliver the current target for 2000 new homes.

64. Co-ownership has attracted significant additional resources through in year monitoring rounds in recent years. Indeed the 14-15 budget amounts to £50m against an opening allocation of £15m.

65. In light of this it is proposed to provide £10m in the opening budget for 15-16. This should provide for 330 new homes to be purchased. We will take opportunities to augment this through monitoring rounds. We will also wish

to explore whether we could access Financial Transition Capital (loans) to finance this programme. This would mean capital receipts paid by individuals, when they purchase greater shares in their home, would be used to pay back the FTC loans.

66. Addressing fuel poverty is an important priority for the Department. Despite the overall reduction in funding, it is proposed that the budget for the affordable warmth project is maintained at 14-15 levels at £16.5m.

67. It is also proposed that funding for disabled adaptations in the social sector is maintained at broadly comparable levels with 14-15. The Department would propose to make opening provision of £6m available for this purpose.

68. The funding available for private sector grants next year will have to be reduced from £13m to £10m.

69. The Department is currently pursuing a number of housing led regeneration initiatives under the Building Successful Communities pilots. These are progressing to master planning stage and it is proposed to set aside some £3m to provide for necessary capital investment in 15-16.

70. Some additional provision is required for vesting (£0.5m) and other programmes (£1.4m).

71. With regard to Urban Regeneration, the Department is very much aware of the intrinsic value of a range of public realm projects. In addition to the contractually committed and unavoidable sums referred to above, an additional £10m will be made available to finance a number of high priority projects next year. This will ensure £25m is made available in 15-16 on the basis of £5m receipts. Unfortunately this is lower than the amount available this year, (£33m) but it must be remembered that additional funding of £13.5m was made available in the monitoring rounds to this

programme in 14/15, which will offset the impact of the proposed reduction in 15-16.

72. Funding of £2.5m is being set aside for modernisation of SSA and the Appeals Service, and some £6m is allocated to JBO infrastructure projects. In summary, our capital proposals are as follows:

Capital Allocation

	£'m	£'m
Housing:		
New building social housing/ land purchases	98	
Co-ownership	10	
TBUC Shared Housing	10	
Capital Investment in Existing Stock	10	
Disabled adaptation	6	
Renovation Grants	10	
Building Successful Communities	3	
Vesting and Other Programmes, technical adjustments	4.3	
Affordable Warmth	16.5	
Housing Capital	**167.8**	
Urban Regeneration:		
Urban Capital	**25**	
Core Department and SSA		
Capital Projects	7.6	
Crisis Loan Payments	16	
Core/ SSA Capital	**23.6**	
Total Expenditure	**216.4**	
Total Receipts	**-97.1**	
Net Allocation	**119.3**	

Initial Equality Impact Assessment

73. Adverse impacts on the level and quality of services cannot be avoided given the scale of the necessary reductions. These proposals protect the most vulnerable in terms of maintaining existing budget cover for both the Social Fund and Supporting People. The Supporting People budget is used to support a number of Section 75 groups such as the elderly and disabled. It will negate the harsher impacts of the settlement for those in receipt of such funding. Protecting the Social Fund budget will also benefit some of the most vulnerable in our society.

74. In terms of social housing, the budget provides £95m for investment to build 1,500 new social homes in areas where need has been assessed by NIHE. This will include the elderly and young single parent families. Access to the new homes will be assessed by individual need as opposed to membership of a Section 75 group; therefore minimal impact on Section 75 groups is anticipated as a result.

75. Reductions in posts will be on a voluntary basis, so there are no apparent Section 75 impacts. The quality of services may fall but this will fall evenly across all Section 75 groups. We intend to carry out a more detailed assessment of the equality impact of DSD's budget reductions.

Annex A

DEPARTMENT FOR SOCIAL DEVELOPMENT – DRAFT BUDGET 2015-16

Current Expenditure (Excluding ring fenced Housing Benefit Rates budget & ring fenced non-cash budget)

	2014-15 Baseline £'m	2015-16 Final Budget £'m
Social Security Agency	246	205
Core	36	33
Child Maintenance Service	18	19
Housing Services	175	157
Urban Regeneration/Community Dev	55	52
	528	**464**

Note totals may not add due to roundings

Annex B

DEPARTMENT FOR SOCIAL DEVELOPMENT – DRAFT BUDGET 2015-16

Capital Expenditure

	2014-15	2015-16				
	Baseline £'m	Receipts	FTC £'m	TBUC £'m	Baseline £'m	Total £'m
Social Security Agency	4.8	-14.2	2.3	-	19.8	7.9
Core	-	-	-	-	1.5	1.5
Child Maintenance Service	-	-	-	-	-	-
Housing Services	102.6	-78.0	-	10.0	157.9	89.9
Urban Regeneration/Community Devolpment	29.3	-5.0	-	-	25.0	20.0
	136.7	**-97.2**	**2.3**	**10.0**	**204.2**	**119.3**

** Note totals may not add due to roundings*

-FTC – Financial Transaction Capital

-TBUC – Together Building United Communities